

WHEN IS THE RIGHT TIME TO HIRE NEW LEADERS FOR STARTUPS AND INNOVATIVE BUSINESSES?

Five Considerations to Recruit the Best Leaders for Your Startup

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The challenge of transitioning leadership from a founder to a new CEO in business is a well-trodden path. The moment of passing the torch usually occurs well after the founder has established the business, hired the team, and even built a customer base. Count 15, 20 or even 30 years from the business's formation for the moment to arrive for the current CEO to pass the baton, so the transition is well prepared, usually with a new CEO being groomed for several years.

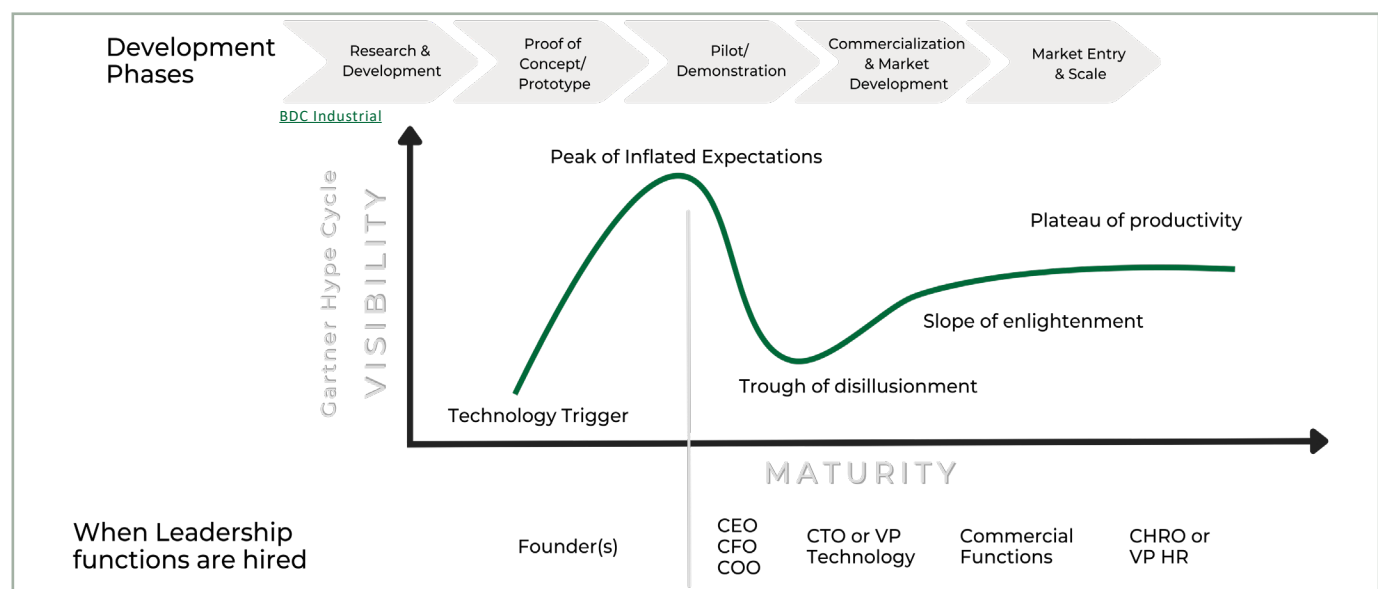
Today's startups and small technology businesses take the **'founder transition challenge'** and put it on steroids. Instead of 20 - 30 years preparing for that moment, in this new world of innovation the handover decision often occurs in a matter of months, not years. A succession plan is rarely in place so how do organizations make the right choice?

First, understand that leadership transition is often necessary as a result of the company's growth, the need to control the burn rate, productize the offering, generate sales,

build out the team and more. In fact, it reflects that the organization's journey is moving towards a traditionally structured business, with professional finance, marketing, sales, and other functions. As the company prepares to leap the J-Curve and fulfil its promise, K&R Principals have had investors comment, *"when I'm being asked to invest more in a company, at some point I need an 'adult' in the room with the right experience."*

As startups scale, the initial excitement and buzz fades, and they enter the valley of disillusionment¹. The reality of the technology performance, difficulties of scaling, and selling become apparent. Successful leadership navigates these difficulties and rebounds to discover how to build a sustainable business with returns for investors and customers alike.

The sustainable, scaled up, innovative business may look very different from the startup organization. Pragmatism



*No two organizations are the same, and while the leadership roles listed are typically added, the timing for each organization is different.

¹- [Gartner Hype Cycle](#)

becomes the order of the day, and experienced executives come to fill the primary roles of CEO, COO, CFO and more. Bringing in a new CEO is often the decision of the board, investors, and sometimes the founder themselves recognizing the need for change as the business evolves.

The ability to utilize outside groups, from consultants to search firms, at this stage becomes part of the critical success factors behind those who survive and thrive and those who don't.

Organizations should also consider five additional critical success factors when building a team to scale a startup:

CULTURE OVER STRATEGY

Peter Drucker told us years ago "Culture eats Strategy for Breakfast." The past three years, 25% of our placements have joined startups or early stage organizations. When we talk with prospective candidates, the founder's vision on the culture that is being created is very important.

Leaders are attracted to a startup that has clarity on cultural goals. Founders who succinctly articulate the purpose and values as well as highlighting how a leadership position plays a role in the company, resonate with prospective leaders on a deeper level.

A [Harvard Business Review study](#) indicates distinctive characteristics that set successful organizations apart and [attract high-performing leaders](#). Besides having a unique identity, the organization needs to be:

- **Honest.** There is high integrity in all interactions, with employees, customers, suppliers, and other stakeholders;
- **Performance-focused.** Rewards, development, and other talent-management practices are in sync with the underlying drivers of performance;
- **Accountable and owner-like.** Roles, responsibilities, and authority all reinforce ownership over work and results;
- **Collaborative.** It's recognized that the best ideas come from the exchange and sharing of ideas between individuals and teams;
- **Agile and adaptive.** The organization is able to turn on a dime when necessary and adapt to changes in the external environment;
- **Innovative.** Employees push the envelope in terms of new ways of thinking; and
- **Oriented toward winning.** There is strong ambition focused on objective measures of success, either versus the competition or against some absolute standard of excellence.

While the research indicates few organizations exhibit all seven of these attributes, high-performing organizations – and those who want to attract experienced leadership – are typically proficient at 3 - 4 which are most critical to success.

Finally, as part of attracting top talent, we've learned that an important factor is the organization's work-life balance. Prospective candidates research, explore, and interview for this cultural commitment, seeking to understand how the organization considers remote work, balanced personal demands, and if there are expectations for work-life balance. While each leader determines for themselves their definition of balance, they are also working to confirm through the interview process whether their definition aligns with the organizational culture.

TIMING IS EVERYTHING

The pace and timeline to recruit your leadership team is also crucial. Stagger hires according to key milestones. A complete recruitment strategy can be 90-180 days to identify, recruit, assess, and close the offer with the right individual. Start the process early so the identified leader is ready to join when the milestones are met. Once a decision is made to hire, act quickly. Indecisiveness or too much time in making and negotiating an offer is one of the biggest mistakes made by organizations and can result in the loss of top talent.

Tips for Startup Organizations Attracting Experienced Leaders

- **Have a well-defined search strategy.** Know what you're looking for and where to look to bring in the experience and diversity needed for the stage of your organization.
- **Engage the investors when making an offer.** These individuals can often help accelerate a decision by a top prospect.
- **Personal interactions matter.** Top candidates need to get to know those they will be working with on building an organization, a culture, an outcome. This includes investors as well as the founder.
- **Use a third-party to inform your offer and successfully negotiate.** Often a third-party can explain the long-term value of incentives and options with neutral credibility and bring forward candidate expectations with less tension, ensuring a strong start to a relationship once the new leader begins.

IDENTIFYING THE RIGHT QUALITIES

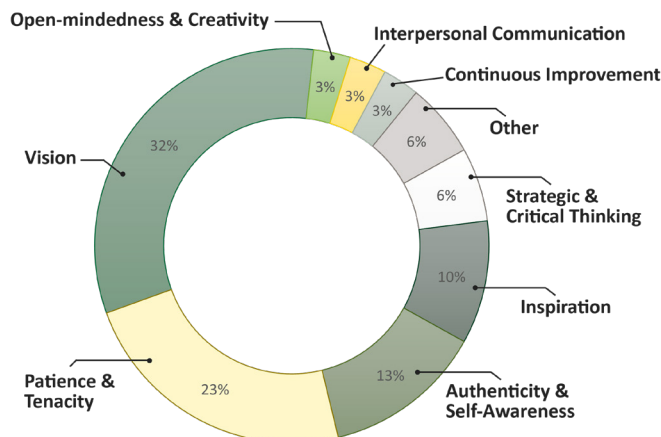
Finding the candidate with a right leadership background is a must to convince outside investors that scaling is possible. An MBA and other technical credentials are a plus, but there are many soft factors also at play.

- Can the new executive work well with the vision of the founder, who often is sensitive to handing over their 'baby' – the business they built.
- Can the executive communicate with the techies who have built the product and who know best its limitations and potential for growth?
- Corporate culture is very different to startup culture; can the new executive bridge the gap?
- Can the new exec or executive team keep the investors on board, even during rocky times?
- Do they have the ability to sell the technology and its features and benefits to new customers, and pivot when required to new segments?

The most successful candidates for startup organizations have a strong capability-to-ego ratio. A leader of an early-stage firm needs to be smart and capable – and able to showcase humility, giving their ego a back seat.

The ideal leader will bring talents that are tactical as well as strategic and visionary and apply them without an enormous set of resources – or even a full execution team. Successful candidates should be able to share specific experiences when they inspired their team's vision as well as times when they picked up the reins and did the work themselves.

At the World Economic Forum of [Technology Pioneers](#), [Forbes asked CEOs](#) of innovative startups what their number one leadership trait while leading a hypergrowth startups. Vision was first, followed by patience and tenacity, then authenticity and self-awareness.



Graphic Courtesy: FORBES WORLD ECONOMIC FORUM

When considering soft skills, our experience aligns with [Oyeniya Faley's](#), in his article [Proven Qualities of Great Startup Leaders](#). We recommend assessing for some or all the following when looking to hire an executive for an early-stage organization.

- **Authenticity** – can you get to know them as a person – do they show their human side.
- **Curiosity** – learn how prospective candidates ask questions and seek insights to unravel opportunities.
- **Adaptability** – is there a time when the prospective candidate had to adjust course because of uncontrollable circumstances?
- **Resilience** – what is the reaction to adversity, what do they do to recover?
- **Confidence** – how is this displayed throughout the recruitment process?
- **Salesmanship** – while some want to shy away from selling, it is a big part of an effective early-stage leader.
- **Decisiveness** – learn how prospective candidates make decisions. Indecisiveness is bad business.
- **Consistency** – Leaders influence behaviors, and one of the qualities of strong leadership is consistency according to Robert Cialdini in his book *Influence*.
- **Team Building** – know how the executive plans to build teams. Does their vision align with the organization's mission and culture?
- **Delayed gratification** – can the prospective leader determine what is nice vs. necessary and put off what is not needed until later?

Additionally, founders need leaders who innately practice due diligence, who enjoy fact-finding, and are self-motivated.

Assessing soft skills isn't always easy. Leveraging third-party assessments in the hiring process will help identify the leadership potential of candidates as well as the prospective candidates' tolerance for risk and ambiguity.

Remember, diversity also matters. The [definition of diversity](#) is vast and includes diversity of thought and experience. Founders often overvalue their personal network, bringing on people who look and think like them. Groupthink can then persist, and teams no longer make decisions in a way that encourages creativity or individual responsibility. This can leave the organization stuck with either inflated expectations or the inability to escape disillusionment.

DON'T RANK IQ OVER EQ

Independent of whether you have a startup or an established company, leaders who are responsible for an organization need emotional intelligence (EI/EQ) as much as they need traditional intelligence (IQ). According to [this article from the Harvard Business Review](#), EI includes self-awareness, self-management, social awareness, and relationship management. Essentially, EI is a skill that requires more than a handle on data and deliverables.

Self-awareness	Self-management	Social awareness	Relationship management
Emotional self-awareness	Emotional self-control	Empathy	Influence
	Adaptability		Coach and mentor
	Achievement orientation	Organizational awareness	Conflict management
	Positive outlook		Teamwork
			Inspirational leadership

Graphic Courtesy: HARVARD BUSINESS REVIEW

As startups and early-stage organizations work from the peak of inflated expectations through the trough of disillusionment towards productivity, all leaders will need to lean on their emotional intelligence to manage the unsteadiness of the inevitable and frequent transitions.

KNOW WHEN TO CHANGE

Successful startups organizations don't have static leadership roles. Leaders are often brought in to hit critical milestones. Organizational charts are evaluated every six to 12 months to ensure longer-term business potential. This continuous refinement is a key to success. And at times, even the founder may need to really reflect on their strengths and weaknesses and consider making a change to their role within the organization.

Startup organizations win when the leadership team evolves with the business. Executive recruiting for startups and early-stage leadership doesn't end with the first placement.

Scaling innovations requires [disruptive leaders](#) who understand markets and deliver rapid adoption.

CONCLUSION

For startup organizations, the founder transition challenge is real. Bridging the gap between the founder's vision and the scaled organization is complex at best, requiring the right person in the right role at the right time.

For organizations approaching this transition period, the human capital strategy becomes just as important as the go-to-market strategy. Addressing leadership needs based on the lifecycle of the organization is often the difference between a startup or early-stage organization maturing or falling short.

ABOUT KINCANNON & REED

The food and ag industries continue to face a talent deficit. Tomorrow's industry leaders – our placements – are sourced from around the globe, across many sectors, to serve in executive functions. At Kincannon and Reed, nearly 1 in every 4 of our searches place leaders with startups or early-stage organizations, requiring candidates who fit specific

needs – be that cultural fit, market knowledge or prior startup experience. With a database of over 250,000 global executives and principals who come from the food and ag industries, we've made it our mission over the past forty years to connect leaders with organizations who feed the world and keep it healthy.



FUNCTIONS RECRUITED

In 2022, K&R saw an upsurge in CEO and commercial leadership recruitment while 2021 had heavily leaned toward CFO and finance roles.



STARTUP RECRUITMENT

Investments in food & agriculture bring demand for innovative leaders. In the past three years, 25% of our placements have joined startup organizations.



BOARD RECRUITMENT

Expectations of board members have evolved. K&R sees greater demand for board member recruitment as this role is evaluated by organizations.