

Organised hires play a part, but referrals still king in start-ups

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Mumbai, 2 January

A well-funded Mumbai-based startup went on an aggressive hiring spree. But there was something different about the people being appointed to important positions: all of them were young, with little or no experience and almost all of them were from one of the premier engineering institutes in the country. Nothing wrong with that except the six degrees of separation here was down to one or even

two.

“Almost all those who were hired were roommates or friends of the founders. Most of them had no technical or organisational experience,” said an HR consultant who was involved in the hiring process at the startup. The company smashed its wage ceiling to get these people on board.

“Gradually, those referrals got others on board. The founders said they wanted a team they could trust so more hires happened,” the consultant said. Eventually, the

company was top heavy and its burn rate too high. A huge majority of the new and old hires had to be let go.

“Referral hiring is a lot about trust. When we hire from among our friends, we know that the person will be ready to slog it out as there is a lot of work required to build a startup. By and large, we know that our friends and juniors have jugaad skills, so hiring them is an obvious option. Besides, startups don’t have money to pay professionals,” said the founder of a

Mumbai-based education startup.

Referral is an easy way to hire, say experts, but it eventually comes back to damage the structure of the company, if used without vetting. “Referrals may look like a good option in the short term, but in the long term groups and sub-groups start to form. In startups that have a small workforce it can create friction,” said Prasant Nair, former HR head of Thomas Cook and Cipla and managing partner INHLM, a consultancy that helps startups recruit.

He explains that once a company hits the scale-up phase the startup should appoint an HR professional. “There are two reasons: one it means the CEO isn’t being pulled in different directions, and two processes are set in place,” he added. He explains these processes mean even the most highly recommended candidate is analysed in detail, referral checks are conducted and proficiency is studied. “You need to be able to hire a CFO who has experience in raising and managing funds and a CMO who

has been involved in big projects,” he said.

Seemingly irrelevant details create discord. “Travel money, simple reimbursements become a cause for conflict if there isn’t a grade-wise process,” Nair said.

Start-ups however, adopt organised hiring when their size grows and they need professionals to run their company. The likes of Quikr, however, use a hybrid method. Quikr has put in place a structure for entry-level hires and uses referrals for some of its top hires.