

# So You Want To Hire a CEO

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January 2012

# **So You Want To Hire a CEO**

**A guide for the founder about the Do's and Don'ts**

**From a founder who has been there**

# Introduction

- “In the beginning God created the heavens and the earth...”
- Sounds familiar? Most start-ups begin with one creator, one thought, one spark
- Genesis of companies is with “One Mind”
- How do you transition into a collective of minds?

# 12 Considerations

- If you are a founder who thinks that getting a professional CEO will help you and the business
- What should you be thinking about?
- When are you ready?
- How to begin the search?
- Here are 12 considerations...

# 1-Why Do You Think You Want CEO?

- Is your board hinting at you? nudging ? telling you?
- Unless you think that a CEO can help the company, it does not matter what others think
- Otherwise, no CEO will measure up, not even YOU
- Seek advice from your board, mentors, spouse, management team, other founders/CEOs

# 1-Why Do You Think You Want CEO?

- DO: ask yourself why? until you get to the bottom of it. Try to see the positives if you were hinted
- DON'T: ask the board to get a CEO just to see what they will say. Don't expect the CEO to be like you, expect them to be able to scale the business and complement your skills

## 2-When Are You Ready?

- When did you let someone “else” babysit your child
- Founders tie their entire being into their venture
- You are ready when you know what motivates professional hired CEO, and the implications to you and the company
- Who should coach Tiger Woods? His Dad or a Pro?

## 2-When Are You Ready?

- DO: take your time with getting mentally ready for the decision – this can't be rushed into. It is a process; much like grieving and it takes time and has its ups and downs.
- DON'T: try to over rationalize why you are “doing this.” If you find yourself second-guessing yourself then you are probably not ready and failure to realize it will only cause a spiraling down chain of events

### 3-What is BOD role in the decision?

- Must be to maintain company's "going concern"
- Selecting the best CEO for the company's success
- There IS someone else other than YOU who can run the company
- Determine if the founder is on board with the decision
- Do what's best for the company

## 3-What is BOD role in the decision?

- DO: share your inner most thoughts and feelings with your board - as they will come out anyway sooner or later
- Share when you are cool, calm and collected
  
- DON'T: think that others know exactly what you are going through or how it feels
- Few people found companies - fewer have to go through this gut-wrenching decision

## 4-What is mgmt role in the decision?

- Its not a divorce, CEO works with founder and mgmt
- Mgmt needs to provide decision input as minimum
- Mgmt needs to feel they are partaking in decision
- This can be tricky as mgmt may want a candidate that neither the board nor the founder likes

## 4-What is mgmt role in the decision?

- DO: share your pros and cons with mgmt – or face a negative rumor-mill
  - Be direct and share your convictions
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- DON'T: allow second-guessing after you and the board have made a decision to begin a search
  - Change is never easy – some folks will leave because you changed the leader, some will leave because you did NOT change the leader

## 5-Who should you hire to search?

- If you were ill and needed the best doctor? How far would you go to find this doctor?
- Use the best firms money can buy for this job
- “a friend of my cousin knows someone who can find us a CEO for free...” – NOT!
- Finding a CEO is like finding a spouse
- Your board and their VCs may know candidates

## 5-Who should you hire to search?

- DO: take time in the selection process. Establish good rapport with the recruiter
  - Would you seek, listen and respect the recruiter's advice if you were on the fence?
  - Recruiter must understand the opportunity, to sell it
- 
- DON'T: hire the first candidate you meet. Seeing other candidates gives you perspective
  - Unless you met three candidates, you are not ready to make a decision

## 6-How long should the search go?

- Until you find the right candidate
- Rule of thumb is no less than 60 days and no longer than 180 days
- No candidates? Take a break from the process and return when better/different candidates emerge
- Don't rush, and don't risk indecision by waiting
- Watch out for the “Dark Horse” candidate

## 6-How long should the search go?

- DO: take time to interview the candidates, take another week, another dinner and another call
- DON'T: skimp on the search fee – you get what you pay for
- Great firms do NOT work on contingency
- Start the search if you can't afford the fees
- Hire before you interview three candidates

## 7-How to interview a CEO?

- Interviewing a CEO is a skill
- CEO must have the ability to learn new things
- Can they draw parallels from past to the business?
- Check references from past board and employees
- Not enough if your board thinks it's a great CEO, you need to determine it, its your job, and you will be the one spending countless hours with them

## 7-How to interview a CEO?

- DO: ask all the pointy questions up front, not a day after you hire. Be upfront about the real issues
- DON'T: forget to call the references, and back-channel references. Discount success stories that are older than ten years old. Most execs get better with time

## 8-How to maximize your chances?

- Relationship fails 9 out of 10 times – non scientifically
- Mostly, because expectations were not discussed
- Don't forget to discuss Values – how to do things
- Is trust given until its broken, or gets earned?
- Must align on what you do alone, what you do together, and what you do and report to the other

## 8-How to maximize your chances?

- DO: talk about your “red lines” before hiring - nothing will spare both you from the ugly aftermath
- Think about this decision as getting a spouse and committing to a relationship – like when you decided to take money from investors
- DON'T: assume the CEO knows your values and thoughts – just as you don't know theirs.

## 9-What usually goes wrong?

- Remember sharing a dump truck in kindergarten?
- Power Is The Great Motivator – 1976 HBR article
- Sharing of power is very hard to do
- Why power struggles emerge and falling-outs ensue
- Add 3 differences in values, 2 jokes taken the wrong way, 1 annoying habit and a pinch of stress – and you have a recipe for disaster

## 9-What usually goes wrong?

- DO: plan on having a serious discussion about sharing of duties, responsibilities, information and power. Have weekly meetings to provide feedback so topics stay fresh and no items fester
- DON'T: let the sharing of power discourage you. While it is hard, there are also benefits. When set correctly you have two forces of nature amplifying. When set incorrectly, you have two forces of nature cancelling each other out.

# 10-What is the founder's role after?

- Technical founders, often become the Chief Product Officer, to keep spark and innovation. Approve the vision and product road map
- Don't cross the virtual lines set with the CEO
- Employees can interpret your idea as a command
- There is only one CEO for the company
- CEO and Founder should dance like two hedgehogs: very gently and slowly

# 10-What is the founder's role after?

- DO: make sure the new role is satisfactory and gives you a way to shine and add value. Make room for the CEO and don't overstep your role "in front of the children"
- DON'T: expect to run half of the company because there are two of you now. Support the CEO, knowing that your role could change after six months, when the company's strategy may change

# 11-How long you give the CEO?

- First 90 days, CEOs get their feet wet and learn the situation on the ground
- After 90 days, main company KPIs are either tracking up or down: sales, morale, unity, direction, how late people stay after 5pm...
- However, it is too early to tell for sure
- After a new strategy is announced and six months have passed – you should have a good sense of the future

# 11-How long you give the CEO?

- DO: allow for time to take its course, be positive no matter what – the alternative will not help you. Consult with your support group on the good and bad
- DON'T: chat about your CEO issues with management! You should adopt an attitude of “this too shall pass, and give the CEO a chance.”

# 12-Who decides if CEO must go?

- Must be at least six months after hire – see #11
- If the rifts cut to the core of the individuals – there is no process, plan, amount of time or will to fix it
- Board must recognize this ASAP and ACT, or risk losing the company
- Changing the CEO is the option of LAST RESORT
- Boards decides on hiring and firing a CEO

# 12-Who decides if CEO must go?

- DO: make every effort to make it work. Provide weekly feedback on the good and bad. You are as responsible for the success as the CEO
- DON'T: adopt a “hope strategy” or be in “wait and see” mode after you know it is not going to work.
- Let fear takeover decision making in the BOD
- Companies move on, as a bump in the road is not the end of the road

# Conclusions

- Hiring a CEO is a challenge and an opportunity, and should be taken when conditions are right for it
- Founders should consider hiring CEOs when they need more fire power to grow the company
- Take advice from your inner-circle
- Don't do this under pressure or in haste
- While letting go and sharing power is hard to do – the benefits of a smooth execution are worthwhile
- Founder and CEO must make room for each other, **such that the net result is amplification**

# About the Author

- Mr. Eisen is the founder of The 41st Parameter. He has spent the last fifteen years in the information technology industry, and is respected for his business knowledge and leadership. His background includes an in-depth application of innovative solutions for preventing business to consumer e-commerce fraud.
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