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CHARTING YOUR COURSE

Hiring Patterns of successful Software Start-ups

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SUMMARY

Talent is a critical factor for a company to be successful. According to a recent survey conducted by the World Economic Forum, nearly 8 in 10 global CEOs say they're concerned about the availability of people with the right skills. However, equally critical for companies and CEOs to obtaining the right people and skillsets is knowing how that talent should be organised, when it should get hired and what size teams and functions are needed as a company grows.

Evidently, both talent and talent strategy are integral to the success of a company. In our opinion, these are even more critical in the start-up world when a company is finding its way and moving through the initial stages of its lifecycle.

In Dublin, the start-up community is thriving and providing founders with significant opportunities. A large part of this community will never have been on a start-up talent journey and for many, recruitment will be a reactive process focusing on who they need to hire today. Likewise, when a team member resigns, there will be an accompanying panic and scramble to backfill. This is detrimental to the success of these companies. Recruitment is transforming into a strategic function, requiring it to be increasingly proactive and longer term in its ambition and these companies must follow this trend.

Successful companies often share common characteristics and behaviours, and this can be seen across their profile of hire and talent strategy. By analysing the hiring patterns of successful start-ups built in Dublin we hope to empower founders of new and emerging start-ups in Dublin with an understanding of how their organisation will change over time and the hiring needs that accompany these changes.

We believe that by giving start-up founders this insight and knowledge, they can recognise the importance of building a talent strategy into their overall strategy and armed with this intelligence be more successful in scaling.

Key Findings:

- In the Early Stage of an Engineer founded start-up, hiring is predominately technical with the non-engineering functions (Sales, Marketing, HR) outsourced to third parties.
- Hiring for new teams begins with generalist profiles and moves to specialised skills as teams grow and the complexity and scale of the business increases.
- Sales is typically the first non-engineering role to be hired. Marketing and Customer-facing roles tend to follow an initial Sales hire. HR, People Ops and Talent used to be a late hire but there is a trend emerging whereby hiring into this function is occurring earlier in the lifecycle of a company reflecting the growing strategic importance of it to founders and the success of scaling companies.
- Enterprise and Blended start-ups have different hiring patterns. In Enterprise the Product and Engineering organisation is the largest organisational unit. In Blended companies, Engineering increasingly becomes a peer organisation to the Sales and Customer organisational units in the later stages of the company's growth.

THE START-UP HIRING BLUEPRINT

The Start-Up Hiring Blueprint is the culmination of the research and results that follow.

It was developed by analysing the patterns and strategies of previously successful Dublin companies. We believe that this blueprint can be used as a guide or north star for companies in forming a talent strategy and charting their own course as they scale and move through the various stages of their lifecycle.

From our research we identified 3 dimensions for the hiring blueprint:

1. **Unit:** What Unit do I need to build? (Product and Engineering, Sales & Marketing, HR etc.)
2. **Action**: How do I meet the demands of this Unit and when do I hire into that Unit?
3. **Skillset**: What skills are needed in that Unit at that time?

EARLY STAGE	Goals	Establish thetechnical team that can create the initial product offering Achieve theoutputs of the other units through Founders skillset or outsourced partnership
	Hiring Actions	**Skillset**
Product and Engineering	Hire into this team, focus on acquiring talent that can play multiple technical roles while building out the initial core product. Where required supplement with specialist skills on interim basis (Design, UX etc) but remain focused on acquiring technical talent with broad skillset Focus on acquiring talent that will execute rather than manage, will work well within a team, and who are ambitious to learn and develop	Broad
Sales and Marketing	Hire into the Sales function if Founding team are not equipped to run the sales process especially seen in Enterprise companies, otherwise expect Founder team to take responsibility for initial Sales. Work with marketing consultants rather than hire into marketing function	Founder-led Outsourced
Customer	No hiring into this function, direct Customer related workload to the Product and Engineering Team	Cross functional Outsourced
HR, People Ops and Talent	Work withHR consultants during this stage focusing on HR execution and compliance	Founder-led Outsourced

MIDDLE STAGE	Goals	Establish the business functions that will create demand for the product and win more customers Ensure acquired customers are being supported and are satisified Ensure the technical team has the right skills to bring the product forward
	Hiring Actions	**Skillset**
Product and Engineering	As the product offering becomes more complete and expansive, begin hiring into the specialist product and engineering skills, Product Management, Product Designers, QA etc. Begin hiring more senior staff into the team who can give guidance in process, technical and architectural decisions and strategy as well as provide mentorship to less experience team members	Begin Specialising
Sales and Marketing	Hire senior sales who can drive the sales process to successful conclusion. Make first hire into the marketing function who will work closely with the new sales function to generate awareness and drive demand As demand grows, hire new sales talent to convert the demand into sales wins	Broad
Customer	Make first hires into the Customer team who can support the customers once live. If product requires complex implementation hire skilled project managers. As new sales wins continue, build out the customer team to match customer demands	Broad
HR, People Ops and Talent	If overall organisation has grown to 20+ across multiple organisational units consider hiring into HR function to support HR strategy, execution and compliance	Broad

LATE STAGE	Goals	Establish the management teams that will drive high performing organisation Build the teams to meet the demands of new sales and new customers Ensure the product continues to advance, is stable and resilient and the team has the skills to support product depth, breadth and scale
	Hiring Actions	**Skillset**
Product and Engineering	Hire management talenttoensurestrongprocessandteamdevelopment. Hire both experiencedandlessexperiencedtalentsothatthereisopportunitytoapply knowledge and to learnandmanagesuccessionplanning Focus on bringing in andgrowingthespecialistskills-FrontEnd,BackEnd,Product Management, ProductOwners,UI/UX,QAAutomation,DevOps,SREetc	Specialist
Sales and Marketing	Hire into the marketingfunctiontoscaleoutmarketingexpertiseandhirespecialist skills (inbound, outbound,partnermarketing,SEOetc) Hire into sales teamtoscaleoutabilitytoconvertgrowingdemandandhirespecialist skills to support salesprocess(salesengineers/presales,solutionconsultants,inside sales, enterprise sales,etc) Hire managementtalenttoensurestrongprocessandteamdevelopment	Specialist
Customer	Hire into customerfunctions,projectmanagementifrequired,customersupportand customer successtoassureclientsatisfactionandretention Hire managementtalenttoensurestrongprocessandteamdevelopment	Specialist
HR, People Ops and Talent	Make strategic seniorHRhirewhowilldriveorganisationaldevelopment,cultureand strategy and movetoexecutiveposition Hire specialists whowillimplementnewstrategicinitiatives(L&D,PeopleOps, Employer Brand) Grow an internaltalentacquisitiontomanagefuturescaling	Specialist

SUCCESSFUL START-UP – OUR DEFINITION

We defined a successful start-up as follows:

- VC Funded start-up that had raised over 10M in funding
- VC Funded start-up that has had a successful exit
- VC Funded start-up with > 30M euro in revenue
- Self-funded/Bootstrapped company with >30M euro in revenue
- Self-funded Bootstrapped company with a successful exit

OUR PROCESS

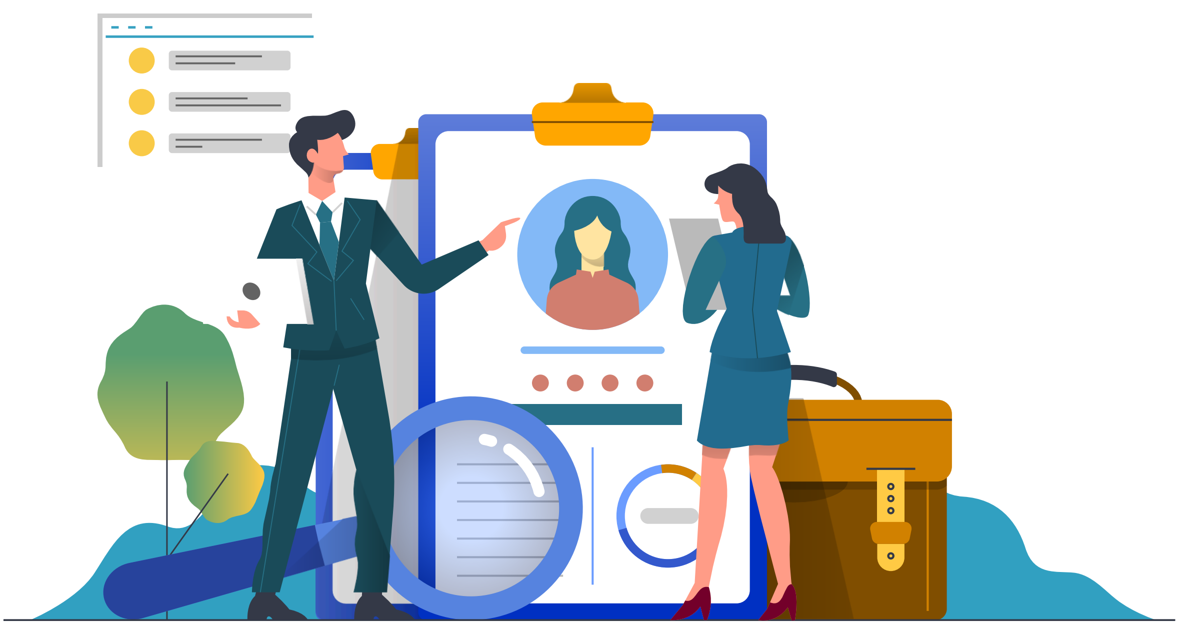
We selected 10 Irish founded companies matching one of the profiles above who were established between 2010 and 2015.

We used LinkedIn and our own database to profile **1385** employees who had worked with these companies either currently or in the past. We mapped their tenure from their starting year to their final year of employment if appropriate. We also gathered enriched intelligence including gender preference, their preceding and proceeding companies, and their level of seniority upon joining.

We researched each company's progress to 2020 including their funding events using secondary sources such as Crunchbase, Pitchbook, Angel, public websites, press releases and articles. This research helped us identify a company's key milestones and when a company transitioned from Early Stage to Middle Stage to Late Stage.

We designed a transformation process that mapped each person's unique job title into a family of standard job titles that we defined. Those standard job titles mapped into standard organisation units which are outlined below in more detail (Product & Engineering, Sales & Marketing, Customer, HR, People Ops and Talent).

This gave us a rich dataset that was the basis for our research and analysis.



OUR ORGANISATIONAL UNITS

We defined the organisational units as follows:

Product and Engineering Organisation Unit as those roles which are involved in the development and maintenance of the company’s product to include:

- Software engineering
- Product management
- Product design
- Product Owners
- Scrum/Agile roles
- Quality engineering including Automation
- DevOps across all levels of seniority

Sales and Marketing Organisational Unit as those roles that engage with prospects to generate new business, and those roles that engage current customers to grow the business (including renewals) to include:

- Pre-sales
- Sales Executives
- Sales Managers
- Marketing functions
- Account Executives
- Business development across all levels of seniority

Customer Organisational Unit as those roles that engaged with clients of the company through the post-sales lifecycle to include:

- Project implementation
- Solution design
- Customer support
- Customer success across all levels of seniority.

HR, People Ops and Talent Organisational Unit as those roles which work to create the internal policies, procedures, development and culture as well as those which engage with scaling the workforce to include

- HR Managers
- Talent
- People Operations
- Learning and Development across all levels of seniority.

THE STAGES OF A START-UP

Our observations of a successful software company show that there seems to be common hiring patterns as the company moves through its lifecycle.

For consistency we defined a company's lifecycle as Early Stage, Middle Stage and Late Stage as per Casey Winter's article on the different stages of a lifecycle (see https://caseyaccidental.com/scaling-up).

Casey identifies the common mistakes in scaling a company as 1. Not Scaling in time and 2. Scaling too early –

"The biggest mistake I see start-ups make is staying in the early stage longer than they should, or adopting the policies of the late stage too early. The former is typically led by the CEO. In this case, the CEO loves being hands-on and can't let go to help the company scale. What this actually does is keep the company in the early stage and prevent it from growing. I've seen it happen. The best way to help the CEO realize he is entering a new stage is to have a board shepherd that process or former CEOs as mentors who have gone through this transition. It isn't easy.

Conversely, many CEOs see what the best companies do and assume their company should do that, not recognizing the difference in stage between them. These companies invest in robust analytics and testing solutions before they have enough data to use them, hire full-time people managers too early who need to justify their existence by hiring big teams, invest in too much process that inhibits growth, and have a team of too many strategists and too few doers. Their burn rates are high, and their growth rates are low, and they typically need to raise huge rounds to continue operating. The best way to prevent companies from doing this is to have them recognize the stage they're in and hire people appropriate for that stage. A too late stage of hire in an early company will cause massive distraction, culture shock, and an increased burn rate. These CEOs need to let the problems of their business guide them to scale up in stage, not emulate other companies at later stages. It isn't about where you want to be, but where you are today that should judge how you run the company."

From Casey's article and our own expertise, we discerned the characteristics of these stages and the hiring behaviours which occur at each stage. These are outlined below

The Early Stage

This stage builds the initial versions of the product offering, focuses on execution and discovering what works. The hiring profiles tend to be jack of all trades, who are self-starting and get things done. Decisions are about choosing a few things to do well, especially from a product perspective and the Founders/CEO are managing almost every part of the business and teams. Successful Founders will invest significant time and effort in the recruitment processes during this stage

The hiring rules for this stage are:

- Jack of all trades > Specialist
- Hungry > Seasoned
- Doers > Managers
- Teamwork > Process

The Middle Stage

As the business becomes established and the product gains traction, the scope and scale of things require a hiring shift from jack of all trades to the beginning of specialist hiring. These specialists tend to be more junior in experience. The majority of teams are doing multiple jobs, and the management structures are beginning to be established. The Founders/CEO begin delegating decisions to the management teams and keep the company focused on execution but with plans being put in place for growth and expansion. Founders continue to invest significant time and effort in the recruitment process but also begin to delegate recruitment responsibility to their management team.

The hiring rules for this stage are:

- Specialist = Jack of all trades
- Doers with some doer-managers
- Hungry > Seasoned
- Some process

The Late Stage

As the company become more successful, the teams become larger, and the management team contains full-time managers. The company organisation is both broad and deep and individual roles become even more specialised. The experience levels evolve beyond hiring junior levels to now include seasoned individuals. The founding team take on specialised executive roles such as CEO, COO, CPO, CTO. Founders are involved in the recruiting of critical and senior hires, but the majority of recruiting is now driven by the management teams with support from a strong HR, People Ops and Talent function

The hiring rules for this stage are:

- Specialist > Jack of All Trades
- Managers + Specialists
- Seasoned > Hungry
- Process efficiency

HIRING PATTERNS OF A START-UP

Using the model of Early, Middle and Late stage to map the start-up lifecycle and our research of **1385** employees from 10 successful Dublin start-ups we identified a general hiring pattern through these stages that could be applied to all start-ups. Additionally, we discovered a set of specialised hiring idiosyncrasies dependant on the type of start-up.

	EARLY STAGE	MIDDLE STAGE	LATE STAGE
Typical range Engineering, Product. Ops	49-67%	53-69%	49-67%
Typical range Sales & Marketing	5-12%	11-19%	17-30%
Typical range Customer and Program	3-8%	8-15%	12-19%
Growth ↑	167.10%	86.73%	50.40%
Attrition ↓	3.20%	14.27%	20.00%

Key Takeaways

- **The Early stage start-up focuses on hiring technical staff and the Founders take up the slack!**
- **Hiring in the Middle stage is still predominately technical, but the Sales function makes its appearance and HR, People Ops and Talent becomes strategic. Founders can begin passing the baton!**
- **Hiring in the Late stage is wide and deep, all functions are covered. Founders move towards directing rather than doing!**

The General Hiring Pattern

Early Stage

In the early stage, the organisation unit within the company is Product and Engineering with Founders typically joined by an initial technical team. Hiring tends to be technical only as the company focuses on building their product. Product decisions are typically taken by the Founders.

There tends not to be hiring into functions such as Sales & Marketing, Customer or HR, People Ops and Talent. Rather these responsibilities fall to the Founders, with Founders either taking direct action or engaging with external third parties who will provide the necessary expertise. Initial Sales are in the whole driven by the Founders and product-market fit. Post-sales activities such as Implementation, Customer support or Customer success tend to be distributed across the technical team.

Middle Stage

As the organisation wins customers, technical hiring continues with more specialised Product functions such as Product Management and Designers coming on board to remove the burden f rom Founders. There is new hiring to establish the initial Sales team. After new wins, there is the first fulltime Marketing hire as the company takes over ownership of this function from the third-party consultants, as well as initial hiring into implementation and customer functions such Support or Success.

Towards the end of the Middle stage, as the organisation becomes more complex there is the first hire into the HR, People Ops and Talent function. Around this time, there is the first hire into the Finance and Admin functions. Technical hiring is ongoing throughout and continues to be the most significant part of the organisation.

Late Stage

As the organisation begins to win share in its market, the marketing activities drive demand and there is more hiring into the sales organisation. Continued success in sales drives more customers and this leads to increased hiring into the post sales functions such as Implementation, Support and Customer Success. Technical hiring is ongoing and continues to be the most significant part of the organisation but there is greater diversity in the organisational design.

The Founders have moved into full time Exec or Head of roles and delegated responsibilities to managers. HR takes a more prominent strategic role and HR specialisms solidify across People Operations, L&D, Organisational Development and Talent Acquisition.

Specific Hiring Patterns

The general hiring pattern describes the expected flow of hiring as a start-up moves through the Early, Middle and Late stages. However, we have noticed that different types of companies and industries have additional adaptations with respect to their hiring patterns. In our research, we see these differences demonstrate in the following contrasts:

- Start-Ups with solely Enterprise Customers on-premise or cloud hosted (Enterprise) vs those with a blended customer base across SME, Corporate, Enterprise etc. (Blended)
- Bootstrapped Start-Ups vs VC Funded Start-Ups
- Start-ups in highly regulated industries such as Life Sciences or Financial Services vs Start-Ups in less regulated business industries such as Telco or Martech
- Companies started within last 5 years vs Companies started 6-10 years ago

Key Takeaways

- Enterprise software companies hire sooner into Sales and Customer facing teams than Blended companies. Blended software companies may hire later into these functions, but their teams are much larger than in Enterprise, becoming almost peers of the technical organisation in the Late stage.

- Bootstrapped companies have a slower hiring pace across their organisation, which is driven by a greater need to manage costs than venture backed start-ups.

- Companies in highly regulated industries tend to require specialist domain knowledge in their teams from Early to Middle stage which dilutes the representation of the product and engineering organisational unit.

- Newer start-ups are hiring into non-technical functions and building a broader organisational design much sooner than their predecessors

Our View on Enterprise vs Blended Companies

We classified companies into two categories those with solely enterprise customers either on-premise or hosted on the cloud (Enterprise) and those with a mix of client types across SME, Corporate, Enterprise etc. (Blended).

Sales are established sooner in Enterprise vs Blended companies (3.3 vs 4.5 years). Our understanding would be that enterprise products typically solve a complex problem and are a more resource intense consultative sale. A strong network of enterprise contacts is important in enterprise sales as having existing relationships can assist the sales cycle rather than having to build new relationships. These networks and consultative selling skills are not typically found within the Founders experience and as such a Sales hire can often be a necessity. Companies that sell into the blended marketplace typically solve problems more simply, the sales cycle is less complex and relationship-driven, and Founders can upskill into these roles. New hiring for these Blended companies into sales is largely a function of volume of leads and opportunities requiring greater capacity rather than a set skillset or network.

Similarly, the Customer Support / Success function is established sooner in Enterprise companies than Blended. Again, this is due to the complexity of enterprise products; customer issues are amplified in the enterprise space and require greater effort and focus to resolve. Additionally, enterprise customers frequently have an expectation of a dedicated point of contact to manage initial implementation, issues and escalations. Blended companies with solutions for a broader customer base typically direct customer issues to technical teams initially to resolve before scaling this function when greater capacity is needed and specialism occurs. At the start of a product development, these direct interactions with customers by the technical team have an added benefit for Blended companies as they can provide strong insights into customer's needs which can influence future product features.

Our View on Bootstrapped Start-Ups vs VC Funded Start-Ups

Sales functions are established later in Bootstrapped vs Funded companies (4.6 vs 3.6 years). In our opinion, this is due to Bootstrapped companies operating on stricter costs basis and not having the funds to hire a strong sales person who are typically an expensive hire. In contrast, VC Funded companies can use funds raised to invest in strong sales personnel from earlier in their lifecycle. Customer Support and Success is established later in Bootstrapped companies as well (5.6 vs 2.6 years), which we believe is due to similar reasons where bootstrapped companies are operating on a stricter cost basis.

Finally, HR is established later in a Bootstrapped company, we believe this is due to headcount growth in a bootstrapped company being typically slower in the Early to Middle stages as they are operating on a stricter cost basis. HR therefore becomes critical at a later point in time. Additionally, Founders in bootstrapped companies take on a lot of responsibilities while those with VC backing are encouraged to build a strong team around them and delegate to experts.

Our View on Highly regulated vs Less regulated business industries

Companies operating in highly regulated industries follow a largely similar path to other companies. However, from the Early stage they augment their organisation to include domain experts or specialists. These can bring additional technical skills or have strong input into the product often impacting hiring decisions in these areas and diluting their representation.

As the company scales and continues through the Middle and Late stage this cohort of specialists grows steadily but is less represented in the overall organisational design with other functions growing more rapidly to act on their expertise.

Our View on Companies started <5 years vs started within 6-10 years

Companies founded within the last 5 years are hiring into different organisational units sooner than companies started within the last 6-10 years. This is true for hiring into Sales & Marketing and Customer teams as well as HR, People Ops and Talent. While technical hiring remains the most prevalent, newer companies are looking to establish a broader organisational design at earlier stages in their lifecycle.

Our view would be that this is due to newer companies learning from past hiring patterns either by being founded by repeat entrepreneurs who are using their prior experience to inform their talent strategy or founders of these newer companies having access to expertise from the start-up industry that may not have been widely available previously. Another factor would be higher customer expectations of the sales and post sales experience in the modern market and the growing expectation of specialisms from clients requiring hiring across organisational units earlier.

PRODUCT AND ENGINEERING

In this report, the Product and Engineering Organisation Unit includes software engineering, product management, product design, Product Owners, Scrum/Agile roles, Quality engineering including automation, and DevOps across all levels of seniority

	EARLY STAGE	MIDDLE STAGE	LATE STAGE
Growth ↑	175%	75%	41%
Attrition ↓	2%	12%	18%

Key Takeaways

- **The technical team is a significant part of any software start-up and is the core of the Early Stage hiring**
- **Technical Headcount significantly grows from Early to Middle Stages and grows again in the Late Stages**
- **However, attrition rates also rise from stage to stage with up to 18% turnover by the Late stage**

Our View on Product and Engineering

- The technical team tends to be more multi-functional at the Early Stage and into the Middle Stage with wider remits of responsibility – Product, Software Engineering, QA, Support, Implementation, etc, before becoming more specialised towards the end of the Middle Stage and into the Late Stage (Product management, Product Design, Front End, Back End, Performance, Automation, DevOps, SRE, etc). This is due to the challenges of product scale where the technical complexity become broader and deeper and therefore greater expertise is required in the different architectural layers to overcome these.
- Attrition tends to be greater in the Late Stage which we believe is due to the reducing emotional investment of employees hired at this stage. Early Stage and Middle Stage technical employees have played a significant part in bringing the product to production and success and are likely to have higher value equity. They have increased financial and emotional attachments creating significant loyalty. The drivers for Late Stage employees may have less emotional depth and therefore less attachment to the company driving increased attrition as the company scales.
- For organisations, whose customers are mostly Enterprise in nature (Telco etc), the technical team remains the most significant part of an organisation in the Late Stage (up to 76%). In our view, this is largely due to the complexity of an enterprise product and the fact that large enterprises each have their own unique needs whereby a standard product doesn't typically meet all requirements and there is some level of solution customisation of the product. The more enterprise customers are won the more customisations are required. In order to meet this new solution engineering requirement, we often see the technical function over time dividing into product and custom engineering units with equal headcount .

- In Organisations who have a blend of customers (SME, Corporate, Enterprise etc.), the technical team remains a large part of the organisation but over time it becomes more of a peer in terms of size with the Sales and Customer teams. This occurs in organisations with Blended customer base as there is a much larger number of prospects to engage and customers to support. These higher volumes require capacity and larger numbers of sales and customer resources with less focus on custom engineering solutions than Enterprise companies.

- For start-ups in non-regulated industries, we see the technical team making up to 70% of an organisation through to the Middle Stage. Post Late Stage, though we see accelerated headcount growth in the Technical team we also see it reducing as a % as other parts of the organisation are scaled out such as Sales and Customer Success.

- As mentioned before, for heavily regulated environments (e.g. Financial Services or Life Sciences), the technical team is a lower percentage of the total organisation as the regulated environments typically also contains a cohort subject matter experts / domain experts to support highly regulated requirements or knowledge. These can often bring a technical skillset to support the Product and Engineering function but have additional expertise which sets them apart.

SALES & MARKETING

In this report, the Sales and Marketing Organisation includes those roles that engage with prospects to generate new business, and those roles that engage current customers to grow the business (including renewals) – Pre-sales, Sales Executives, Sales Managers, Marketing functions, Account Executives and Business Development across all levels of seniority

	EARLY STAGE	MIDDLE STAGE	LATE STAGE
Growth ↑	31%	114%	68%
Attrition ↓	0%	22%	24%

Key Takeaways

- **The first Sales hire is critical to the company lifecycle and growth as it drives initial success beyond the Founders**
- **Their success grows the customer base which leads to growth of the Customer function to support this**
- **The company's desire for sales creates the need to invest in Marketing to drive awareness and demand and reduce dependency on Founders or third parties**
- **Into the Late stage of the lifecycle, the Sales team becomes nearly as large as the Technical team in a Blended company**

Our View on Sales

- Typically, Sales becomes established as a function between 3-5 years after foundation when a company is on average about 20 people in size. We believe this is due to the initial sales being driven by the Founders themselves and that this early success is needed to demonstrate market traction and credibility before funds can be allocated to invest in a dedicated sales resource.

- There seems to be a correlation between the Sales and Customer functions, with Customer headcount increasing in the 2-year period after sales is first established. This would imply that increased sales leading to greater volume of customers to be supported is the main driver for growth in the customer function.

- Interestingly, Marketing as a function is established later than sales (3.6 vs 4.1 years). We feel that Founders typically outsource marketing initially, leverage off that to drive sales, subsequently they use sales success to invest in hiring sales resources and that the new sales team create greater demand from a Marketing function which in turn leads to a decision to invest in their own Marketing resource. After the Marketing function is established, successful organisation's Sales team grew indicating a positive impact of a successful marketing hire and the addition of this skillset in-house.

- Compared to Sales (up to 40% of an organisation), Marketing is on average 3.5% of an organisation though for Blended companies it can be 7-10%. We feel the greater headcount in Marketing in Blended companies is due to the typically larger market that a Blended company is attacking and the reduced important of pre-existing relationships and networks compared to Enterprise.

- The Enterprise Sales headcount is small compared to Blended Sales headcount. As mentioned previously, we feel this is due to the fact the Enterprise Sales function has smaller market to address, is a longer cycle, is very relationship based but of higher value and therefore requires a smaller sales team. Whereas a Blended Client organisation has a larger market to address which requires more resources winning smaller deals across a large market.

- Alongside that, the Sales function is established sooner in Enterprise Client companies than Blended. We feel this is due to the unique nature of Enterprise sales where it is uncommon for Founders to have a large network of contacts and in order to win new customers access to a seasoned sales resource who already has an Enterprise network is necessary. Blended companies can often win sales on product fit and price rather than relationship and the founding team can manage this until volumes become too great and capacity is the main driver of hiring rather than a missing skillset or network.

- Interestingly we identified in Enterprise companies that over time enterprise sales shifts from being locally hired to being hired in region.

- We believe this is due to the fact that after best practices have been established centrally the profiles of hire shifts to enterprise software sales skills with a wide regional network of contacts. If a particular region is being targeted US, EMEA, APAC etc. then companies are more likely to enjoy sales success by looking to recruit a strong salesperson from that region who brings with them a network and regional knowledge.

- Bootstrapped companies hire sales later than funded companies. Our general observation that bootstrapped companies manage to stricter cost schedules and investments in hiring are therefore made only when the financial resources and runway are there is particularly evident here as sales is often a high cost resource in the Early or Middle stage.

- Newer companies (< 5 years old) establish Sales sooner than > 5-year-old companies (3 years vs 4 years). This aligns with the general observation that newer companies are building out the organisations earlier than older companies. We believe this could be due to Founders recognising there is value in dedicated sales skills in both Enterprise and Blended companies and the increased expectation of specialism by clients.

CUSTOMER ORGANISATION

In this report, the Customer Organisation includes those roles that engage in post-sale activities including project implementation, solution design, customer support, and customer success across all levels of seniority.

	EARLY STAGE	MIDDLE STAGE	LATE STAGE
Growth ↑	37%	165%	80%
Attrition ↓	17%	11%	21%

Key Takeaways

- Customer facing functions are hired after Sales and there is a correlation between the two
- In Blended companies, customer facing teams are large compared to those in Enterprise Software companies
- Customer facing functions in Enterprise companies are more technical in nature than in Blended companies

Our View on Customer Organisations

- Typically, the Customer Function is initially established at a similar time to sales in the 3-5 year period though after being established the Customer Function grows after Sales.

- We believe this is due to sequencing, a new sales team requires a period of time to generate success and bring in new customers. Once the volume of customers increases this creates the need to have additional customer resources to support them and pre-empts the growth of this function.

- Similarly to Sales, the Customer team seems to be established when the company is on average 20 people in size and when the product is becoming robust leading to an increase in customer wins.

- The Enterprise Customer headcount is small compared to the Blended headcount. We think this is because in an Enterprise environment where the product sold has been customised, the Enterprise customer builds out their own internal teams that act as initial support and success channels. Therefore, the volume of support requests coming through to the company itself is less, though probably of higher criticality which requires a higher technical skillset beyond product functionality knowledge. This means that even though the Customer function headcount is smaller in the Enterprise Client company, the required skillset is more specialised and technical.

- In opposition to this, the Blended Customer headcount is often in direct contact with the end user of the product which leads to higher volumes of customer requests that drive an increase in headcount. These customer requests tend to be more product functionality based. This can mean that the skills profile of the Customer function in a Blended company is less technical and more product, relationship and advisory focused.

- The Customer organisation is established sooner in Enterprise companies than in Blended. We think this can be explained as with enterprise software there is often a complex implementation that needs to be project managed. This leads to the hiring of experienced project management resources that work with the customer to move the solution to go-live. Initially implementations are probably less complex and smaller in scope (POCs etc) that can be managed within the starting technical team and founders but moving to Middle stage and as the company gets more wins the size and complexity of the solutions increases there is a need for new and deeper project management skills. Thus, in Enterprise companies, customer project management resources appear first followed by a smaller customer support and/or success team

- Blended companies seldom have project management resources working with customers, probably as their solutions are more configuration focused than heavily customised. Despite this, their support and success function quickly grows with greater demand from a large customer base and become a large part of the overall organisational design alongside sales and the product and engineering organisational unit.

- Bootstrapped companies hire customer functions later than VC funded companies (5.6 v 2.6), which we believe is a function of cost management and scaling a function as the need arises. Often post-sales responsibilities are divided across the technical and sales functions as well as Founders until later in the Middle stage or Late stage.

- Finally, Newer companies (< 5 years old) establish their Customer function sooner than those > 5 years old (3 vs 4 years), which reflects the general trend of building out the overall organisation across all functions earlier in the lifecycle and the increased expectations of the post-sales experience by customers.

HR, PEOPLE OPS AND TALENT

Key Takeaways

- **Initial HR, People Ops and Talent responsibilities are shouldered by the founding team with the support of external consultancy**
- **This function is more strategic than ever and is recruited as the company faces challenges of employee development, retention, and talent acquisition rather than as a function of a company scaling**
- **Serial entrepreneur companies are hiring into the HR, People Ops and Talent function earlier than first time founders**

Our View on HR, People Ops and Talent

- HR, People Ops and Talent as a standalone, resourced function is established on average at about 50 employees and 5 years after establishment. During the Early Stage and into the Middle Stage, we feel that the responsibilities are distributed across the founding team and senior management team, supported by external HR consultancy and the focus is primarily on legal aspects (contracts, equity plans, terminations) as well as compensation (payroll, salary, basic benefits) rather than on strategic aspects such as career development, talent, learning and development, performance management, culture etc.
- It seems at a company size of 50, these aspects take on more import and creates the need to have the HR, People Ops and Talent specialism in house and fully resourced in order to overcome those challenges. The first hire is made in the Middle stage and it is initially a generalist role with multiple strategic responsibilities.
- At the Late stage, the HR, People Ops and Talent function grows, it takes an Executive role (VP People, VP HR) and the team expands into specialisms that support the development of the organisation and culture and into talent acquisition roles.

- Still, it is important to note that none of our target companies brought in these roles sooner than when the company had a significant critical mass (20+). Interestingly, looking at overall company growth/attrition rates in the Middle and Late Stages, before and after this function was established, rates remained consistent. It appears that exceptional growth is not the driver for establishing HR, People Ops and Talent, but rather it becomes a broader more strategic function to support a more complex organisation.

- Internal Talent teams are established in the Late Stage to cater for the increasing hiring volumes. Even though growth rates remain consistent, the volume of headcount grows leading to the need to have internal skills in-house to manage this and begin to own the company's employer brand.

- There is an interesting observation on attrition, our research indicates that attrition seems to have a spike 2 years after this function is established. We feel that this is likely due to the implementation of more robust performance management processes and the recognition of the necessary talent strategy for moving forward.

- Newer start-ups, especially those who have repeat entrepreneurs as a founder bring in HR, People Ops and Talent as a function sooner and on a lower headcount. We believe that is because they have a clearer blueprint of how they want to organise and grow the company and tend to achieve success sooner and so headcount growth is accelerated. Additionally, this function arriving earlier in these newer companies may indicate that the competitive marketplace locally for talent is establishing the strategic importance it holds for companies and recognising the value a strong resource can bring in determining a talent strategy and building a superior culture.

TRANSFORMING HIRING PATTERNS INTO HIRING BLUEPRINT

The Startup Genome Project (startupgenome.com) in their study of successful start-ups identified that a contributing factor to the failure of a start-up is whether they scale their hiring and teams too late or too prematurely. Examples of how this hiring inconsistency manifests itself include:

- Hiring too many people too early
- Hiring specialists before they are critical: CFO's, Customer Service Reps, Database specialists, etc.
- Hiring managers (VPs, product managers, etc.) instead of doers

Bill Liao (SOS Ventures, Coderdojo) is quoted to have said "Scaling the team before the culture and product are really nailed is deadly and scaling with sales people cuts out the possibility that the product is developed to sell itself and both are silent killers."

David Weekly (ex-Google, ex Facebook) has defined a signal of start-up failure as Growth-Through-Hiring, where founders think that a growing team means a successful company and are "eagerly hiring lots of people that seem smart before grasping the impact this will have on business speed and team dynamics. A deliberately small team can outperform teams orders of magnitude larger."

In order to prevent start-up failure being caused by poor hiring patterns, it is clear that one of the most important strategies that Founders can adopt is Start-Up Organisational Design. Organisational design is matching the size, capacity and structure of the organisation to the company's strategic objectives. This means that organisational design with an accompanying talent strategy are not reactive or tactical in nature but thoughtful, deliberate and cater not only for the now but for the future needs of the company as well.

This Organisational Design competency which is typically in the remit of the HR, People Ops and Talent function can explain why our analysis is showing that start-ups who have been founded by experienced entrepreneurs are viewing this function in more strategic terms and hiring sooner into it than previously. HR, People Ops and Talent is now being viewed as a competitive advantage in growing a company in a competitive marketplace.

With this function now taking strategic importance, we believe that successful start-ups will move from hiring reactively and tactically to establishing a talent strategy that the founders can use to chart their progression through each of the Early, Middle and Late stages.

The hiring patterns that we have identified above helped us understand how to build a hiring blueprint for a start-up.

From the hiring patterns above, it is clear there are 3 dimensions to a hiring blueprint:

1. **Unit:** What Unit do I need to build? (Product and Engineering, Sales & Marketing, HR etc.)
2. **Action:** How do I meet the demands of this Unit and when do I hire into that Unit?
3. **Skillset:** What skills are needed in that Unit at that time?

EARLY STAGE

Goals

Establish thetechnical team that can create the initial product offering
Achieve theoutputs of the other units through Founders skillset or outsourced partnership

	Hiring Actions	Skillset
Product and Engineering	Hire into this team, focus on acquiring talent that can play multiple technical roles while building out the initial core product. Where required supplement with specialist skills on interim basis (Design, UX etc) but remain focused on acquiring technical talent with broad skillset Focus on acquiring talent that will execute rather than manage, will work well within a team, and who are ambitious to learn and develop	Broad
Sales and Marketing	Hire into the Sales function if Founding team are not equipped to run the sales process especially seen in Enterprise companies, otherwise expect Founder team to take responsibility for initial Sales. Work with marketing consultants rather than hire into marketing function	Founder-led Outsourced
Customer	No hiring into this function, direct Customer related workload to the Product and Engineering Team	Cross functional Outsourced
HR, People Ops and Talent	Work withHR consultants during this stage focusing on HR execution and compliance	Founder-led Outsourced

MIDDLE STAGE

Goals

Establish the business functions that will create demand for the product and win more customers
Ensure acquired customers are being supported and are satisified
Ensure the technical team has the right skills to bring the product forward

	Hiring Actions	Skillset
Product and Engineering	As the product offering becomes more complete and expansive, begin hiring into the specialist product and engineering skills, Product Management, Product Designers, QA etc. Begin hiring more senior staff into the team who can give guidance in process, technical and architectural decisions and strategy as well as provide mentorship to less experience team members	Begin Specialising
Sales and Marketing	Hire senior sales who can drive the sales process to successful conclusion. Make first hire into the marketing function who will work closely with the new sales function to generate awareness and drive demand As demand grows, hire new sales talent to convert the demand into sales wins	Broad
Customer	Make first hires into the Customer team who can support the customers once live. If product requires complex implementation hire skilled project managers. As new sales wins continue, build out the customer team to match customer demands	Broad
HR, People Ops and Talent	If overall organisation has grown to 20+ across multiple organisational units consider hiring into HR function to support HR strategy, execution and compliance	Broad

LATE STAGE

Goals

Establish the management teams that will drive high performing organisation
Build the teams to meet the demands of new sales and new customers
Ensure the product continues to advance, is stable and resilient and the team has the skills to support product depth, breadth and scale

	Hiring Actions	Skillset
Product and Engineering	Hire management talenttoensurestrongprocessandteamdevelopment. Hire both experiencedandlessexperiencedtalentsothatthereisopportunitytoapply knowledge and to learnandmanagesuccessionplanning Focus on bringing in andgrowingthespecialistskills-FrontEnd,BackEnd,Product Management, ProductOwners,UI/UX,QAAutomation,DevOps,SREetc	Specialist
Sales and Marketing	Hire into the marketingfunctiontoscaleoutmarketingexpertiseandhirespecialist skills (inbound, outbound,partnermarketing,SEOetc) Hire into sales teamtoscaleoutabilitytoconvertgrowingdemandandhirespecialist skills to support salesprocess(salesengineers/presales,solutionconsultants,inside sales, enterprise sales,etc) Hire managementtalenttoensurestrongprocessandteamdevelopment	Specialist
Customer	Hire into customerfunctions,projectmanagementifrequired,customersupportand customer successtoassureclientsatisfactionandretention Hire managementtalenttoensurestrongprocessandteamdevelopment	Specialist
HR, People Ops and Talent	Make strategic seniorHRhirewhowilldriveorganisationaldevelopment,cultureand strategy and movetoexecutiveposition Hire specialists whowillimplementnewstrategicinitiatives(L&D,PeopleOps, Employer Brand) Grow an internaltalentacquisitiontomanagefuturescaling	Specialist

CONCLUSION

A poor Organisational design and talent strategy can be a significant contributing factor to a start-up failing. Founders who can clearly see the shape of what the organisation should be in the future can chart their organisational journey and use that To-Be state as a critical input into their hiring and organisational decisions.

From our research, there is consistency in the hiring patterns of successful start-ups in Dublin. As start-ups move through each Stage from Early, Middle and Late, their organisational design changes which must be accompanied by an aligned talent strategy based on the needs and capacity of the company and skillset required.

As HR, People Ops and Talent become a more strategic function we would advocate for start-up Founders to consider not just talent but additionally, their talent strategy when looking to scale. We believe by looking to the past hiring patterns of successful start-ups, companies can identify their own path to scale, develop an aligned talent strategy and successfully navigate through the different stages of the start-up lifecycle.

If you are interested in learning more about this research please feel free to reach out at info@ta.guru!

Additionally, should you have any queries about your talent strategy or other challenges we would be delighted to talk.