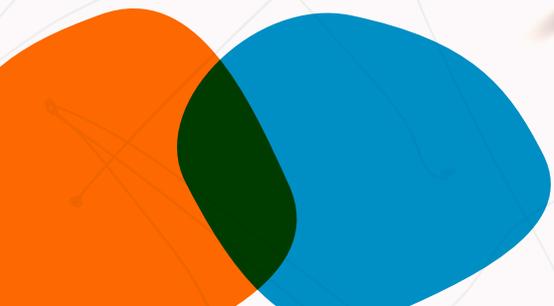




the starr conspiracy

HCM TECH AND THE FOUNDER'S TRAP

WHY SO MANY HCM TECH STARTUPS FAIL – AND HOW NOT TO





INTRODUCTION

You've probably heard the term "The Founder's Trap." Many people think it refers to a broad set of general management behaviors that prevent a founder from scaling a business to its full potential. In reality, these so-called general management issues present themselves as control issues. Many founders simply can't let the business grow *around* them instead of *through* them. In other words, many founders simply can't relinquish control.

That said — and although the exploration of general management issues is fascinating — it's not what we're referring to when we talk about The Founder's Trap. We define The Founder's Trap as **a very specific phenomenon:**



The founder of a company is politely "promoted" out of management to make room for new leadership because of the founder's failure to grow the business.

We've talked with a lot of founders over the years who thought this would never happen to them. *The truth is, it happens to most of them.*

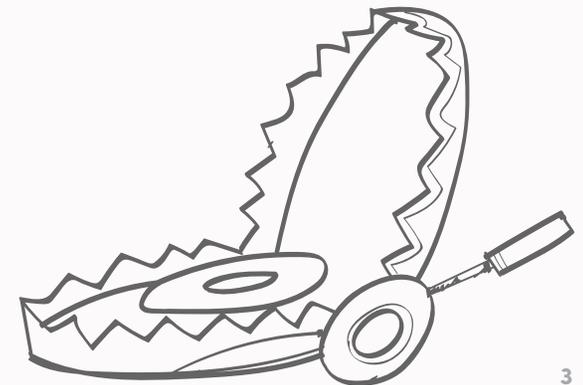
More to our point, the odds of seeing this phenomenon are particularly good in the HCM technology segment. Let us explain why that is, and how we believe any HCM company and its founder can avoid falling into The Founder's Trap.



HCM TECH: FERTILE GROUND FOR THE FOUNDER'S TRAP

The HCM technology segment has experienced a surge of funding over the past several years. In fact, our segment has received more investment in the last three years than in the previous 20 years combined. **That means there are more HCM tech startups out there right now than at any other point in history. The amount of pressure on these new startups is tremendous, as entire categories are disrupted and new brands vie for market leadership.** Success is measured in days and weeks rather than quarters and years, and investors often expect founders to achieve the unachievable.

Zenefits is a great example; the amount of revenue growth that investors demanded would have broken most previous records in the business-to-business software segment (much less the HCM technology segment). But even companies that receive smaller rounds of funding are expected to achieve previously unimaginable results in short time frames. Without question, these are stressful times for HCM tech founders.





The intense pressure to perform drives many founders mad. As the obligations to investors, employees, and even family members accumulate, founders often lose sight of the big picture. They frantically bury themselves in the minutiae of the business and work hard to track down every issue inside the company in an effort to control all the machinery of success. But here's something to chew on: When founders get fired, it's usually for one reason and one reason only. *Revenue.*

Let's be perfectly clear about this: **We've never seen a founder get fired for bad software, sloppy operations, poor customer support, or even a bad attitude.** We've only seen founders get fired for an inability to hit revenue goals. And hitting revenue goals is all about sales and marketing — something we know a little bit about at The Starr Conspiracy. So please allow us to offer our unique perspective on The Founder's Trap based on working with founders and CEOs from hundreds of HCM tech startups since the '90s.



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THE TRIGGER OF THE FOUNDER'S TRAP IN HCM

So, founders get fired when they don't hit revenue goals. And they don't hit revenue goals when they fall into The Founder's Trap. But what springs the The Founder's Trap? In the HCM technology sector, the triggering action is founders putting sales and marketing last on their list of issues to focus on. In other words, **founders in the HCM tech sector who get fired have delayed building a scalable sales and marketing function until they feel their product is "ready."**

Ironically, HCM tech founders who fall into The Founder's Trap are usually doing a pretty good job of building sustainable businesses with good products. The problem, however, is that's not what investors signed up for, truly care about, or are focused on. Investors signed up for fast growth and quick ROI. Investors don't use your product, and they don't talk to your customers. The only thing investors know about your product is what they see in the PowerPoint presentation you deliver every quarter or so. And guess what. If the little graph in that presentation that illustrates revenue growth isn't heading in the right direction, you get fired.



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That said, which of these two stories do you think plays better in the big board meeting?

STORY A

“We’ve made tremendous strides with the product. We’ve added many awesome new features that are light-years ahead of the competition. Revenue isn’t where we thought it would be just yet, but we expect it to improve over the coming quarters.”

STORY B

“Revenue is growing like crazy. Really great. Now, we’ve identified many user issues with the product and our client service. But we expect to improve both of those areas over the coming quarters. We may even have to rebuild the entire platform.”

Which of those two stories gets you fired? Story A or Story B? Which one?

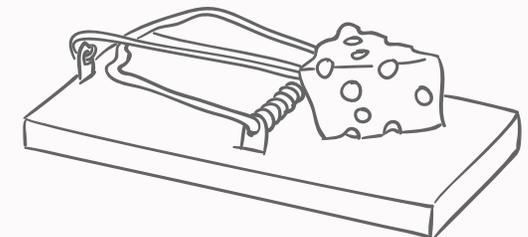
Well, it’s Story A. Story A gets you fired. (We just want to be clear here.)



AVOIDING THE FOUNDER'S TRAP IN HCM TECH

Even if you're an HCM tech founder who's more of a CTO type, your primary goal is to grow revenue. Period. And revenue growth most likely won't happen simply because you got funding and you're the best thing since trombones learned to slide. In the world of HCM technology, runaway organic growth (or viral adoption) is rare. **Successful companies in our segment grind out big numbers and eat market share with effective and efficient sales and marketing strategies.** Unfortunately, most HCM tech founders wait too long to start building world-class sales and marketing capability.

By the time most HCM tech founders turn their attention to sales and marketing, it's likely they're not up to speed on "what works" in their market segment. And then, late in the game and in an attempt to rapidly ramp up sales and marketing, many founders end up trying to replicate popular models of sales and marketing — models that were conceived more than a decade ago and don't really work in the HCM market segment (and generally don't even work in this era of enterprise software). Yes, we're talking about Salesforce here. Go ahead. Try to implement the Salesforce model and see what happens. That model was created when Kurt Cobain was still alive.





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To avoid springing The Founder's Trap in your HCM tech company, you need to:

- Get started on sales and marketing early
- Get outside help
- Avoid conventional wisdom

Further, a solid HCM tech founder will learn to avoid many of the general management and behavioral issues that are counterproductive to good marketing. Here are three strategies, with rubber-on-the-road tactics for carrying them out, to help HCM tech founders avoid springing The Founder's Trap.



STRATEGY 1: GET STARTED EARLY

Tech startups are funded in stages. We all know the playbook; no need to dissect it here. Most startups wait until their first truly significant round (say, \$5 million to \$10 million) before they start thinking about sales and marketing. This is primarily due to conventional wisdom, which holds that the earliest stages of investment should be spent on research and development. The problem with that strategy is that it takes a long time to establish a brand in the marketplace.

If you wait until your product is ready to go to market to establish your brand in the marketplace, you're already behind. The first three or four board meetings after a product launch are pretty uncomfortable affairs for most HCM tech founders; turns out, most board members are perplexed that revenue doesn't start pouring in once the product is launched. Setting their expectations is important. But so is laying the groundwork for effective sales and marketing prior to launch. Here are several actions you can take to get ahead of the curve when you get started early.

FOCUS ON YOUR GO-TO-MARKET STRATEGY.

What does the market landscape look like and where do you fit in? Make sure you understand that solution categories within HCM are colliding right now. **You need to pick the right place to play, the right channel, the right pricing model, and the right price for placement.** Most people start doing this on the fly once their product is ready to launch.



GET YOUR MESSAGE RIGHT. GET YOUR MESSAGE RIGHT. GET YOUR MESSAGE RIGHT.

Did we mention get your message right? **All sales and marketing strategy flows from your message.** To nail your message, you'll need to settle on at least eight variables: (1) radical buyer, (2) category, (3) essential value, (4) competition, (5) choice factor, (6) functional associations, (7) brand attributes, and (8) brand archetype. It's not easy to get these variables right. But getting them right early pays dividends for years.

NAIL YOUR BRAND.

Your brand is a visual expression of your message. Nail it right from the start before you even have available product. **People will find out you're working on something, and when they do find out, they'll pay you a digital visit.** Don't look like you're working out of a garage. It may sound romantic, but it looks like shit.

GET STARTED ON EARNED MEDIA.

Public relations, analyst relations, and other earned media strategies take time to develop and bear fruit. **Earned media is one of the most important channels to start developing early.** Getting to know insiders and getting on their radar early will pave the way for great earned media results in the future.

The best earned media comes from an integrated strategy in which the press your brand is getting amplifies the work you're doing (or plan to do) on owned and paid channels.

Two warnings on the subject of earned media:

1. You'll probably waste a bunch of time and energy here if you delegate your PR to some inexperienced staffer or a marketing person who already has too much on their plate.
2. If you go with an outside agency that lacks industry expertise and doesn't take an integrated approach with your marketing, you're probably wasting your money.



PICK YOUR MARKETING MODEL.

Are you going to implement a brand marketing strategy or a demand-generation strategy? Many believe both can be done with equal efficacy. The Starr Conspiracy doesn't believe that. **We believe strong brand recognition drives strong demand-generation results and helps grow market share faster.** We're not saying don't engage in demand generation. We're saying putting 60 percent of your spend in brand awareness and 40 percent in lead generation is a better starting point than putting 80 percent in lead generation and 20 percent in random shit you got sold.

Figure out what type of marketing strategy you're going to implement, then stick to that strategy. And keep in mind that what works in HCM tech is very different from what works in the broader business-to-business market. So, when you hire that out-of-industry marketing pro from some consumer tech company who wants to lead you deep into the bowels of digital marketing and marketing automation systems, just be aware of this: **Digital and marketing automation are part of an effective strategy in the HCM segment, but the learning curve for marketing in this industry is much steeper than in other segments (especially now).**

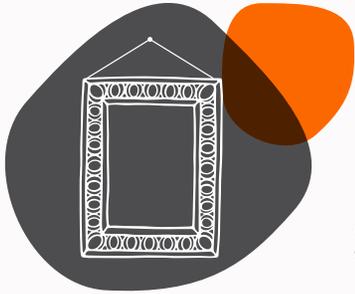
RESEARCH YOUR MEDIA PLAN.

The most important component of marketing in the HCM segment is understanding where you will acquire your paid media. There are some great media sources out there — and there are some real dogs. Do some work in advance to find the marketing communities that have the right media opportunities for you (e.g., *Human Resource Executive*® and *Chief Learning Officer*). Keep in mind that media sells out months in advance. Lastly, know that you can't pick the right media opportunities by looking at a media kit; you need to conduct significant testing to produce an evidence-based recommendation for media buys. This should all be done prior to launch or as soon as possible thereafter.



PICK YOUR SALES MODEL.

Before you even start selling, formalize the type of sales approach you'll utilize. Will you sell direct, through consultants, through partners — or some combination of the three? Will you split your sales team between inside and outside, or between inbound and outbound? Will you focus on a persistence model or a coverage model? Will you target only major accounts, or will you sell across the board? Each of these decisions should be based on your message (believe it or not) and on your go-to-market strategy. The Starr Conspiracy has a very strong point of view on sales models. For now, we'll save you the diatribe and simply say that **the most effective model in our market segment is to have one-piece-flow sales teams that are organized around the principles of Agile and velocity. If you want to find out what all that means, give us a call.**



STRATEGY 2: CHANGE YOUR FRAME

It's not easy to manifest a business plan, raise money, and build a company. HCM tech founders are certainly amazing people with strong personalities. But every founder has heard this at one time or another, and we'll repeat it here just so you know it's also true in the HCM tech space: **What makes you successful as an HCM tech founder will get you fired as a chief executive.**

Founders often define their business in opposition to prevailing trends. They focus on doing things their own way, which is an important aspect of innovation. They stick to their vision, even when the world seems to be moving in the opposite direction. They put in the hours, overcome every obstacle, and manicure every detail of the business as it takes root.

But listen. **Once you raise the money and get the ball rolling, it's time to start letting go.** Many founders have a hard time letting go of product development, and we get that — especially when the HCM tech founder is a CTO type. But to build a high-quality product with velocity, it's important to empower development teams as early in the process as possible. Fortunately, most organizations in the HCM tech space utilize some form of Agile for development and that model is built on team empowerment. So letting go in development may be difficult, but there is a lot of support in the community for models like Agile that make letting go a no-brainer. And like we said before, founders don't get fired for bad product.



On the other hand, letting go of sales and marketing is the hardest thing for any founder to do. We understand why: This is your baby! You're the only one who has been able to sell the big deals. Only you truly understand the voice of your brand. After all, your personal identity is wrapped up in the identity of your product, and the reverse is also true. But here's the deal: Founders are so loathe to let go of sales and marketing, and are also so resource-constrained, that the most frequent outcome is slow marketing and slow sales, which leads to slow growth. Slow food is great! **Slow sales and marketing will get you fired.** Here are a bunch of things you can do to change your frame of mind and get sales and marketing on the right track.

ESTABLISH THE FOUNDATION.

Whether you're working alone, with a small team inside your company, or with an outside agency like The Starr Conspiracy, **it's important to set the foundation, core, or essence of your marketing right from the start. If you want to obsess about something, obsess about this!**

Get your message right first, then move on to your visual brand. Once these two pillars are in place (how many metaphors have we used now?), you can start to let go. Of course, you're going to want to personally approve the fundamental strategy for sales and marketing and stay involved with the big stuff like brand and message. But if you're staying up all night writing web content, you're in trouble.



GET OUT OF THE WAY.

At least two things are happening if, as an HCM tech founder, you're an individual contributor to sales and marketing, or if you're insistent on approving every sales and marketing initiative. First, you're probably a bottleneck. Second, you're making everyone who works for you feel like shit.

Though it's true that not every sales and marketing professional is good at their job, the vast majority are ambitious and competent people who care about telling a good brand story, driving quality leads, and closing deals. If you've ever heard yourself saying, "It will be faster for me to fix this myself than walk you through it," then you're falling into The Founder's Trap. You might as well be saying, "I'm not comfortable with anything that I didn't create myself." That's setting an impossible goal for most professionals who have their own ideas about how to promote your brand and product in amazing ways. It's time to let go and empower your team.

In the absence of an industry standard for sales and marketing team empowerment, like Agile, it's much harder to let go in sales and marketing than in other areas of the business (e.g., in development). Yes, Agile is great for sales and marketing. But it's far from being an industry standard, and more people get it wrong than right (you can't learn it from a book). But please take our word for it: If you don't let go and let your sales and marketing people operate at maximum velocity, with a high level of confidence (even as they're making mistakes that make you cringe), you're going to get fired because you're not going to hit your revenue goals.

Know this: Perfect sales and marketing doesn't exist, and you care a lot more about word choice, tone, color, and other expressions of your message and brand than your prospects do. **It's much more important to execute with a high level of consistency than it is to get every detail of marketing perfect.**



SLOW YOUR ROLL.

You're the one who waited too long to get serious about sales and marketing. Now that you're behind the curve, don't take it out on your sales and marketing people by demanding unrealistic results and frequently changing course. **Good sales and marketing takes time to deliver high-quality results — even if you throw money at it — because you're coming from behind. Chaos kills sales and marketing.**

Unrealistic expectations kill engagement. Isn't it ironic that we live in the field that is responsible for employee engagement, yet we are the hardest on our employees when it comes to issues like setting expectations, providing steady leadership, and encouraging personal and professional growth? You can't always be dissatisfied. If every campaign is a failure in your eyes, then every campaign will always be a failure, and you will burn your people out. **Set realistic performance metrics for sales and marketing, set a strategy, and then let it run for a while.**

Oh, one more thing. Never ask this question: "Why aren't we in this article?" You're not in that article because you waited too long to start your earned media program. Don't make your marketing folks feel like shit because they weren't able to pitch to someone they have never even met.

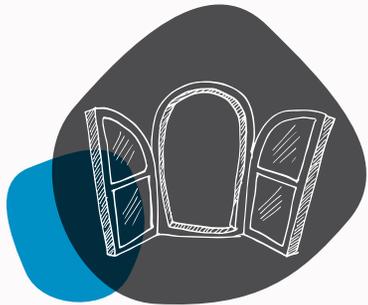


LOOSEN YOUR PURSE STRINGS.

There's no easy way to say this: Marketing is expensive. There are no shortcuts and no silver bullets.

Under-investing in marketing is a mortal sin for HCM tech startups. No matter what your product is, you're a marketing company. Three missing product features won't kill you; a lack of brand recognition and leads will.

To be specific, you must invest in paid media. Stop making fun of those folks who are running television ads. They're kicking your ass. We're not saying you need to be on radio and television. But you must invest in paid media unless you have some other business strategy that doesn't include revenue growth. Repeat after me: "No media money, no leads." You can't cold-call your way to market leadership. Selling through direct outreach and personal connections may have been effective in the early stages of your business. But if you're trying to scale, you're going to have to engage in marketing at scale.



STRATEGY 3: OPEN YOUR WINDOW

We're not going to go into too much detail on this one, because the more cynical among you will believe this final piece of advice is wholly self-serving. In short, open your window and take a look outside. If you're entering the HCM tech market for the first time (or even if you're entering for the 10th time but from a different angle), you don't know half the shit you think you do. This market is super-weird, but it's also super-amazing and has the potential to change the world.

You're going to need outside perspectives in every part of your business. Advisory boards are great, but they're too far removed from the action to help you nail marketing in this segment. And your board doesn't really get marketing in this space, we promise. Bring in someone who knows the industry landscape, knows the marketing landscape, and cares enough to explore the uniqueness of your company — its vision, people, and culture — not just the features and benefits of your product.

Especially in markets where employee retention is a problem (such as the Bay Area), working with an outside partner can ensure business continuity even if your marketing team frequently changes faces. That being said, you may be surprised how long you can hold on to excellent talent if you loosen your grip a little bit.



SUMMING UP

In closing, let us say we've seen many good founders get fired for stupid reasons. We think with the right support and guidance, however, most HCM tech founders can level up and acquire the attitudes, behaviors, and skills necessary to master revenue growth through effective sales and marketing. But investors and boards are impatient and frequently move founders aside to make room for people they've worked with in the past. More often than not, the new people who come in screw up all the good things and don't fix the bad things. But that's another story for another day.

Look, what we're saying is that we like to see founders — especially HCM tech founders — run the entire race. We think most founders deserve that opportunity. **But if you want to make sure you're one of the HCM tech founders who does stay in it for the duration, don't underestimate the need to create a scalable and team-empowered marketing engine as soon after company launch as possible.**



TAKE THE NEXT STEP

If you want to dive deeper into how your HCM tech startup in particular can avoid falling into The Founder's Trap, get in touch and arrange a free four-hour business planning session. We promise you won't be disappointed. Yep, that's right, it's free. So there's that. More important, our team at The Starr Conspiracy has been conducting planning sessions for more than a decade. In fact, our planning session model may have created today's standard for strategic marketing summits in the enterprise software market segment. We are, after all, the only agency in the world with a stated mission to change B2B marketing forever. Give us four hours and let us change your company's destiny. Don't be one of the companies we wrote about that waits until it's too late. Don't be a Story A founder. You're better than that.

Schedule Your Free Business Planning Session Today 

About The Starr Conspiracy

The Starr Conspiracy embraces the humanity in business to build brands that have emotional resonance. More than a global business-to-business marketing agency, we're a movement. We're changing the way technology companies view themselves, their customers, and the world. Unlike conventional agencies, we fuse advertising, technology, and advisory services in completely new ways — ways that defy categorization and challenge the old-school agency structure.

