

Executive Roundtable



What Do Startups Need from HR?

Much of the DNA of any startup is embedded in the founder's vision, which often includes a breakthrough technology. But when it's time to scale that vision and technology, how do leaders capture the best and the brightest talent, build nimble structures, create deliberate and thoughtful cultures, and accelerate performance? Human resources in a startup plays a different role and addresses a faster-evolving set of needs than HR in most organizations. How can HR best help a startup's founders, investors, and employees achieve their objectives? Executive Roundtable Editor David Reimer and colleague Sonja Meighan sat down with the CEO of Humu, **Laszlo Bock**, to discuss the people side of a fast-growing startup.

Humu is a behavioral change company focused on people science, product design, engineering, and management to improve the working lives of employees. Its mission is "making work better for everyone, everywhere." Founded by Laszlo Bock, Wayne Crosby, and Jessie Wisdom in 2017, the company has raised over \$40 million in venture funding. Humu's technology empowers enterprise leaders to measure what matters (and only what matters) and to leverage people analytics (and a little bit of love) to nudge people towards being their best selves, every day. The end-game? Higher productivity, dramatically lower attrition, and happier, more capable companies built from the inside out and the bottom up.

People + Strategy: What have 20+ years in the business of people, strategy, talent, organizational design, and analytics taught you to help prepare for the role of CEO?

Laszlo Bock: It has been fantastic preparation in some ways and terrible preparation in other ways. It has been terrible in that there is a skillset that is hard to build inside of HR. There is a body of knowledge about the business that you don't acquire by living and working only in HR. The experience in HR allows you to influence decisions, but rarely *make* the decision.

At the same time, it has been fantastic preparation. Every company states they put people first. However, in practical matters most companies don't. They come to realize that it takes a lot of work. CEOs have a finite amount of time and there is a lot of pressure.

a double major. It can't be the only thing. If you are in a cost-cutting environment, you need to carry it out in a humane and gracious way. That is how the culture shows up. If you are in a growth situation, you have to give people the opportunity to grow, stretch, take risks, and not penalize failure. That's how the talent angle shows up.

P+S: How have you made any of these trade-offs at Humu?

Laszlo: We cheat a little at Humu. I was actually just reflecting on this as we hit our one-year anniversary as a company. Since we have multiple founders, we have been able to move faster and focus on more things by dividing and conquering. Underpinning this, we are aligned on the core things—people matter, culture matters, and the tiny little artifacts matter.

P+S: Have you noticed a change in how people perceive you?

Laszlo: It is interesting to think about because my job title got much bigger, but the level of scrutiny got smaller. I was the Chief People Officer at Google and then became the CEO at Humu. Billions of people have heard of Google compared to the thousands of people who have heard of Humu!

What's interesting is that when people join Humu, they come in with assumptions about different roles and how relationships work. We only have one person with a title—and that's me. When Wayne and I decided to start Humu, he was Chief Product and Engineering Officer and I was Chief Executive Officer. A day later, Wayne came to me and said this feels really silly—we only have three of us. I said I don't need a title, but Wayne felt there should be a CEO.

Part of the reason CEO turnover is so high is because people are generally good at one thing, but the demands of the organization are constantly evolving and CEOs are unable to adapt at the pace required.

Despite this startup context, people come in with assumptions about relationships and where decisions are made. For example, we had an amazing sales guy join us from a company where the culture was such that it would not have been appropriate there to reach out to someone higher in the ranks to schedule a meeting. Three days into his job at Humu, I suggested we meet. He was shocked to be speaking to the CEO. I imagine these assumptions will only become more challenging as we continue to grow.

Talent and people tend to fall to number six on a top-five priority list. If you want to differentiate your organization based on culture and people, something else has to give. It becomes a trade-off and then it gets to whether or not you really think people are the advantage.

P+S: What are some of the things you trade to make room for talent and people on the top-five priority list?

Laszlo: Part of the reason CEO turnover is so high is because people are generally good at one thing, but the demands of the organization are constantly evolving and CEOs are unable to adapt at the pace required.

Talent and capability are general things that will be a differentiator for any company, but you need to be

P+S: Do you see yourself perceiving or processing the world differently as CEO than in prior roles?

Laszlo: Yes, there is way more responsibility. With every job you carry a lot on your shoulders. However, I have noticed a significant uptick in responsibility as CEO. For the first six weeks after starting Humu, I would wake up at 3:30 a.m. every day in a panic—if Humu didn't work out, I would be fine, but all the amazing people working with me had left their jobs and careers to join this *thing* that we just kind of made up. I kept thinking, what would happen to them? (In reality, these people are smart and they would find jobs.)

Fortunately, things are going really well. It's a tremendous amount of responsibility that carries a much heavier weight.

P+S: You've been around startups and the venture capital world a while. What are the talent-related mistakes that you see founders most often make in the early stages of their company?

Laszlo: Even though each situation is unique, there are definitely patterns. Most founders get fired from their boards for one of three reasons. The first is they fail to grow and develop as a CEO. It is very difficult to scale and grow as a leader at a pace faster than the company's growth. A combination of factors can come into play: naiveté, hubris, lack of self-awareness, and lack of self-reflection. The second is

the leadership team falls apart or gets political. One of the challenges about being in the HR field is that everyone thinks they are really good at HR when in reality most people are average. As you build leadership teams, most people believe they will just figure it out as they go. They fail to rely on outside experts and fail to act quickly and decisively enough when people are not working out.

Generally you should act faster than you are comfortable when people are not working out. In many startups, when an individual on a leadership team is not working out, it takes twice as long to make a change because people don't want to be too hasty and they are worried how it will look if they replace a member of the team. They worry about the impact it will have to team dynamics. They don't realize that the longer someone is there, the worse it is going to get and the harder it is to change.

The third reason is a failure to hire a diverse set of individuals. Leaders have a tendency to hire in a homogenous way instead of pushing for diversity of thought and background. I obviously believe in diversity as a good thing in and of itself, but in reality, you actually build stronger, more resilient teams if you have a mix of people that look like society.

P+S: From your experience, is there a reason most founders fail to hire diverse teams?

Laszlo: A few reasons come to mind. One, some founders don't value hiring a diverse set of people. Unfortunately a lot of people do not prioritize recruiting a diverse set of people.

Two, founders don't have the time to recruit a diverse set of people. Startups operate in survival mode a good portion of the time, and in an environment of survival, it takes tremendous will for a leader to say he/she will increase his/her odds of failure in the short-term in order to improve his/her long-term odds of winning by pausing to focus on important things, such as



Laszlo Bock

creating the right environment and cultivating the right people.

Three, founders fall into the trap of hiring people they know. Who else is going to follow the crazy idea? Then those people hire a few people that they know and so on. The result is a lot of alike people. Again, it takes a lot of will to overcome this.

Four, the prevalence of non-solicitation agreements across the industry and in Silicon Valley in particular. When someone leaves a company to start a new company, that person is not legally allowed to solicit people from the old company to come join the new company for at least a year. Typically people have diverse networks from their previous workplace, but for the first 12 months in the startup, they are not even allowed to talk to them about work. I think this suppresses the ability of people to build more diverse companies.

P+S: So is startup diversity as easy as solving for these four challenges?

Laszlo: No. On top of these four, one of the greatest challenges is drawing people from different populations. Startups are risky and if you've come out of poverty, whatever color you are, and you are the first person in your family who made it out and landed a

job at GE, Pfizer, or McKinsey, and someone pitches you a startup idea, it's really hard to walk away from the value and stability you have created.

It takes time and effort to recruit those kinds of people, and a lot of founders don't care, don't know how, or don't want to.

P+S: Take us through an imaginary whiteboard exercise. When you think about the developmental milestones of a startup, and the key phases of HR work required, what comes to mind?

Laszlo: I think it is a combination of rate of growth and headcount. People tend to think about headcount conventionally—five people feels different than 15 people and ten people feels different than 30 people. I find that startups tend to find it gets really tough when they hit 500, but then they are good until they hit about 2,000. At 2,000 people, typically a revamp is needed to get to the next level.

However, I believe that rate of growth is often an overlooked factor. For example, we work with a company that has a 10-percent growth rate every year and they have 5-percent employee turnover. With this rate of growth and employee turnover, every two years a third of the company is new. This scale of change is enough to fundamentally change the company because it shifts the culture. I don't think enough attention is paid to the impact a high growth rate has on the culture.

P+S: How would you characterize the HR needs at some of those growth stages?

Laszlo: Most HR leaders in startup tech companies get swapped out every two years because the skillset required to be successful changes constantly. Typically, the first HR hire sets up benefits and payroll and may also be a recruiter. At this stage, the primary need is basic administration and recruiting.

The next stage shifts to employee development. This is not a function of scale

and growth, but a function of expectations and entitlement among employees. This has been especially prevalent in tech startups.

In the past ten years, technology has shifted from being a risky startup culture to a big industry player like consumer products. People joining the sector coming out of MBA programs enter the industry asking questions about their career trajectory and who is in charge of their development. If you let those questions take over in a startup environment, it poses a huge amount of unnecessary burden. It is better if you hire people who make that their own burden and a motivational factor in their work.

These two components tend to result in the second HR hire being someone who is employee-facing and culture-driven. The other component to this second stage, while rare, but extremely important, is leadership team cohesion and development.

P+S: As the scaling continues, what comes next?

Laszlo: The third HR hire tends to take one of two routes. Either an administrative/operational expert who can help cut costs and ensure that everything is running smoothly or an experimentalist or scientist whose focus

centers on what else can be developed. Because each of these stages requires such different skillsets, it is hard to find someone who has all those skillsets and wants to go to a new company or someone who can grow and build into the skillset at the pace required.

P+S: Overarching all of these progressions and growth stages is the founder. What dynamic does that introduce for HR?

Laszlo: In a founder-led company, if you are the HR person, the most important thing is typically the relationship with the founder, specifically a reporting relationship with the founder.

There is a lot of debate about the importance of reporting relationships. As it relates to startups, from an ego perspective, reporting relationships don't mean anything.

However, from a getting-things-done perspective, it is critical. The reason is, if you fall out of sync with the founder, you are going to have a hard time getting things done in the company and you probably won't be having fun. If you are a layer away from the founder, you are serving two masters. Even if your manager is 90 percent in sync with the founder, that means you are 10 percent out of sync, in which case you'll have an even more limited ability to influence

the founder and build board relationships. The opportunity is for you to become the foremost person for the founder and be the founder's coach.

P+S: If you're speaking to an audience of HR people coming out of established, structured environments and readying for their first HR role in a startup, what do they need to be effective in their new gigs?

Laszlo: The most important thing to do as an HR leader is to let go of your agenda. I learned this from personal experience. When I first joined Google, I met with Eric Schmidt two weeks into the job and told him we should focus on succession planning and talent mobility because the company had gone through an IPO. Eric said that we should be focusing on building great teams and keeping them intact.

After taking a moment to take a deep breath and get over the fear of potentially getting fired within my first two weeks, I asked him what was important at Google. He shared with me that the number one priority was recruiting. It was the single biggest impediment to the company's growth.

So, I let go of my agenda and for the next year spent about 80 percent of my time on recruiting. I learned at that moment, even if I had good reasons for wanting to focus on my agenda, it was critical that I prove myself first.

The second piece of advice I have is do the small jobs. The best way to learn how things work in an organization is to get involved with the details: build a spreadsheet, recruit a candidate, fix the copy machine. It demonstrates that you care. It helps you build relationships that you can call on when in need.

And third, watch your relationship with the founder and CEO—this is the most important relationship. Even if they have taken VC money, it is still their company. You need to understand where the founder is coming from. In effect, you're joining a family-run company and it's critical that you understand the family.

Critical HR Experience for Joining a Startup

For anyone coming out of a traditional company, there are three recommendations Laszlo offers as development opportunities before joining a startup:

1. Experience being an HR generalist
2. Experience managing a large team, usually in recruiting or operations
3. Experience modeling compensation or analytics

These three role types will provide the quantitative background, the operational skills needed to scale with the company, and says Laszlo, "the generalist job is a good microcosm of what the CHRO job is in a startup."



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P+S: If you're speaking to a group of HR leaders who have only operated in early-stage startups but now need to transition to later-stage issues, what advice would you offer?

Laszlo: First and foremost, turn into a learning machine. Seek advice from someone who is one to two steps ahead of you and has lived the experience. Cultivate these relationships before you need them. You need to talk to people who have lived this and seen this before.

Additionally, ruthlessly focus on personal development. I personally spend my drive home every day thinking about what I screwed up. What did I learn? What did I regret? What could I have done differently? This is not necessarily the right approach, but it works for me. It is a constant reexamination of learning.

P+S: How does that not turn into you just beating yourself up every day?

Laszlo: The academic research on feedback suggests that it takes roughly 10 points of positive feedback to have the same emotional impact of one point of negative feedback. In my career, I was always the person who in performance reviews wanted to hear the bad stuff and didn't want to hear the good stuff. For me it was always about what I could improve. Google was a high feedback culture—both critical and constructive, but not a lot of “atta boys” or “that was awesome.”

One of the ways I ended up coping with it was writing an email to myself with the subject line of “either you care or you don't” and I saved that email for six or seven years. I did this because I realized that all the negative feedback I received felt terrible, but when things went well and I received positive feedback, I just moved on without recognizing it. I realized that I needed to force myself to care about the good and the bad in equal measure or not care about either, because I was only caring about the bad and not feeling the good.

P+S: Five years from now, how will HR start-ups have revolutionized the way we think about some of today's problems?

Laszlo: There are a few amazing opportunities that I am excited to explore. The biggest one is reducing bias. We make all kinds of biased decisions when we hire, promote, or decide whom to have lunch with. Any decision is fine, as long as it is based on reality and facts and not based on a preconceived bias. The second is reducing unemployment and the third is massively enhancing the quality and pace of human development. All three of these are hard to solve, but they rely heavily on data from computers. When tempered with humans and compassion, the data becomes tangible. Computers may be bad at detecting bias, but they are good at detecting patterns of bias. Five years from now, there will be some very interesting solutions to some very prevalent problems.

P+S: Given your background and previous success, why are you doing this?

Laszlo: This will sound like a talking point, but it's true: There are about 4 billion people in the workforce today and for most of them, the work experience sucks. People tend to measure their work-life balance based on the number of hours spent at work and the level of productivity accomplished during those hours. Everyone can relate to the 10- or 11-hour day where you never stop cranking out work, but you go home satisfied and feeling good because you feel it was time well spent.

Contrary to this, everyone can relate to the day at work where you sit through four hours of pointless meetings and don't feel your time was well spent. There is a lot of good to be done to help the 4 billion people in the workforce have every day at work feel good. The people science exists and we are inventing the computer science.

My co-founders and I had an idea and it seized hold of us. I had no choice but to follow it. ■■