REFORMULATING HIRING STRATEGIES FOR STARTUPS

Hirect

CONTENTS

INTRODUCTION

With the outbreak of the Covid-19 pandemic, all professional sectors underwent a dynamic change. This change was also witnessed within organizations; in their approach to marketing, finance, sales, and most importantly human resources. To meet the newly introduced demands of modern times, the approach to hiring must be revised.

Hiring the right talent has become extremely important, particularly for startups, and it is fraught with difficulties. Difficulties resulting primarily from a shift in modern employee expectations. Nonetheless, the ideal hiring approach remains the same—looking for individuals whose values and vision align with those of the organization.

Regardless of the business model, product, or industry every startup faces recruitment challenges that hinder its attempt to manifest a vision into reality. However, a competent team of skilled professionals is quintessential to determining a startup's success.

This whitepaper outlines the hiring practices a startup should adopt from its early stages to the IPO stage. Hirect's study conducted recently, with over 1500 senior and middle-level managers, revealed how startups are reformulating their hiring strategies at different stages.

REVISITING
THE TRADITIONAL HIRING FUNNEL

Utilizing the Benefits of Artificial Intelligence (AI)

The recruitment funnel has been a useful tool for recruiters to track all stages of the hiring process, from raising awareness to hiring. The funnel necessitates a large initial reach for the pool of candidates to be diverse. Each stage of this recruitment process helps curate a refined selection of candidates that are the best fit for the organization. By the final stage of the traditional hiring funnel, a startup should ideally have a candidate who offers them valuable skills and experience.

Stage	Description
Awareness	Getting on the candidate's radar to make them aware of your organization or brand.
Attraction	Channeling an aware candidate towards a specific job opportunity.
Interest	Assisting the candidate to find out more about the opportunity.
Applying	The candidate clicks the "apply now' button and goes through the application process.
Evaluating	Assessing a candidate to screen out, rank, or shortlist.
Interviewing	The face-to-face, phone or video-based conversation between you and the candidate.
Hiring	The candidate is offered the job and the onboarding process begins.

Candidate Pulled out

Candidate Pulled out

Exhibit-1: Traditional hiring funnel of a startup

Rethinking Candidate Evaluations and Interviews

As depicted in exhibit 1, the evaluation stage is crucial in shortlisting viable candidates while the interview process allows recruiters to holistically gauge them. Both of these stages in the hiring funnel are key in assessing candidates against the organization's needs and eventually employing the right talent. In the interviewing stage, recruiters should aim to emphasize interpersonal skills and traits such as trustworthiness, passion, and adaptability. However, while conducting interviews recruiters often proceed with an unconscious bias.

Utilizing Artificial Intelligence (AI) to Combat Unconscious Bias

Bias frequently leads to missed opportunities as a result of incorrect assessments. The usage of modern technology in the recruitment process offers an effective solution to this bias. Our market survey data revealed that 96.5% of recruiters believe that "The use of AI is one of the best ways to improve the recruitment process and eliminate bias

from the hiring process." Moreover, around 50% of recruiters believe AI will become a regular part of the recruitment process in the coming years.
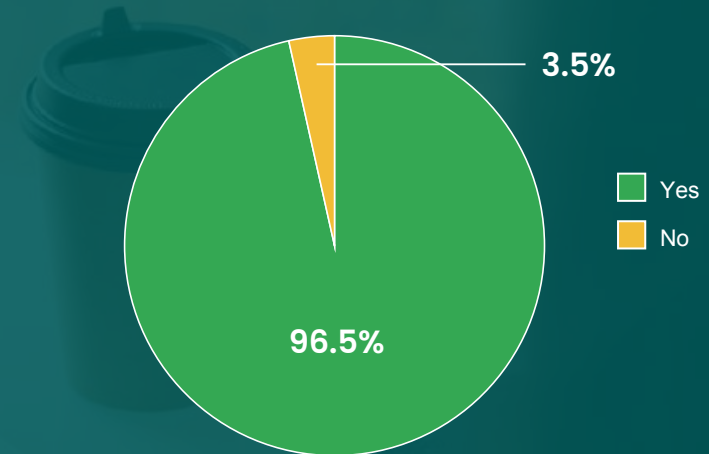

Exhibit-2: Should recruiters use AI in the recruitment process?

With countless challenges faced by startups concerning recruitment, recruiters that can gauge a professional's expectations and know how to meet them have a competitive advantage. As a startup progresses through various stages (Early, Growth, Expansion, and IPO) its hiring practices will have to simultaneously evolve.

HIRING IN THE EARLY STAGE

Exploring Employee Stock Ownership Plans (ESOPs) to Attract Talent

Startups in their early stages begin to put their ideas into action. This is often preceded by fund-raising efforts and followed by an examination of the market's reaction to the subsequent introduction of a new product or service. Aside from raising funds, a founder must devote significant resources to building a skilled and results-oriented team.

Achieving Cost-effective Credibility

Since an early-stage startup is far from being a recognizable or an established brand, building a team is challenging. Including leadership teams in the recruitment process helps to build credibility and correctly identify whether a candidate is a good fit. According to our market survey data, 92.5% of recruiters believe that founders are the best people to hire in the early stages of a company, while 7.5% of recruiters believe that human resources and CXO should lead the hiring process.
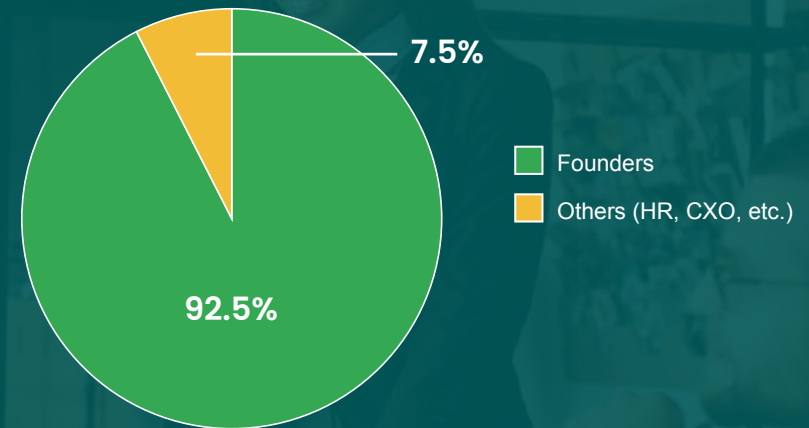
7.5%

Founders
Others (HR, CXO, etc.)

92.5%

Exhibit-3: Should founders hire in the initial stage of a startup?

Exploring ESOPs to Attract Talent

During the early stages of a startup, capital is an obvious constraint. Nonetheless, an organization may be able to attract talent by offering ESOP-based compensation packages. Employee stock ownership plans may offer a viable alternative to large salary packages. According to our survey data, 48.7% of recruiters believe "ESOPs are one of the most attractive tools to attract the right talent in the initial stage of a startup".
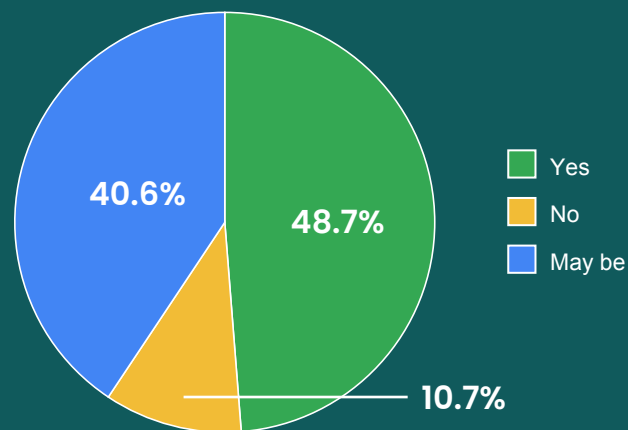

40.6% **48.7%**

- 🟩 Yes
- 🟨 No
- 🟦 May be

10.7%

Exhibit-4: Are ESOPs an attractive tool to hire candidates?

HIRING IN
THE GROWTH AND EXPANSION STAGE

Employing rigorous skill assessments in the hiring process

These stages of a startup are crucial to sustaining its existence. Recruitment is challenging due to the scarcity of resources and time. Furthermore, hiring while attempting to scale the business is overwhelming and necessitates a strategic approach to sourcing, nurturing, and expanding the ideal workforce.

As a rule of thumb, startups during these stages should involve as many team members in the hiring process as possible. From defining job responsibilities to vetting candidates, having multiple perspectives helps organizations avoid bias and make informed hiring decisions.

Hirect's market survey revealed that 79.7% of the respondents believe human resource professionals should be solely responsible for hiring while 19.3% of them preferred the founder to remain involved in the hiring process.
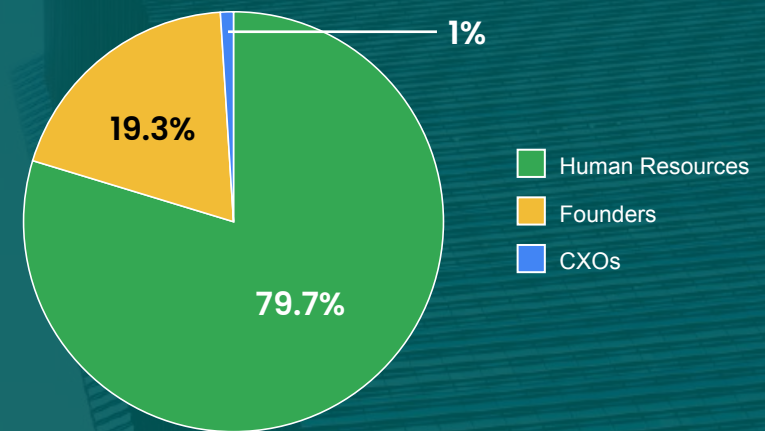

1%

- Human Resources
- Founders
- CXOs

19.3%

79.7%

Exhibit-5: Who is the right person to hire in the organization?

Importance of Diversity in the Workplace

While upskilling current employees, and adopting a new approach to undergraduate onboarding can help the startup flourish during its growth and expansion stage, one should prioritize diversity and inclusion efforts in the hiring process. Our market survey data suggests that 91.5% of people

believed that diversity positively impacts the organization's culture and the workforce's productivity. Furthermore, 52% of employers believe that building a diverse workforce is necessary to address the huge disparity in the representation of women in leadership roles.
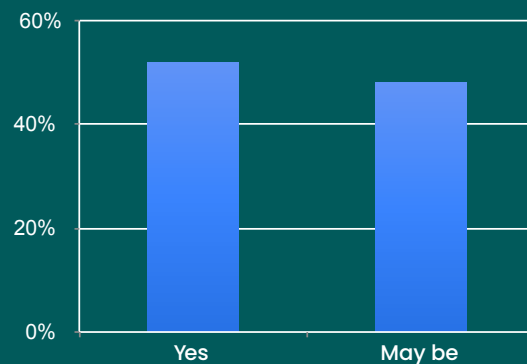
Exhibit-6: Is diversity important in the workplace?

Employing Rigorous Skill Assessments

Skill assessments offer an objective and transparent approach to assessing the skills of shortlisted candidates. While it proves to be time-consuming in absence of automation, it is extremely cost-effective. Our market survey data suggests that 97.4% of the recruiters believed that skill testing is a vital part of the hiring process during these stages of a startup.
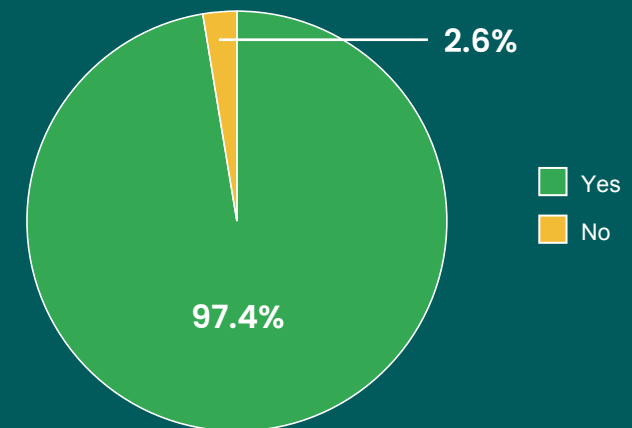
2.6%

97.4%

Yes

No

Exhibit-7: Is skill testing vital to the hiring process?

Building a Sustainable Remote Working Model

Today's professionals prioritize flexibility above all else. Hence, startups that can offer a sustainable remote working model are better positioned to attract the best talent. Although our survey reveals that an employee's productivity and contribution are highest when working from the office. Hence, startups attempting to conform to a remote working model should employ a result-oriented approach.
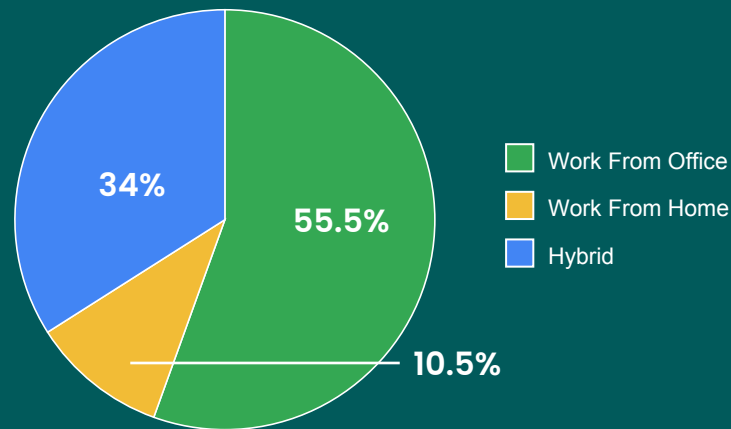
Talent today wants to associate themselves with organizations that can tell a compelling story and have a clear yet relatable vision. Organizations that offer their employees the opportunity to undertake new roles beyond the scope of their original responsibilities can build a strong sense of loyalty within their workforce. Hence, understanding the psychology of an employee is not only key in hiring but also in retaining them.

34%

55.5%

10.5%

- Work From Office
- Work From Home
- Hybrid

Exhibit-8: Which work model ensures workforce productivity?

HIRING IN THE IPO STAGE

Rethinking Employee Branding and Prioritizing Retention

An organization in the IPO stage makes a transition from being a private corporation to a public one. This transition entails the shares of the private company being offered to the general public. The purchase of these shares adds to the capital resources available to the organization. Investors who have traded their money for equity up to this point ideally recoup their investment with profits.

The available resources are used for a variety of purposes, which vary from organization to organization. The capital is often used to enter new markets, develop new products, and expand internationally. In this stage, the startups can implement the following practices to hire and retain the best talent in the industry.

Build a Strong Employer Brand

Organizations should create an employer brand that is aligned with the recruitment marketing strategy. Moreover, a startup's vision, mission, and values should be developed in such a way that they highlight the value proposition for employees to associate with the startup. In doing so, a startup becomes more desirable to job seekers as prospective employers.

Internal hiring and Employee Retention

During the IPO stage, a startup should prioritize retention since it is substantially more cost-effective than hiring. Offering current employees the opportunity to grow within the organization positively affects morale and encourages employees to build a strong sense of loyalty toward the organization. According to our market survey, 87.1% of recruiters believe in retaining the existing

employees rather than hiring new ones as it will not only help save cost but also helps in improving the company culture; as illustrated in exhibit 9.
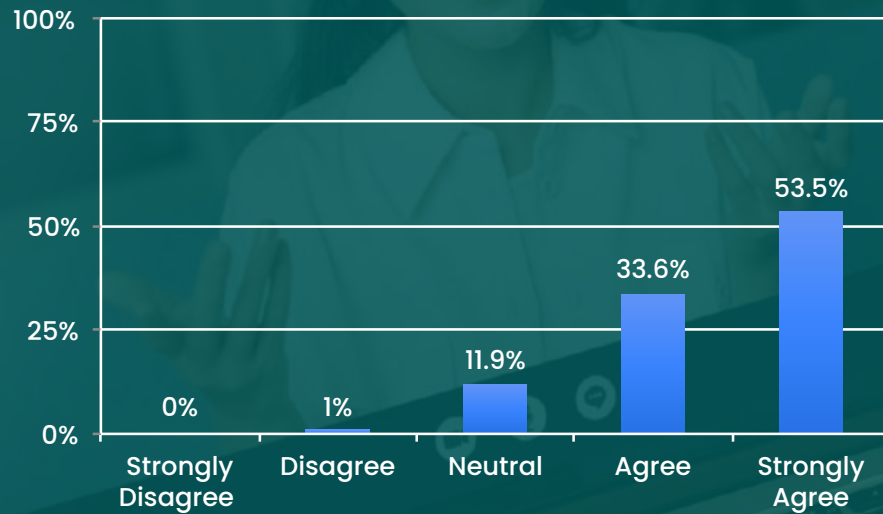
Incorporate referrals into the recruitment strategy

Professionals responsible for hiring in a startup should also rely on referrals. A startup should formulate a referral policy that outlines its objectives, applicability and process. Our market survey revealed that "88.2% of Startup recruiters believed that the referral is one of the best ways to hire the right talents for the organization."

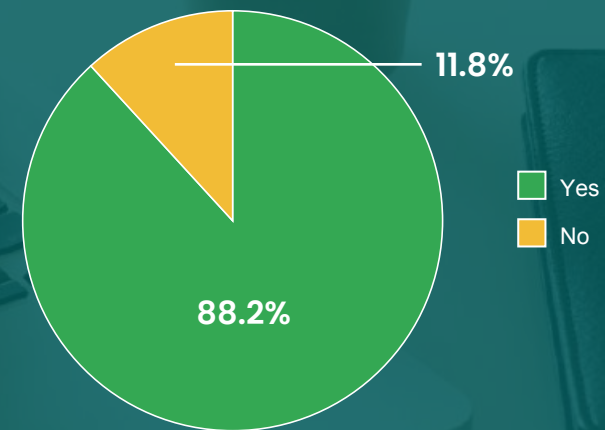Exhibit-9: Importance of retaining the existing employees

Exhibit-10: Are referrals the best way to hire?

Our study also revealed that referrals improve an organization's employee retention rate. While 11% of recruiters are skeptical about the value of incorporating referrals into an organization's hiring strategy, 89% of employers believe referral programs produce the best results and have a higher employee retention rate.
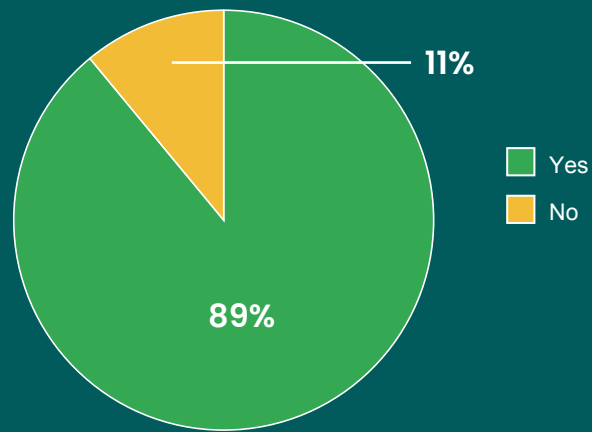
11%

89%

■ Yes
■ No

Exhibit-11: Do referral programs positively impact employee retention rate?

CONCLUSION

The quality of an organization's workforce determines its success. Building and maintaining a high-performance workforce poses numerous recruitment challenges. Hence, a startup's hiring strategy should evolve in tandem with the company's growth and the changes in employee expectations.

Furthermore, when a startup's capital, organizational goals, functional requirements, employee expectations, or overall market share change significantly, its hiring practices must be revisited and revised. Ensuring the development of sound hiring strategies that incorporate best hiring practices enables startups to grow without fear.

ABOUT HIRECT

Hirect was founded in 2018 as a direct hiring application.

Our vision of virtually connecting the skill-oriented workforce with high-growth startups and SMEs has manifested into our service provisions. Hirect's AI algorithm helps connect recruiters directly with relevant candidates equipped with desired skills and experience.

Our philosophy has been to simplify the hiring process. Hirect offers direct chat and video call features which have enabled 3M+ job seekers to connect directly with 150K+ recruiters on our platform.

Our commitment to offering a modern and effective solution to the traditional hiring process has allowed recruiters and startups to efficiently improve their hiring process by connecting directly with candidates.

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