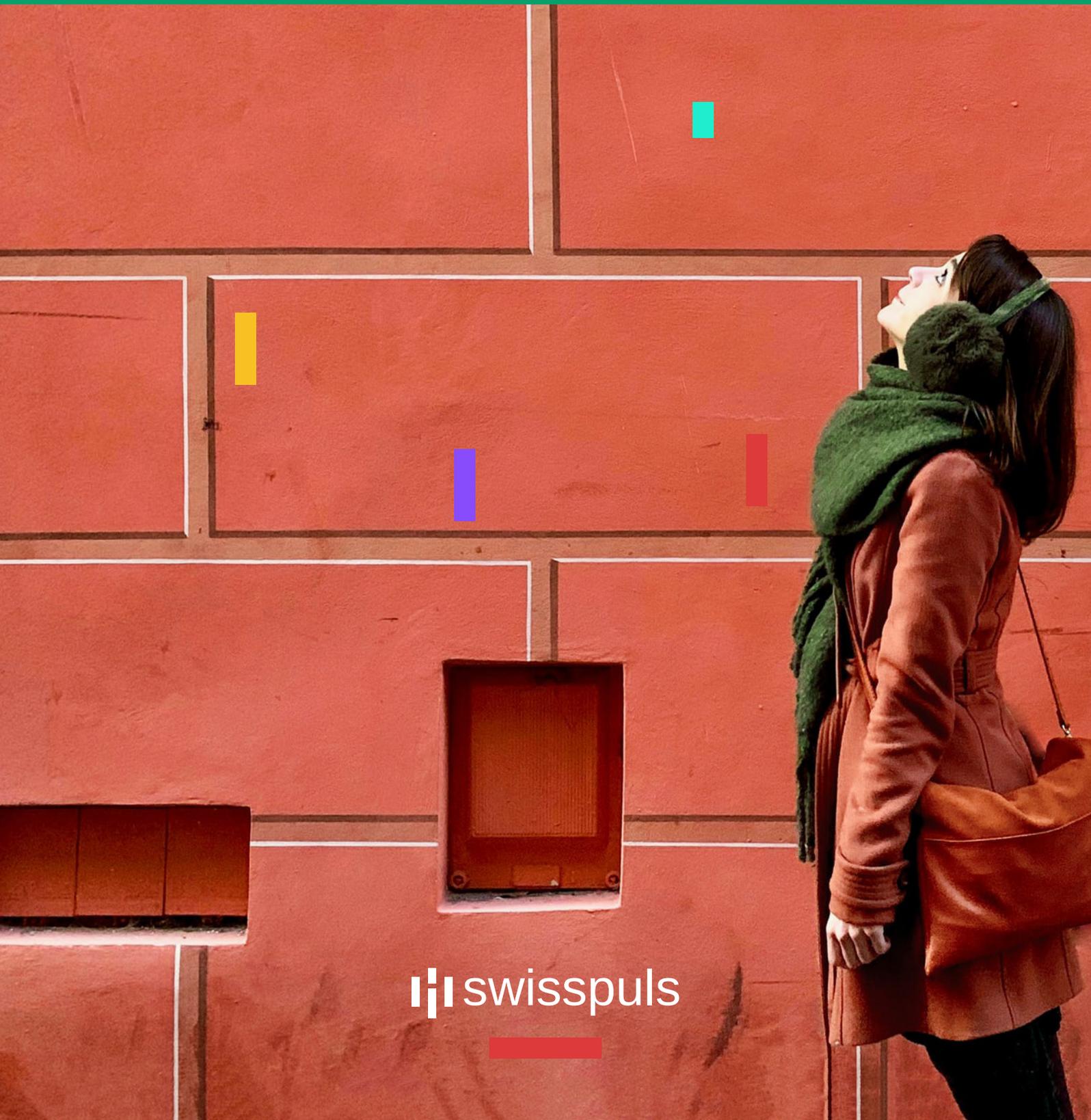


The 5 Talent Mistakes

Startups Make
And How To Solve Them



The 5 Talent Mistakes Startups Make And How To Solve Them

The Startup Problem Few People Talk About

Mistake 1:

Focusing Your Hiring On «Jack Of All Trades» Generalists

Mistake 2:

No Repeatable Hiring Process

Mistake 3:

Excessive Founder Reliance In The Recruiting Process

Mistake 4:

Hiring Too Many Friends

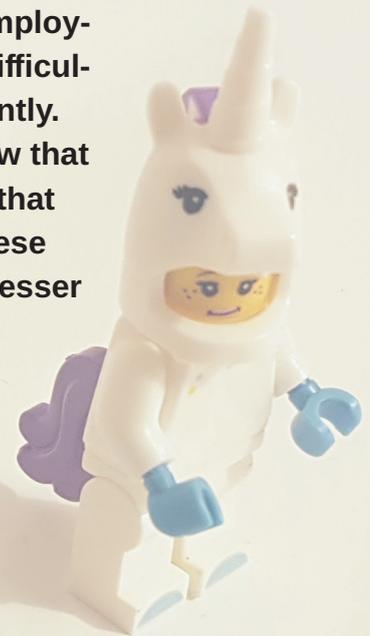
Mistake 5:

Failing To Tell A Compelling Company Story To Candidates

Scaling a startup company to unicorn status takes multiple ingredients. Many startup founders start by focusing their effort on their products. Others focus their effort on fundraising to keep the lights on. Yet, these ingredients will not add up to much unless the startup has the right mix of people. As the company grows in complexity, talent becomes more important.

A startup company with strong talent and culture can rebuild/keep growing for the long term. Startup companies with weaker talent may struggle to grow. In our experience, startup founders and CEOs

with 20 to 100 employees face these difficulties most frequently. Companies below that level and above that level will face these challenges to a lesser degree.



Mistake 1:

Focusing Your Hiring On «Jack of all trades» Generalists

The «jack of all trades» approach to startup talent is common in smaller companies where the companies seek generalists to perform a variety of tasks that would normally be fulfilled by specialists. This generalist mindset sometimes originates from founders who must wear multiple hats (i.e. switch between coding, customer support, and accounting tasks in a single day) to get the company off the ground. In the first year or two, this generalist approach can work well. However, it starts to break down as the company grows.

There are several costs to this mistake. First, employee burnout is more likely to happen because the staff will be stretched too thin. Higher levels of burnout can lead to more turnover. If the startup develops a poor reputation for working, future growth will become more difficult. Second, a «jacks of all trades» team may be more likely to make mistakes because they do not have the time and depth to solve problems correctly. Third, the company will miss out on recruiting the best employees who tend to be specialists in their profession.

A Swiss Startup Example

For example, a startup in Switzerland recently attempted to hire a technical professional with multiple areas of expertise. The company wanted a full-stack developer with Python and React expertise. However, the level of expertise they were looking for didn't resonate with candidates (i.e. candidates preferred more specialized roles). Ultimately, the solution turned out to be changing the recruiting process to recruit two technology professionals.



Solving The Problem

Solving the «jack of all trades» approach to startup talent requires a shift in strategic thinking. The old way of getting work done – asking everybody to pitch in on every problem – no longer makes sense in every situation.

Recognize the value of specialization. Start by recognizing that the era of wearing multiple hats at your company may be over. Once you recognize that reality, the next step is to think about your true talent priorities carefully. For example, are you under pressure to start earning revenue? In that case, hiring a small sales team is a good bet. If there are significant problems with the product's integrations, you might need a person to lead integration work.

■ Increase your recruiting success rate

Recruiting generalists capable of wearing many different hats is difficult! You can solve the jack of all trades problem partly by recruiting for quickly understood job roles like «Java Developer» or «Account Executive.»

■ Use outside expertise

When you have recruiting habits that no longer work for you, it can be tough to overcome those limitations on your own. That's why working with a specialist firm like **swisspuls** can help.

Mistake 2:

No Repeatable Hiring Process

63% of job seekers will likely reject a job offer because of a bad candidate experience.»

– G2.com (a business software review website)

Small startups usually lack a repeatable hiring process. Instead, each hiring process is different as the hiring manager (or founders!) attempts to recruit talent. As a result, you may end up making inconsistent job offers to job candidates and fail to set realistic expectations. The pain of inconsistent hiring tends to increase as your pace of hiring increases.

Signs your company lacks a repeatable hiring process include the following:

- **Budget problems**

Without a process to guide hiring offers, one hiring manager may make offers that the company will struggle to afford.

- **Increased risk of churn**

When new hires feel misled about the company or objectives of their position, there is an increased risk that they will leave quickly.

- **Poor alignment on vision**

The most exciting startups communicate a vision that goes beyond any single product or profit objective. When vision is communicated inconsistently,

- **Disappointing candidate experience**

An inconsistent hiring process means you are more likely to frustrate candidates. For example, keeping a star candidate waiting for an offer for weeks may create a negative impression.

- **Lost time**

Without a repeatable hiring process, startup founders and executives are taking up multiple

roles and are more likely to be inefficient during the hiring process.

- **Increased chance of biased hiring**

Unfortunately, hiring bias is a significant problem in the startup world. According to the European Startup Monitor 2019, most startup founders in Europe were male. Without a hiring process to counteract bias, you might miss out on great people who look or sound different from you.



Solving the process mistake

There are several ways to prevent the hiring process without losing the speed advantage startups are known for.

- **Create a hiring checklist**

Using a checklist on each hiring process is an excellent way to reduce mistakes. For instance, your checklist might cover basic items (e.g., did the candidate complete the coding test on time?) and social expectations (e.g., did you allow the candidate to ask questions?)

- **Use the rule of two**

To reduce the chance of bias, run interviews with at least two people.

- **Demonstrate respect to the candidate**

The startup world is tight and well connected. The candidate you interact with today could become a customer in the future. That's why it is vitally important to demonstrate respect to candidates. At a minimum, provide timely communication to candidates through the hiring process.

Mistake 3:

Excessive Founder Reliance In The Recruiting Process

... and product; and the CFO, I had become accustomed to juggling six hats to keep the company on track. Although I was multi-tasking because I wanted to achieve more at my newly acquired enterprise, wearing multiple hats was causing a 40 percent drop in productivity.»

– Zac Carman, CEO of ConsumerAffairs (Entrepreneur.com)

When startup founders first launch their company, a handful of people have to perform multiple jobs. One founder might switch between coding, sales, and customer service throughout an afternoon. That level of startup flexibility is essential when a company first gets started. There's just one problem: relying on the founders to perform every task or supervise everything is not sustainable.

The symptoms of excessive founder reliance include:

- **Founder burnout**

When founders fail to develop a strong team, burnout and mental health problems may become more likely. Mental health is a severe challenge for startup founders. A 2019 KPMG study found that only 22% of startup founders were satisfied with their stress and mental health situation.

- **Decision-making problems**

When the founders are constantly switching between tasks, your decision-making quality may suffer. For example, you may focus all of your effort on immediate problems and have no capacity for strategic thinking.

- **Hiring problems**

When startup founders see themselves capable of managing all tasks, they may neglect hiring new staff to join the company.



Solving the problems

The first step to solving this problem starts with self-reflection. Ask yourself and your founders if you are spread too thin at work. To further understand the problem, keep a time log of what you work on for two days. You might be surprised at just how far you have spread yourself.

The solution to founder reliance is internal and external. On an internal level, recognize that you have strengths and weaknesses and personal limits on working hours. Once you see these limitations, review the company's most significant opportunities (e.g., sales, improving the product, etc.) and recruit a specialist to take on that work.

Mistake 4:

Hiring Too Many Friends

Startups fire close to 25% of their employees within the first year of the company's existence. In contrast, large companies usually only terminate 6.6% of employees annually.»

– “Fire Fast: Why Startups Let So Many Employees Go” (Inc.com)

Working with your friends sounds like a dream come true. In some cases, it can work beautifully. The main advantage of hiring friends for your startup is simplicity. You sit down, make a list of people you already know, and reach out to them about joining your startup. However, there are substantial downsides to hiring friends.

Downsides to hiring friends

In practice, there are multiple downsides to relying primarily on friends to fill positions at your startup.

- **Like me bias**

In hiring, like me bias means favoring candidates that resemble the hiring manager. For example, you might favor engineering graduates who attended the same school as you. Or you might favor candidates of the same gender and ethnicity as yourself. Over time, like me bias means a company cuts itself off from diversity in ideas.

- **Greater chance to skip steps of the hiring process**

When you hire a friend, you already know, like, and trust the person. That is why there is a temptation to skip steps in your hiring process. For example, you might skip the coding test that you give to most developers. When this information becomes known within the company, it may create dissatisfaction and weaken team cohesion.

- **Performance Management**

Startup leaders need to have performance conversations with all of their employees. When you surround yourself with friends, you might not feel comfortable raising problems or terminating friends if that step becomes necessary. As mentioned above, startups tend to fire people more frequently than larger companies. Making that hard decision to let someone go can be much more complicated if they are a friend.



Solving The Problem

Before you can solve this problem, it is helpful to gather some facts and assess your hiring. Reflect on the last five to ten people your company has hired and ask yourself the following questions.

- **Prior Relationships**

What percentage of hires had a previous relationship with the founders? What was the nature of the relationship (e.g., friends, colleagues at a previous company)?

- **Hiring Process Consistency**

Check your hiring records to see if you consistently applied your hiring process for each hire. If you have no hiring process (see mistake 2), consistency will be even more difficult to measure

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Solving The Problem

Hiring Too Many Friends

If you find that more than 20% of your hires are friends, that is a red flag that you may be relying too much on friends as a source of talent. To prevent this mistake from continuing, there are two tactics you can use going forward:

- **First**, meet with other people in the company with hiring authority to share your observations.
- **Second**, start to build a consistent hiring process. If your team lacks the capacity or time to resolve this mistake fully, contact swisspuls for help.

Mistake 5:

Failing To Tell A Compelling Company Story To Candidates

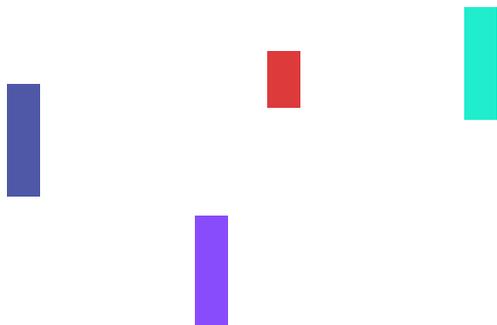
Startup founders are unique people – they have the drive and skills to create something from nothing. Without your contribution, the world would be a dull place. More than anybody else at the company, startup founders intuitively understand the why behind the company.

Symptoms You Might Not Sell The Company During Hiring

During the hiring process, it is important to balance selling the job candidate on the company vision and setting realistic expectations. When some or all of these symptoms appear, candidates are more likely to decline job offers.

- **Failing To Understand The Recruiting Process and Timeline.**
According to CNBC, Google receives over three million job applications per year. Few startups will attract that many candidates. As a result, the recruitment process may take more effort and time. It may take months for you to hire for a senior position like CTO and weeks for a more junior position. Keep these timelines in mind as you plan your company's growth.
- **Failing To Make Hiring A Priority.**
When hiring is neglected, the whole company can suffer. Employees are more likely to suffer burnout as they are asked to take on more and more tasks. When hiring eventually becomes necessary, the urgency to hire can overwhelm all other considerations like selling the candidate on why they should join the company.
- **Failing To Prepare For Common Questions.**
While each candidate is different, there are common questions that most people tend to ask before joining a company. According to Glassdoor Job Search, the most common questions people ask in recruiting include:
 1. *What does the day-to-day responsibilities for this role look like?*
 2. *What are the company's values?*
 3. *What does success look like in this position?*
 4. *Who will I be working most closely with?*Failing to give some thought to these questions in advance means you are likely to improvise, creating a poor impression.
- **Inconsistent or Lacking Candidate Follow Up.**
What happens after you interview job hires is significant. Ideally, you will give the candidate clarity on the next step of the process and time-frame (e.g., the next step is the coding test you

will receive next week). Without clear follow-up, your potential hire may assume that you have lost interest in them and decide to accept another job offer.



Solving The Problem

Failing To Tell A Compelling Company Story To Candidates

The best solution to this problem is to create an employer brand. An employer brand communicates to candidates why they should work with your company. If you have human resources capacity internally, ask your HR staff to take the lead on developing your employer brand. The other option is to work with **swisspuls** – we can help you build an employer brand that consistently attracts the talent you need to grow.

Choosing Your Way Forward

Solving these talent mistakes will open your company to sustainable growth. The only question is how you will move forward. There are three paths open to you.

Build A Talent Acquisition Capability

Creating a talent acquisition capability in your company is one way to solve the mistakes outlined above. It offers the advantage of dedicated staff who deeply understand your company's strategy and values. Keep the following pros and cons in mind before choosing this way forward.

Pros:

- 😊 Dedicated staff to develop your recruiting strategy.
- 😊 Provides maximum control over talent processes and employer branding.
- 😊 Avoid compliance problems with labor laws and regulations.

Cons:

- 😞 Relatively high upfront costs and limited scalability.
- 😞 Challenging to find talent acquisitions staff with adequate experience and the knowledge to build everything from scratch.



Recommendation:

If your company has more than 100 employees, invest in creating a human resources department with a dedicated talent acquisition staff.

Working With An External Recruiting Firm

Working with a traditional recruiter can solve specific problems. For instance, working with a recruiter to fill a single role makes sense if your startup needs a single type of specialist (e.g., an iOS developer).

Pros:

- 😊 Can work well for startups that are recruiting for a clearly described job role.
- 😊 High-speed results depending on the role you are recruiting for, some are more challenging than others.
- 😊 Improved access to passive job candidates currently working in other positions

Cons:

- 😞 One-time costs for each position filled.
- 😞 Limited control over the recruitment process.
- 😞 No support to create a talent strategy and attract talent for the long term.

Talent Acquisition as a Service (TAaaS)

Working with a talent acquisition as a service provider is a hybrid solution suitable to startups with 20-100 employees.

Pros:

- 😊 Fulfill traditional recruitment needs.
- 😊 Organizes recruitment with an applicant tracking system (ATS).
- 😊 Creates a talent brand that will attract candidates to your company today and in the future.
- 😊 Gain the benefit of a well-defined recruiting process so that candidates connect the great experience with your brand.
- 😊 Gain insights on candidates and leverage data to improve and provide visibility within your hiring so you can better understand what works and what doesn't.

Cons:

- 😞 Startups with less than ten employees are not a good fit for talent acquisition as a service as they potentially only have a very limited scope of hiring.
- 😞 Is optimal in a mid- and long-term partnership approach between the startup and the talent acquisition as a service.