The overrated CEO: when founder-led companies should consider outside leadership

A founder's deep attachment to their company is both a strength and a weakness. It enables them to lead with clear vision and values but can also create "tunnel vision", blinding them to other opportunities.

Temps de lecture : minute

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Research indicates that under 25% of founder-CEOs remain in their roles by the time their companies go public, highlighting the challenges they face in transitioning from startup to larger corporate management.

Time for change

When you are the founder and the CEO of a company, knowing when to bring in an external manager can be vital for your business's success. There are objective and subjective signs that it's time to seek outside help.

Objective indicators are:

- Longer decision-making times
- More mistakes or incorrect decisions
- Increased overtime

Objective signs are usually easy to track. Most *task management tools* can show you how long tasks stay in certain stages, and you can log

errors within the same system. Writing post-mortems (an analysis of an event after it has occurred to determine why it was a failure) might be necessary for major issues.

Subjective indicators are:

- Loss of interest and motivation
- Constant fatigue
- Heightened stress

Subjective signs are harder to monitor. They require self-awareness and regular reflection. Since these issues often manifest outwardly, those around you might also notice and point them out.

There are also some situations where hiring an external CEO could be especially beneficial:

- Growth phase: Founders might be unprepared to lead through all stages of growth. I have an experience when in a startup, things ran smoothly with 10 people. As the team expanded to 80, the founder’s need for control caused bottlenecks, even micromanaging hired managers instead of letting them ease the workload.
- Market expansion (entering new countries or regions): Typically, founder-CEOs have a deeper understanding of the company's culture and relationships. It can cause more gradual changes that align with the company's practices. However, they may be less inclined to take risks, especially if they are deeply embedded in the current organisational structure and culture. While external CEOs often bring a fresh perspective and are more likely to implement bold strategic moves. They tend to act decisively, making significant changes quickly, such as organisational redesign or entering new markets aggressively.
- Changing conditions (e.g., political collapses or technological

breakthroughs): In stable environments where consistency is key, founder-CEOs are often preferred because their decisions tend to be more cautious, focusing on gradual improvements rather than big, bold changes. On the other hand, hiring an external CEO during times of crisis or major shifts can be riskier but may offer bigger rewards if they successfully seize new market opportunities.
- Launching new products or services: For example, when Ramon Laguarta became CEO of PepsiCo in 2018, he brought a fresh perspective, focusing on innovation and sustainability. Under his leadership, the company introduced new product lines, like healthier snacks and beverages, aligning with its commitment to sustainability and consumer health trends.

These scenarios require added expertise: knowledge of a new region's regulations, the ability to scale and manage larger teams or experience steering a company through a crisis. Ignoring these signals can leave your company stuck or lead to long-term decline, potentially driving it out of business.

Delegate smartly and feel the difference

First, identify the area of your business that needs delegation. Then, establish clear metrics to measure success. This approach helps you find the right person with the expertise you need and ensures they can meet your expectations.

For example, suppose your company’s growth is stalling due to marketing challenges (e.g. increasing your ad budget without seeing a rise in sales). In that case, you likely need a CMO (Chief Marketing Officer). Metrics like *customer acquisition cost* and *sales volume* can guide your decision. Once you find the right candidate, communicate your expectations and monitor these metrics. To get detailed and reliable feedback from my employees and colleagues I use the *360 Review* strategy, which provides subjective

metrics that can be valuable for evaluating roles that don't have clear, objective measures.

When I was hired to lead development at *Readdle*, the first thing that caught my attention was the significant communication breakdown between departments, particularly between the Product Owners and the development engineering team. The ex-CTO was a talented developer deeply involved in building most of the company's products, but as the company rapidly grew, communication and process issues between departments snowballed.

What I did:

- Split the large development team into smaller, focused, cross-functional teams. This change nearly doubled productivity, reduced meeting overhead by almost three times, and distributed responsibility more effectively among teams.
- Implement a culture of hypothesis testing. When I joined, the team was finishing a six-month development cycle for a new feature that was supposed to take only a few months. This gap between expectations and reality had been a recurring issue, straining relationships between teams. I set a new rule: all features must be completed within a two-week cycle. This shift helped the team focus on small, regular changes, making development timelines more predictable.

These are just a few of the changes I made, and their necessity was clear to me.

To avoid surprises, I use a *30-60-90 day plan*. It outlines your expectations for the new role over the next three months, allowing for feedback on their feasibility and helping prioritise tasks.

Include key performance indicators (KPIs) in this plan. It's worth investing

time in creating a simple dashboard to track these KPIs and their progress. Tools like *Google Spreadsheets*, *Google Analytics*, *Apache Superset*, *Power BI*, or *Mode* can be useful.

Regular one-on-one meetings (weekly or bi-weekly) with the new hire and their direct reports are also crucial. Use standard questions like “What should I start/stop/continue doing?” or create your own to gain different perspectives.

Aligning values and mission is also crucial when hiring. The new manager is to share the founder’s vision. This alignment reduces the risk of demoralising your team and can even strengthen company culture.

Extras to watch

Introducing a new executive role will likely bring about organisational and cultural changes. They can introduce new values fostering inclusivity and engagement among employees. So when it happens, it is a good idea to raise some questions: “Will the company’s direction change?”, “How will employees react?”. It’s important to not only accept these potential changes but also clearly understand and communicate their necessity to avoid dissatisfaction within the team.

In addition to the strategies and tools mentioned above, I recommend finding someone who can complement your "weak spots." To do this, you need a clear understanding of where those gaps are. A team with diverse skills and perspectives enables more balanced decision-making and opens up a wider range of possibilities.

Hiring an external executive can be a game-changer for your company, bringing in fresh perspectives, specialised expertise, and the ability to drive growth in ways that may be beyond the reach of a founder or internal team. With the right approach, bringing in new top management

can unlock new opportunities and help your business reach its full potential.

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