

Capital Growth Interactive's

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Develop, Build & Finance Your Entrepreneurial Venture

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The Top Ten Recruiting Pitfalls of Entrepreneurial Companies

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Young companies frequently stumble in their quest to build the right leadership team for their business. Next to the quest for funding, the talent hunt is usually the most daunting hurdle a rapidly growing firm must face. After all, Unique Business Model + Money + Talent = Success, right?

There are many pitfalls facing an emerging growth company's leaders, not the least of which involves hiring people. Few executives of companies (of any size) consider themselves poor judges of character and candidates, yet the success statistics and turnover data contradict this theory. So, to increase your chances of success, here are ten common hiring mistakes and steps to help you minimize them:

10. Seeking to fill a senior role prematurely.

Sometimes the company is just not ready and able to accommodate a senior hire. Figure out *when* you can bring someone on board, and how you're going to compensate them. Timing is really important...there's still the element of chicken and egg between acquiring funding and acquiring management talent. How much can you afford to pay relative to the market? Everybody wants equity, but you can't pay your mortgage with stock options, so cash is still a major factor. And, how much ownership and control are you really willing to trade off for the right person? You must have answers to these questions to be able to attract the right senior executive, and to provide enough runway for them to make some progress and get you to the next funding round or key milestone.

9. Considering prospective candidates from an existing network only, and not casting a wide enough net to ensure a top prospect pool. While talent attraction is our focus, we always encourage a client to make sure they have exhausted their own resources before engaging us. However, there are several dangers here to be careful to avoid. First, don't keep looking forever to save a search fee at the expense of forward momentum for the business. Second, don't perform any less due diligence on a candidate referred through your network

than you would on one from a job posting site or search firm. And third, be sure you have truly seen enough "A" caliber candidates to make an informed decision.

8. Misunderstanding the true impact and meaning of "cultural fit". Candidly assess the "cultural fit" of your organization, to really understand the kind of executives who will play well in your sandbox. This assumes, of course, that there is enough of an organization to have forged a culture. If not, what kind of culture do you want your new leaders to cultivate? Creating an "entrepreneurial organization" alone today is not enough anymore—culture is more than free soda and a foosball table. What kind of environment must you develop in order to be successful in your industry and carve out your niche? In today's competitive talent market, culture & environment have become defining criteria for many recruits.

7. Failing to recognize that you are always selling prospective hires, and need to move them forward quickly in the process. Many young tech companies pride themselves on being able to make an offer within a certain number of hours from a candidate's last interview. Yet for every client that makes this happen, there is one who loses a potential star because they couldn't respond quickly enough. The better the prospect, the more options they will have. Create a process internally to move candidates through the pipeline rapidly, and to gather internal feedback immediately. Many companies stumble here because they lack a cogent way to gather data from the many players in the interview process. And don't forget that in today's climate you need to continuously sell prospects on the value and benefits of joining *your* team, and develop a methodology to encircle a hot prospect with good vibes about your business.

6. Micro-managing a new senior hire. This seems so obvious, yet many entrepreneurs struggle to allow a talented new executive to perform the role they were hired to do. There are many inherent reasons why certain personalities have difficulty letting go or sharing power. To combat such tendencies, set up a plan together that will

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allow you to review the new hire's progress and allow the boss to provide input without being overbearing. Trust is hard won and easily lost, but both sides must gain confidence in the other if the relationship is to succeed over the long term.

5. Hiring executives from pedigree companies who lack meaningful success. The talent market today is littered with well-credentialed executives from failed businesses who attribute that failure to everything but themselves. "If only they had listened to me" is a common refrain. When interviewing candidates from companies that have taken a nosedive, be sure to drill deeply on their previous role, responsibilities, accomplishments, and the metrics surrounding them. Since their company is presumably performing poorly at best, or has gone bust at worst, checking references should be easier. After all, you won't be likely to compromise them with their prior employer at this stage.

4. Failing to check references thoroughly, regardless of the candidate source. Even a candidate referred by your attorney, accountant or venture capitalist should be checked thoroughly. Do basic checking, such as education verification and employment history. Believe it or not, people do exaggerate credentials—quite frequently in fact. Also, just because a candidate is referred by someone you regard highly doesn't mean they're right for this particular position. If you've properly addressed the issues of role specifications, timing and cultural fit, don't be afraid to keep looking if you're not satisfied. A poor hiring decision costs a lot more in the long run.

3. Inadequate role definition and specifics. Many young companies are not realistic and thorough about the role they're looking to fill. Firms often start looking for talent without really knowing exactly what they need in the right leader. Too often we hear comments like "we just need to get someone in here to make all the technology work together." Take the time to map out your role specifications thoughtfully, as well as three and six month objectives for this person to accomplish. Sometimes the goals and the perceived role don't match as well as expected. Take advantage of others who are part of the hiring process, and even your Investors or Advisory Board. The more up-front work that goes into defining and prioritizing skill sets, the easier it will be to know when you have a good match.

2. Believing that the technology is more important than the people who make things happen. This pitfall has been well documented. It's not about the technology, but the people who make things happen for paying customers using that technology. The greatest advances in technology don't do much for the P&L if there's no sales and marketing effort to get the word out; no customer service to troubleshoot problems; and nobody paying to acquire your world-changing product or service. You will certainly need good technologists in your firm, but a cadre of seasoned business people should be sitting in the next cubicle.

1. Hiring people just like you! Let's face it—we like people like us. Sales people are drawn to each other, just as web developers

quickly find common ground among their peers. As a leader, work to overcome the tendency to hire skill and personality traits that mimic your own, rather than complement them. The strongest teams in business are the ones that bring diverse skill, styles and perspectives together in a climate that encourages healthy dialog without personal agendas or egos. Teams of like-minded "yes men" or "yes women" lack the variety of experiences needed to respond to today's rapidly changing business climate.

One final thought: Pulling all these concepts together as part of a cogent strategy and integrating them into your management style can be daunting. Don't be afraid to seek counsel from your Board, Investors or other advisors. Many young leadership teams are engaging coaches or mentors to help facilitate and integrate their people, processes and plans.

However you proceed, taking a strategic approach to hiring and working to avoid common minefields can make a big difference in the success of your company. ■