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## Faculty of Business Economics

Master of Management

### *Master's thesis*

#### *Early hires in start-ups*

**Sameer Karim**  
**Shaheer Mustafa**

Thesis presented in fulfillment of the requirements for the degree of Master of Management, specialization Strategy and Innovation Management

#### **SUPERVISOR :**

Prof. dr. Stijn KELCHTERMANS



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## **Preface**

Master Dissertation is the most important part of our degree. It is a long journey at which we do research and give our best in the topic "Early hires in start-ups". This master's thesis explores how early employees changing roles affects employee turnover and performance in startups. We studied many startups, through different sources and used interviews to gather our data.

We learned a lot about the challenges and opportunities startups face in their early years. We hope our research helps people understand how important it is for startups to be flexible and adapt to change.

In this long journey we are very grateful to our supervisor, Prof. Dr. Stijn Kelchtermans, for his guidance and support throughout this project. We would also like to thank Hasselt University for providing us with the resources and environment to conduct this research. Finally, we would like to express our sincere gratitude to our parents for their unwavering support and encouragement.

**Sameer Karim & Shaheer Mustafa**

**Date: 6/3/2025**

# Executive Summary

## Research Purpose

Startups are dynamic environments where early hires play a crucial role in shaping the organization. Due to limited resources, changing strategies, and rapid growth, early hires often face evolving roles and responsibilities. These role changes can lead to dissatisfaction and turnover, disrupting team cohesion and operational efficiency. Turnover at this stage not only hampers internal processes but also weakens investor confidence and hampers performance. This research investigates how early hires experience and navigate role changes, and how turnover affects startup performance from the perspective of founders. The core question addressed is: How do early hires in startups experience and navigate role changes, and what impact does employee turnover have on startup performance?

## Research Methodology

The study adopts a qualitative approach, utilizing semi-structured interviews with founders and co-founders of startups based primarily in Belgium and the Netherlands. Ten interviews were conducted and analysed using exploratory research coupled with grounded theory methodology to identify recurring themes and patterns. The study focuses on early-stage startups, particularly in the first five years of their operation. Participants shared their experiences regarding hiring, role transitions, turnover incidents, and the organizational impact of these dynamics.

## Findings / Results

The findings of this study highlight the complex and multifaceted experiences of early hires in startups, particularly regarding role changes and turnover, and the subsequent implications for startup performance. Through exploratory research using grounded theory approach of ten in-depth interviews with startup founders, several recurring patterns emerged around hiring practices, role dynamics, adaptation processes, and the outcomes of employee turnover. One of the most prominent findings is the critical importance of hiring processes in shaping the foundation of a startup. Early hires are perceived as central to the startup's development, influencing both operational execution and cultural formation. Founders reported emphasizing personality fit, entrepreneurial spirit, and flexibility over technical expertise during the recruitment process. This hiring preference stems from the unpredictable nature of startup environments, where job roles are not fixed and often expand beyond initial descriptions. The strategic value of early hires lies not just in their skills, but in their capacity to adapt, take ownership, and work collaboratively in an evolving organizational context. Role changes were universally observed across the cases studied. These changes are often triggered by strategic pivots, evolving product or market focus, or internal restructuring. Startups frequently undergo periods of adjustment that require team members to assume responsibilities outside their original roles. The data suggest that such role changes are not only expected but also necessary for startup growth. Founders acknowledged that early hires must be prepared to take on new challenges and broaden their functional scope as the organization matures.

Adaptability emerged as a key capability among successful early hires. Employees who demonstrated openness to change, resilience in the face of uncertainty, and a proactive attitude toward learning were more likely to navigate transitions effectively. The presence of support mechanisms, including open communication, feedback structures, training opportunities, and mentorship, further facilitated smooth transitions. Startups that implemented structured hiring and onboarding processes and maintained ongoing dialogue about evolving responsibilities reported lower turnover and higher overall performance. Despite these support systems, not all transitions were successful. When role changes were perceived as misaligned with employee expectations or when support was insufficient, dissatisfaction and turnover often followed. In such instances, a mismatch between the employee's capabilities or motivations and the startup's evolving needs became apparent. These scenarios sometimes led to voluntary exits or termination of contracts.

Turnover was found to have both negative and positive implications for startups. On the negative side, high turnover disrupted team cohesion, increased the workload for remaining staff, and resulted in a loss of institutional knowledge. These outcomes were particularly pronounced in startups with small teams, where each employee's contribution was critical to day-to-day operations. Additionally, turnover sometimes delayed the implementation of strategic goals and required additional time and resources to hire and onboard replacements. On the positive side, some founders viewed turnover as an opportunity to recalibrate team composition, redefine role expectations, and improve overall alignment between employee capabilities and organizational goals. Removing underperforming or disengaged employees created space for hiring individuals with a better fit, which in turn enhanced team dynamics and productivity. In several cases, the performance of the startup improved following strategic personnel changes, especially when replacement hires brought in new perspectives or skills aligned with the startup's current trajectory.

Overall, turnover driven by role-change mismatches was seen as a necessary, albeit challenging, part of startup growth. Startups that embraced this perspective were more likely to benefit from the learning opportunities such events presented. They used insights gained from turnover to refine hiring criteria, adjust internal structures, and build more resilient teams. The study also found a clear link between team stability and startup performance. Investors were perceived to value stable, coherent teams as indicators of managerial competence and strategic clarity. High turnover, especially if poorly managed, was viewed as a red flag that could undermine investor confidence. Thus, maintaining a balance between necessary personnel changes and overall team cohesion was seen as essential for securing external funding and sustaining long-term growth.

In conclusion, early hires are instrumental in defining startup success. Their ability to adapt to role changes, align with organizational values, and grow with the company influences not only internal performance but also external perceptions and funding potential. Startups that proactively manage transitions, support employee development, and refine hiring strategies based on turnover experiences are better positioned to thrive in dynamic environments.

### **Value of the Study**

This research contributes to a deeper understanding of the interplay between early hires, role transitions, and startup performance. It provides evidence that while turnover can be disruptive, it also presents learning opportunities that can enhance organizational maturity. Startups benefit from recognizing the value of hiring for adaptability and ensuring strong onboarding and communication strategies to support role transitions. The findings also provide actionable insights for startup founders, HR professionals, and investors. Founders are encouraged to invest in proactive turnover management, set clearer expectations during hiring, and develop internal support systems to aid in transitions. For HR professionals, the study underscores the need for cultural fit and open communication as key selection criteria. Investors may use the findings to assess a startup's internal stability and strategic responsiveness. By examining both the challenges and the potential benefits of role-related turnover, the study adds to the growing body of literature on startup dynamics and contributes practical strategies for enhancing team performance and stability.

### **Critical Considerations**

The study is limited by its small sample size and geographical focus, which may affect the generalizability of the findings. The majority of participating startups were from the SaaS sector, potentially skewing the results toward that industry's dynamics. Additionally, the varying business experience of founders influenced the depth of insight provided. Future research could benefit from a broader industry and geographic scope to validate and expand upon these findings. Despite these limitations, the study offers valuable guidance on managing early hires and role transitions effectively in startup contexts.

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# 1 Introduction

Employees are the foundation of any startup. Although they are crucial for shaping the future of the organization, startups often have limited resources and poorly structured operations, leading to various challenges (Oyer & Schaefer, 2010; Fairlie & Miranda, 2017). Startups are inherently uncertain and complex, requiring organizational flexibility and the ability to adapt quickly to environmental changes (Brymer & Rocha, 2021). When the startup matches the role of the employees, they check if employee can take the dynamic role in the startup, which can evolve depending on the situation. It is challenging for the employees to adapt on new roles. Those employees can get fundamental experience as employees of the new startups; they get to know the different challenges and role expansion. As the startup grows, employees may also face role reductions and shifts (Burton & Beckman, 2007). When startups experience growth, the market becomes more volatile, impacting the startup's characteristics and directly influencing the employee-firm match. This match will affect the person's job fit and organization fit (Kristof-Brown, 2001). It is also associated with employee behaviour and attitudes toward their work. However, startup characteristics also shape employee experiences and offer learning opportunities, which is directly related to influencing the need for role change within the startup.

Role changes sometimes come with mismatching and growing organizational needs, which are common in startups at an early age. Still, the need to maintain the low turnover of the startups is also essential for their financial needs in terms of investment. In startups, the employee-firm match, learning opportunities, and role change are all interconnected and influenced by the characteristics of the startups. Now, we see this as an employee. In that case, these dynamics and transitions can affect any employee's career, for example, through multiple skills learning within the startup and their attitude towards their role (Birch, Robertson, & Cooper, 2011). Being open to learning new skills, performing anything, and adapting to new changes and responsibilities are critical factors from an employee's perspective. For the startup, it is essential to manage kind of activities such as changing roles and employee perspectives to keep it maintain the journey of employees and help them navigate their path, which would directly help them to successful role transactions that can enhance their capabilities, employee engagement, job performance and reduce the turnover within the startup (Farooquia & Nagendra, 2014). Conversely, bad management can lead to less engagement, less productivity, and less satisfaction, directly leading to a decrease in the startup's performance. (Ongori, 2007; Juan Yang, Pu, & Guan, 2019)

Funding is a vital resource for the startup and the most essential source for the startup to run upon, which plays a crucial role in the stability of startups. Funding allows startups to get talented employees, invest in innovation and research, and perform operations. When evaluating businesses, investors usually look closely at operational continuity, team stability, and leadership efficacy (Cavallo et al., 2019). Inadequate or irregular finances can severely limit startups' capacity to execute plans, frequently resulting from perceived team instability, leading to operational delays and the likelihood of failure (Gigena et al., 2023). Therefore, it becomes essential for businesses seeking continuous funding from investors to maintain steady and capable

teams (Gimmon & Levie, 2010; Kartini & Callista, 2021). However, companies can significantly increase their internal stability by proactively using turnover events to learn and improve their internal operations, such as enhancing hiring accuracy, defining roles, and strengthening organizational culture. (Jansen Birch, Robertson, & Cooper, 2011).

The literature identifies that early hires frequently face role changes in startups (Beckman, Burton, & O'Reilly, 2006). However, few comprehensive studies have examined how these early hires perceive, understand, and deal with these role changes. Previous research recognizes that employee turnover impacts startup operations, team stability, and productivity (Cavallo et al., 2019; Gigena et al., 2023). Although relatively little research has directly examined the impact of turnover caused by role mismatches and its effect on the startup's performance. The research highlights how crucial founders are to efficiently manage turnover (Alkins, 2023; Garg & Shivam, 2017). There is minimal research on how founders and leaders will solve this problem, especially in the context of role mismatches and role changes, and how they will use their experience with that problem as an opportunity for the startup. Research on how startups learn from role-based and role-mismatched turnover events is lacking, even though organizational learning is considered important. The gap restricts our comprehension of how companies grow as organizations by learning from turnover events. These gaps make it clear that these understudied areas require more in-depth qualitative investigation.

Role changes usually result in employee dissatisfaction, role mismatch, and higher turnover, even though role changes can occasionally help realign abilities with organizational needs. Early hire turnover significantly disrupts operations, delays innovation, decreases team morale, and negatively impacts productivity. These individuals are crucial in forming culture, strategy, and operations. Though the effects of turnover are well acknowledged, little is known about how early hires deal with role changes on a personal level, how role-based turnover directly affects startup performance, and how founders perceive and react to these changes.

### **Research Question**

- How do founders see role changes experienced by early hires and the impact of employee turnover on startup performance?
- 1) How extensive was the initial screening process used by the startup to ensure a good employee-firm match before hiring early employees?
  - 2) To what extent did the role descriptions at hiring align with the reality of the job experienced by early hires?
  - 3) How do early hires perceive the nature and scale of their role changes within the startup, on a scale from 1 (minor change) to 5 (major change)? Can you provide examples of specific changes and their perceived scale?
  - 4) What factors (such as learning opportunities, training provided, leadership style, communication, and organizational support) most significantly influence how early hires experience and navigate role changes?

- 5) What specific challenges and opportunities arise for employees during role changes, and how do they adapt to the new responsibilities and expectations?
- 6) Did startups perform better or worse after key early hires left due to role-related issues, on a scale from 1 (worse) to 5 (better)? Also, can you give some examples?
- 7) When an employee left, was their replacement hired for the same role, and did this result in a better or worse employee-role match?
- 8) Turnover due to role changes is considered beneficial or detrimental to the startup, and what strategies do they use to improve role match and reduce turnover?
- 9) What resources or support mechanisms do startups typically provide to employees transitioning to new roles, and how is the success of these transitions measured (e.g., employee satisfaction, performance metrics, overall firm outcomes)?

We applied some frameworks, accordingly, interrelating the startup characteristics, employee learning, and Employee role changes, which are interrelated to a startup's success. Also, we are going to conduct Interviews with the founders of Startups, specifically based in Belgium and the Netherlands, to understand how they deal with the initial hiring of employees and employee turnover due to role mismatch and finally, the initial stage of the company while working with the new hires and what complications, challenges, opportunities, and difficulties they face in terms of both employees and the startup.

## **2 Literature review**

This literature review covers different topics such as business economics, entrepreneurship, organizational behaviour, human resources, organizational knowledge, and psychology. These perspectives help examine the life cycle of early hires in startups from recruitment and role changes to adaptation, learning, turnover, and their impact on startup performance. The complexity of hiring early employees, managing role changes, and achieving low turnover rates while ensuring a strong employee firm match is also influenced by leadership. If turnover happened, how would an organization strategically solve this event with any effect on startup performance? The review integrates a comprehensive analysis of empirical research from different topics dictated by business and organizational behaviour, which is also the focus of the main research question. "How do founders see role changes experienced by early hires and the impact of employee turnover on startup performance?"

### **2.1 Influence of Early Hires on Startup Characteristics**

Early hires are important in performing different tasks for startups, especially in the initial stages. They influence the startup's direction, innovation, and culture (Gjerløv-Juel & Guenther, 2019); (Agarwal et al., 2016). These initial team members often perform a foundation role in the startup, which sets the stage for the startup's success. Unlike employees in large organizations such as Google or Apple, early startup hires often have undefined role boundaries and broader responsibilities. Recruitment in startups is typically based on perceived value alignment rather

than formal competencies, reflecting an informal hiring process. Startups are different from established firms and are at the beginning of the stage. Startups are often poorly structured, face operational challenges, and operate with limited resources. They are characterized by rapid growth ambitions, entrepreneurial mindsets, risk-taking, and a lack of formal processes. (Failla, Melillo, & Reichstein, 2017). In the early stages of the startup, they did not have a perfectly pre-defined role for the employees. Employees are expected to exceed standard role expectations and perform multiple tasks across various functions. Moreover, they must adapt rapidly to startup changes (Elfenbein, Hamilton, & Zenger, 2010; Shah, Agarwal, & Echambadi, 2019). Those conditions require the employee to be adaptable, proactive, and willing to change accordingly. Early hires can shape the startup's culture, structure, and environment. Early employees can influence organizational structure, team well-being, engagement, and motivation levels. (Birch et al., 2011). In the early stage, people directly reveal the team's organizational culture, structure, well-being, and problem-solving approaches to perform different tasks (Hillestad et al., 2010). Also, the initial employees took time to positively change the startup's aromas and structure, which helped the organization to grow (Yang et al., 2019).

Startups are not usually well structured for the hiring procedure of the initial employees. Founders mostly rely on their network and institution rather than a well-structured hiring process while selecting the initial employees (Brymer & Rocha, 2021). This kind of informal hiring will only align the culture alignment and person-organization fit (P O Fit) more importantly than technical workers who are better in their field, which is a person-job fit (Kristof-Brown, 2001). Due to the fewer financial resources available and the future being very unpredictable with outcomes, startups usually leverage the founder's networks to minimize the risk and cost of the hiring process of the startup, Although this kind of uncertainty in hiring will cause bad employee firm match and which will directly affect the retention of the employees and minimize the organizational growth (Memon et al., 2018). When startup provides you with different experience and of personal growth and development, learning and career development in the form of opportunities it also cause high stress, ambivalence, and not clear expectations. That are also the major causes of turnover intentions among early stage employees (Ongori, 2007). Startups frequently undergo rapid shifts in strategy, which also lead to changes in structure and roles. These changes create dynamics that may be unclear in the work environment (Stinchcombe, 1965). Early employees assess risks and evaluate their tasks against the opportunities presented by the startup context, which affects their decisions about whether to stay or leave (Vardaman et al., 2008). Those who successfully navigate this ambiguity can enhance their career paths by acquiring valuable skills, gaining leadership experience, and developing high adaptability. However, poor transitions between roles and insufficient organizational support can lead to job dissatisfaction and increased turnover (Yang et al., 2019)

## 2.2 Person Job Fit (P J Fit) and Person Organization Fit (P O Fit)

Person-job fit (P-J Fit) refers to individuals whose abilities and experiences align with job requirements. In contrast, person-organization fit (P-O Fit) reflects the alignment between

individual values and those of the organization. (Kristof-Brown, 2001). Both dimensions are crucial in influencing employee turnover rates and overall startup performance. Strong person-job fit leads to better job satisfaction performance of the individuals (Iqbal, 2012), and strong person-organization fit leads to both job satisfaction and employee engagement in the company, especially when employees seek the company values and vision (Farooquia & Nagendra, 2014). Self-concept job fit refers to when an individual views their job as part of their identity, which will automatically lead to less turnover and better results (Scroggins, 2008). This is most important in startups where job roles are fluid and personalized. Both P-J Fit and P-O Fit influence job satisfaction and turnover intentions. (P O fit) is better in analyzing quitting the job than (P J fit), but this is not a big difference in their job satisfaction. (Kristof-Brown, 2001).

## 2.3 Role Ambiguity, Evolution, Change, and Replacement in Startups

Most early-stage startups lack well-defined job descriptions and structures. Role changes have frequently been needed to evolve the startup. However, such role changes can lead to miscommunication, confusion, and dissatisfaction, which can often have a positive effect on the turnover rate of employees unless employers manage it effectively through a better understanding of employees, good communication, and support of the startup (Elfenbein et al., 2010; Shah et al., 2019). If we see the positive side of this role changes within the startup, it gives employees learning opportunities and deep engagement with the team. It gives them better skills, which can only be developed while working on a different set of work within the startups (WeiBo, 2010). Startups that manage role transitions effectively provide clear guidance and structure and have better communication. They tend to make a workforce with different skills and commitment to the organization (Alkins, 2023). On the other hand, poorly managed role transactions can have an adverse effect, which will be seen as an unclear expectation and less support can cause frustration and reduce commitment to the work, which will ultimately result in a high turnover rate of the employees within the company (Vardaman, 2008).

Role changes are an inherent characteristic of startups, driven by their need for more adaptability to internal demands and external market pressure. Given some resources, startup employees primarily navigate dynamic roles and responsibilities. While few changes offer such benefits as learning opportunities and skill diversification, they also show significant risk if managed poorly (Gigena, 2023). In Startups, roles change originally because companies change or customize their strategies and operations and sometimes showcase unexpected challenges. Early-stage startups seek employees who can handle unexpected changes, and they can make changes accordingly and with less time, which is often unpredictable and rapid. (Yang et al., 2019). Early hires must be flexible with the changes in the role, be able to learn different skills, be proactive as a team, and perform any new task beyond their skill ability. This uncertainty creates an environment where role definitions are frequently ambiguous and sometimes nonexistent. This often results from different experiments and strategies according to market expectations (Birch et al., 2011). While this also creates innovation and creativity, sometimes it creates a sense of confusion, lower satisfaction on the job, stress, and anxiety if employees lack guidance and support (Ongori, 2007).



When an employee departs or transitions out of a specific capacity, the startup must fill or redefine that position. This is known as role replacement. There are two primary categories of role change: positive replacement (good match) and negative replacement (bad match).

When changes are strategically advantageous and aligned with personnel competencies, good match replacements occur, improving organizational performance and continuity.

Conversely, bad match replacements occur

when changes result in lost expertise, decreased production, and cultural mismatch (Choi et al., 2023; Jackson, 2013). Startups frequently underestimate the expenses of bad role replacement, such as low morale and more work for surviving members. Organizations' learning curves are disrupted by such replacements, especially when changing employees possess unique skills and more knowledge that is difficult for the new employee to acquire (Failla, 2017).

Role changes also impact the employee's psychological state, motivation to perform tasks innovatively, and overall job performance. If role changes happen frequently, it causes stress and anxiety while ultimately causing a decrease in performance and productivity if employees consider this a threat and do not take advantage of learning new skills and for better opportunities and professional growth (Vardaman, 2008). However, better communication and understanding with the new hire in startups can lead to better motivation and, in return, better employee engagement, motivation, and long-term relationships (Birch et al., 2011). When position changes closely match an employee's self-concept, they are more well-received and enable genuine expression and meaningful engagement in the workplace. Therefore, an employee's receptiveness to these adjustments is greatly influenced by how well position changes correspond with their experience and skills (Scroggins, 2008).

Managing the role transaction can be done with the following factors, which include clear communications, a supportive leadership style, and well-structured guidance from the leader. Those employees who get this factor are likely to evolve in the new role transaction and can better understand their job and get better satisfaction with their work because such training gives them motivation, dedication, and new skill sets and increases their satisfaction level with their job (Zheng, 2010). Furthermore, founders and leaders who are willing to give better skill sets to their employees with better understanding and maintain the relationship with the employees play a vital role in the transactions. Founders and leaders who are open build trust and have a medium level of expectations from their employees, which can foster the environment and make it easier for the employees to transfer into the role change and have confidence in their work, reducing anxiety and uncertainty (Agarwal et al., 2016).

Role changes have some benefits, but they also present some challenges and problems when we implement them. For example, role changes can frequently lead to confusion of the role within the job and duty, and employees are uncertain about the expected performance. With changes in their career path, they got confused about which role they would master in the future from the career perspective (Choi et al., 2023; Jackson, 2013). It is suitable for the startup that the employee should be emotionally attached to the company and show his/her commitment to solving these

challenges within the startup; employees with that kind of ability who show strong willingness to perform any task can better perform any different challenging task for the sake of the startup which shows better commitment and adaptability within the startup. (Yang et al., 2019)

However, these difficulties are worsened by poor communication, insufficient assistance, or unclear demands from the founders or management. Workers who encounter unclear or unsupported position changes frequently have lower job satisfaction, lower morale, and a higher turnover rate. Therefore, startups need to take proactive measures to address these problems by implementing systematic procedures for role clarity, ongoing feedback loops, and extensive support networks (Ongori, 2007). Role adjustments have a long-term impact on startup company health and employee career paths. Employee professional competencies, job readiness, and internal mobility chances are all improved by positive role shift experiences (WeiBo, 2010). On the other hand, bad experiences frequently cause workers to leave the startup setting, taking their learned skills with them and sacrificing organizational continuity (Gigena, 2023).

It is suggested that startups thoroughly assess role changes, considering both short-term operational requirements and long-term professional development objectives. This dual viewpoint creates more stable, engaged, and effective teams by balancing corporate flexibility and employee happiness (Failla, 2017).

## 2.4 Impact of Turnover as a Strategic Reset (A Double-Edged Sword)

If we see it in another way for some startups, it works as a double-edged sword with potential benefits and risks). Turnover has many consequences, but it has some potential positive side, which we will discuss now. When turnover happens, it gives the startup a reset to correct its hiring and choose the right individual according to their experience; they got in the first place of hiring, which makes turnover a double-edged sword. Turnover can replace someone with negative performance and replace with an individual who is worthy and can do enough for the startup at this early age. Working in a startup is very difficult on many faces. For example, a startup environment changes a lot, and employees must do many unstructured tasks. Many of those tasks they never thought of before joining the company, when few of the employees are not satisfied with that as they never think that it is going to happen to them, they get into problems and pressure and to face pressure and to change roles is not the cup of tea of every employee some employees take it as a negative. Some took it as positive, so turnover filters those employees, and a startup can choose the right one after the turnover. In this case, turnover gives the startup a chance to bring potential people to the startup (Shivam, 2017).

Moreover, turnover gives a startup a strategy direction because startups are the ones who potentially shift their focus, technology approach, and strategy for the demanding market; that employee may be important in the early age of the startup, but eventually, after some startups know that they do not have important skills and or motivation to continue so turnover give you this opportunity to change that employee and give your team a better more potential employee which can be competitive with them and can match the understanding of the team and work

together with everyone with great motivation and work in any pressure condition (Beckman, 2006).

### **Knowledge Loss and Delays in Product Development**

One significant risk associated with employee turnover is the potential loss of knowledge within the startup, which can hinder the achievement of key milestones. Startups typically operate with limited resources, and each employee is integral to the human resources pool. Every team member possesses unique knowledge and skills that contribute to the overall expertise of the organization. When an employee departs, they take that valuable knowledge and those skills with them, resulting in a detrimental impact on the startup.

Most importantly, when the company does not have the systems to document and transfer that knowledge, this type of knowledge is called tacit knowledge, which is gained by gaining experience and solving problems that cannot be written and spoken. It comes over while engaging in specific day-to-day tasks. In startups, much learning occurs on the job through problem-solving, team discussions, and experimentation. Due to the team's excessive emphasis on speed and agility, this knowledge is rarely documented. The team must invest more time and energy in training a new employee from scratch when someone who has acquired this informal expertise leaves the firm. Product delivery delays missed deadlines and decreased productivity result from the delay in adjusting the new employee (Zheng, 2010). In innovation, the skills and knowledge of the team matter a lot. If a startup loses employees with specific skills and knowledge, they also lose that important asset. Early members contribute a lot to creating innovation and generating creative ideas for the business. They understand the company background, past and present, and the risks startups have faced (Birch et al., 2011).

When productivity slows down, it affects the overall outcomes of the startup, ultimately affecting the customer relationship and investors' trust. If things are not going well and they get delayed, with a lot of errors and bugs, delay in presenting, and less efficient progress, users may doubt the reliability of the startup. At the same time, those interested in investing in a startup and closely monitoring it may lose interest in it and reduce their offer. Sometimes, they reject the offer as well. This turnover can cause delays that affect the external credibility of the startup (Gigena, 2023). The turnover rate also affects the overall environment in the startup because if the team member leaves the company, the startup will hire someone new, so its entire dynamics will be changed, such as rebuilding trust, communication styles, and workflows. The team performance will remain low for weeks if the new employee is very talented. Those teams that have undergone frequent employee changes show a reduction in performance in high-pressure tasks. They lacked trust, routines, and collaboration (Mahmood, 2011).

Moreover, the delay cost for the startup is eventually more than the established organization because they are facing problems as a company in the initial ages, for example, trying to meet the milestones for further funding, marketing, sales, and scaling economically; this can affect how they receive funding in the next fundraising cycle for the startup. Many of the startups stop their funding rounds they were forced to do so because their initial goals were missed after a team

member left; investors then do more checks and be cautious about whether they are going to recover and catch up before committing to the next funding (Brymer & Rocha, 2021). A few cases show that turnover causes delays, directly affecting gaining positive market opportunities. For example, if a startup is working on something that is going to meet the market trend and demand and the delay caused by the leaving an employee or change of the staff causes the missing of many market opportunities and trends, the startup will lose its strategy in between for this they need to make the new strategy because of the delays which will consume much time in this process, this strategy loss and missing the trend will be costly especially for the startup as they are competing with the large giants in the market and where speed matters a lot for the funding rounds and survival of any startup (Talaia, 2015).

To overcome this problem, many individuals have recommended an expert strategy to build the knowledge transfer process in the startup. This includes all the documentation, templates, and all other sets of knowledge because if startups have all this information, they do not have to delay it. They can continue. Mostly, startups at an early age do not give importance to this kind of knowledge-saving system, but this is one of the most crucial things that can be used to save time when a person leaves. Therefore, when an employee leaves or staff changes, it affects the organization and management and creates a loss in the form of abstracts known as knowledge and time. This will further reduce innovation and delay progress, showing how customers and investors see the company, which can make their perspective negative.

## 2.5 Founder Perception and Organizational Learning from Turnover

Startup founders' perspectives on turnover significantly impact how the company reacts to and absorbs these experiences. Perceptions of the founder influence company culture and long-term talent strategy in addition to their immediate response to employee departures. As a result, comprehending the viewpoints of founders is essential to understanding how turnover affects a startup's overall performance and funding. Depending on the causes behind employee departures and their overall team management expertise, founders frequently have different views of turnover. Founders often acknowledge that some turnover is unavoidable and may even view some turnover as advantageous if it facilitates role realignment or the elimination of inefficiencies (Beckman, 2006). According to these founders, turnover is a regular part of growth, enabling the company to restructure and reorganize its workforce in response to shifting strategic demands.

Some founders see this turnover as their failure towards their management as a sign of poor management skills. In startups, those founders who are new take this turnover personally. They think this is all happening because of them, which has a negative impact such as stress, reactive strategic decision-making, and frustration towards work rather than a good strategic response to this turnover (Jha, 2009; Wasserman, 2017). This kind of behavior creates instability and management issues in the startup. Because the overall team would be discouraged, their performance would go down, adversely affecting the startup and the investors. The causes of role-based turnover have a significant impact on how founders view it as well. For instance, some business owners may view an employee's departure due to apparent job contradictions as a

chance to enhance the company's internal and hiring procedures. In order to prevent future mismatches, founders who see turnover as a teaching opportunity frequently use improved screening techniques, more precise job descriptions, and more robust onboarding procedures (Shivam, 2017).

### **Internal Adjustments After Turnover Events**

Sometimes, employee turnover can happen inevitably, so startups should make adjustments. This shows how startups are well enough to conquer the problem with a perfect solution. This shows the efficiency of any startup in solving that problem. Suppose a startup tries to work on internal adjustment. In that case, it can easily be achievable by restricting the employees' roles, improving their hiring, and making the organization's culture strong enough to hold the startup and turn those problems into opportunities with further improvements and learning processes.

After the turnover, rebuilding is often important to maintain any business growth. Successful startups use it to redefine roles, improve employee problems, and clarify job responsibilities and startup goals (Beckman, 2006). Role adjustments can help startups adopt quickly, assigning the work according to their strategies instead of historical definitions. Startups usually modify their hiring procedures and reorganize roles to prevent making the same mistakes twice. Many startups are prompted to review and enhance their hiring procedures because of turnover. Some enhancements include more explicit job descriptions, thorough applicant screening, and a greater focus on cultural fit during interviews. Startups lower the risk of future mismatches, turnover, and instability by improving their hiring procedures (Shivam, 2017).

Lastly, thorough documentation and knowledge transfer procedures are necessary for internal adjustments to be effective. To maintain organizational knowledge, startups going through turnover need to use more transparent documentation procedures. Establishing internal documentation and knowledge-sharing platforms speeds up onboarding and minimizes knowledge loss (Zheng, 2010).

### **Lessons Learned and Organizational Maturity**

At the beginning of any startup, they face many problems and difficulties, including turnover difficulties. However, what makes startups different is their ability to learn and mature from those problems and become good at managing the internal process, leadership roles, environment, and talent acquisition strategies, which require historical experience to navigate and solve those problems. One crucial lesson companies usually take away from employee turnover, for example, is the importance of precisely outlining job tasks and expectations from the beginning. Startups with significant employee turnover soon learn how important it is to give prospective candidates precise job descriptions, well-defined duties, and reasonable expectations. By implementing this principle, startups lower their risk of future mismatches, discontent, and turnover (Kristof-Brown, 2001).

Startups need to have a better understanding of leadership and management roles. Turnover encourages founders to reflect critically on their styles of management leadership. Founders become improve by interacting and communicating with their employees. They also need to be

empathetic, supportive, and responsive to employees' needs so that turnover events get low (Cavallo, 2019). This can increase employees' satisfaction with work, enhance further organizational stability, and boost investor confidence. Proactive risk management is another important lesson. Following employee turnover, startups frequently realize the necessity of proactive talent risk management. Structured career development tracks, frequent feedback systems, and transparent performance evaluation procedures are all components of effective personnel risk management strategies. These procedures significantly improve employee retention, motivation, and organizational maturity (Shivam, 2017).

### **Adapting Talent Strategies for Future Growth**

Most successful startups adapt new strategies to adapt their talent for the further development and success of the company. Adapting the talent with strategies means redefining the recruitment process, employee retention, and the startup environment and aligning the startup with the future perspective. This is how successful startups attract investors for funding, providing them with long-term stability and further improvements in the future. Improving the recruiting and recruitment procedures is one important adaptation. Startups dealing with employee turnover understand the importance of enhancing their hiring practices by emphasizing Person Job Fit (P J Fit) and Person Organization Fit (P O Fit). Improved hiring procedures greatly lower the likelihood of future turnover by ensuring that new hires fulfill position requirements and are consistent with company values (Kristof-Brown, 2001).

Additionally, startups adapt by prioritizing continuous learning and staff growth. Following turnover experiences, successful firms invest more in continuing education, career development opportunities, and mentorship. Startups significantly improve their internal stability and investor appeal by providing clear development pathways for staff members, which boosts work satisfaction, loyalty, and long-term retention (Zheng, 2010). Furthermore, investors are informed in advance of successful talent strategy modifications. Investors have a more positive opinion of firms that openly discuss how they handle risks associated with employee turnover and manage workers. Strong internal management and strategic vision are demonstrated through proactive, transparent communication, which boosts investor trust (Mukul & Saini, 2021). strategies based on the turnover experiences are important to strengthen the startup's knowledge to deal with turnover, maintain stability and performance, and achieve the final goals of the startup. Employee retention, further onboarding, employee knowledge development, engaging with employees with new leadership styles, good startup culture and environment, good communication between the team and leader, best practices for knowledge store, risk management, and alignment of talent strategies with proper goals startup can improve their objectives and got the good impact in front of the investors.

## 2.6 Employee Turnover and its effect on startup's performance

Turnover can be related to any organization, but if this happens in a startup, it can create many more problems for the startup because of the small number of employees and limited resources. A startup starts with a few members in the team; this small number of team members usually shapes the organization's culture, operations, and environment (Beckman, 2006). When any of the initial employees left, the startup faced significant challenges. The departure of these early team members meant a loss of valuable knowledge, strategic planning capabilities, and established workflows that were crucial for the company's development. This situation can prove particularly precarious for a startup, especially during its formative stages when the team is still learning, acquiring knowledge, and conducting essential research. The resignation of an early employee not only diminishes the overall expertise within the company but also creates a sense of confusion among the remaining staff. This uncertainty can ultimately lead to decreased productivity for the entire Startup (Ongori, 2007).

Startups often grapple with turnover, which presents significant challenges when replacing employees. Due to their limited resources, funding is typically low, especially in the early stages of the company. During this time, startups may lack the best HR practices and personnel to attract top talent and align it with the company's goals. Replacing an employee can be time-consuming, leading to challenges in meeting commitments and hinder overall progress. Additionally, finding a new hire who can meet both the technical requirements and adapt to the evolving culture of the organization is a common challenge faced by startups. (Virgilio Faillaa, 2017).

Additionally, Early hires often hold undocumented expertise or tacit knowledge. How internal systems function, client preferences, or procedures are examples of this "tacit knowledge." This knowledge vanishes with them when they depart. Frequent early turnover results in a loss of internal learning and diminishes the team's capacity to build on prior work, which slows down the company and puts the new hire through a learning curve (Choi et al., 2023; Gjerløv-Juel & Guenther, 2019). In this situation, startups also get under pressure from outside factors, such as missing deadlines, not fulfilling promises, not finalizing projects, and other external pressures, which can create a loss of interest from the clients for future tasks. So, it does not affect startups in the form of HR problems, but it can create significant problems for startups in the form of growth, continuity, and finances.

The turnover of employees highlights that initial workers often leave due to a lack of support, unhappiness, and dissatisfaction. They may struggle to see their roles within the startup as contributing to their career development, particularly because many startups lack effective feedback and reward systems. This absence of communication can lead to misunderstandings among employees, even for highly skilled ones (Jha, 2009). Ultimately, this issue extends beyond just HR and the staff; it can significantly impact productivity, diminish employee satisfaction, and send negative signals to customers and investors. It is crucial to recognize these consequences and understand why managing turnover is essential for the growth and stability of the startup. In the success of any startup, it is crucial to get funding, which can determine its success or failure.

Investors play a vital role in this step for the startup because they are the ones who decide whether to give funding or not to give funding and sometimes stop giving funding. After all, the startup is not progressing according to its fundamentals. With all this, they also check and balance the initial team of the startup, its stability, and its progress. Those funding them know they will waste their money if the team is not stable enough and progressing. That is why employer turnover in this matter is significant to getting funding for the startup. Investors frequently give more weight to the team's cohesiveness and quality than the concept itself. The founding staff and early hires must be dedicated, in alignment, and competent to carry out the business plan. Investors lose faith in the leadership's capacity to develop an engaged and permanent workforce when early team members begin to leave (Cavallo, 2019).

Another problem is turnover, which creates undefined problems in a startup, which can ultimately slow down the startup's achievements. Usually, funding is given in rounds to the startup from the investors. If they find that the startup is not progressing and losing the milestones, the startup can lose funding in the next round. Turnover can impact the timeline of the startup's productivity, stop investments, and lose communications with investors and overall credibility with external investors (Talaia, 2015). Turnover is also the cause of expensive fundraising. Founders need to explain why their team members left the startup and what the company did about it, which can distract founders from essential business activities, such as the execution of strategies. A startup with high turnover rates often needs to justify why this is happening and rebuild the investors' trust, which can ultimately slow down the funding cycles of the startup. Also, it can reduce the startup's valuation (Shivam, 2017).

Sometimes, reasons are valid for a high turnover rate, such as job mismatch, business needs, and low performance. However, it can still create negative opinions about the startup in front of investors. Because they are not present in the startup to justify why this is happening, they mostly rely on the activities and results of the startup, which can be signaled through LinkedIn activity, reports, and the composition of the team. This signal comes every day, which can create a good or bad perception of a startup in front of the investors. If they receive too many negative signals, it can create a bad perception in front of investors. This connection can be further explained most investors are confident enough not to rely on the financial models of the startups, but they are mostly relying on the team, and they are funding the team rather than the startup and its good financial plans; they also believe that team behinds the venture can work harder and good if they are under pressure (Beckman, 2006).



Figure 1 Conceptual Framework

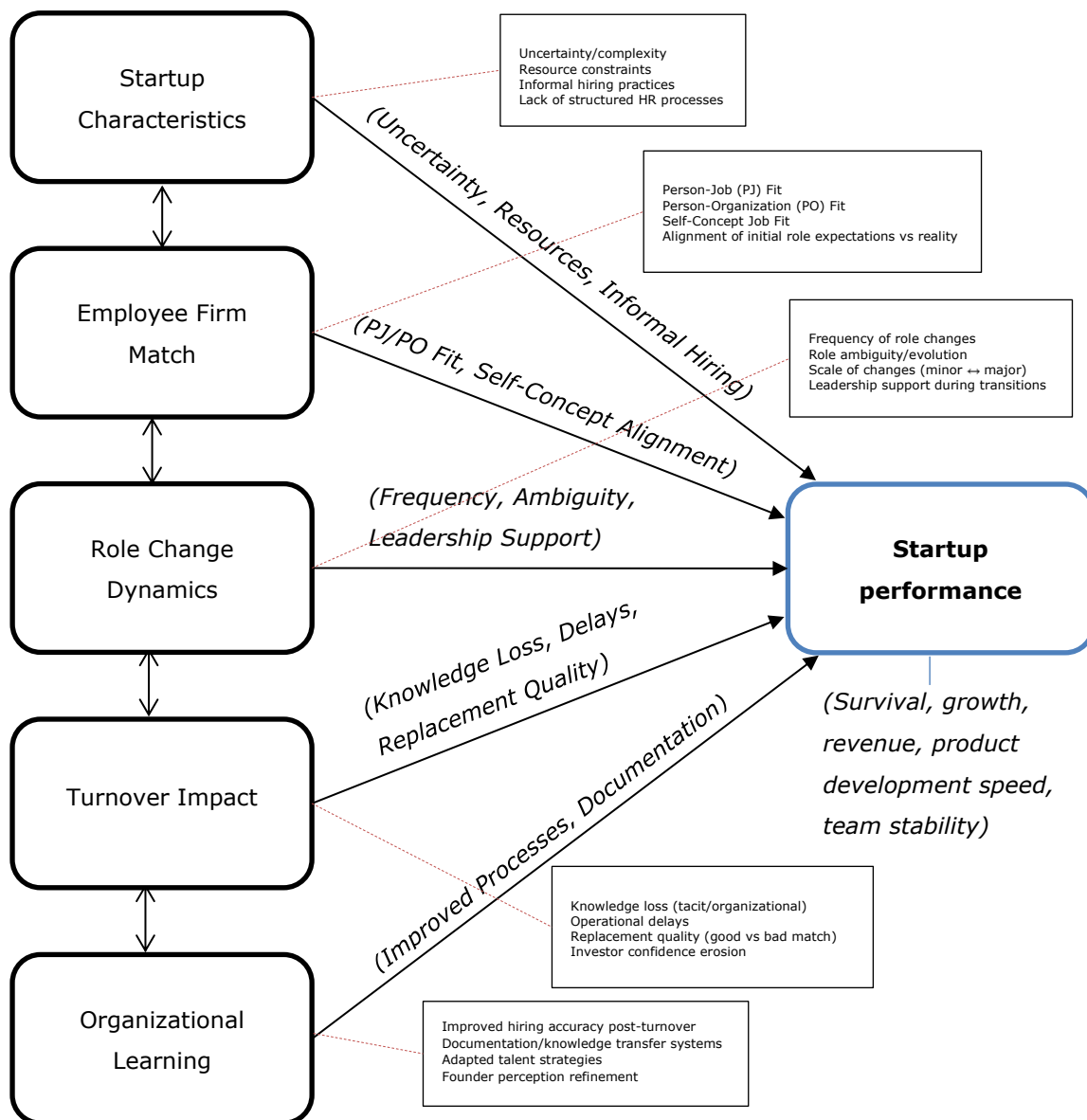


Figure 1 illustrates how the distinct characteristics of startups shape employee experiences and ultimately determine the success or failure of the organization. The framework is composed of five independent variables and one dependent variable. Key startup and founder traits, such as uncertainty, resource constraints, informal hiring practices, and a lack of structured HR systems, directly influence how roles are defined and evolve over time. These factors also affect the integration of new hires into the startup environment. This phase emphasizes the alignment between employees and the startup, particularly concerning person-job fit (P-J Fit) and person-organization fit (P-O Fit). The P-J Fit reflects the extent to which an employee's skills and abilities align with job requirements, while the P-O Fit pertains to the compatibility between an employee's values and personality with the organization's culture and mission. An additional important concept is self-concept job fit, which highlights how employees view their work as an integral part of their identity, a notion especially pertinent in startups where roles are often fluid. A strong alignment in

these areas mitigates the likelihood of early dissatisfaction and turnover, thereby laying a solid foundation for seamless transitions to new roles.

Due to evolving strategies, market pivots, or scaling needs, startups frequently require employees to adapt to changing roles. This makes employees go through new role change dynamics. However, those employees who received support through good leadership are more likely to change roles. However, if it is not handled correctly, it can lead to turnover, directly affecting knowledge loss and operational delays and influencing the startup's performance.

On the positive side, turnover can serve as a corrective mechanism for employee fit. When employees leave, startups often gain insights from the experience and are better equipped to hire someone more suitable for the role in future recruitment efforts. Organizational learning emerges as startups learn proactively from turnover events. This learning helps strengthen internal processes, improve hiring accuracy, and enhance knowledge documentation. Startups are more resilient by improving knowledge documentation and acquiring better skills to recruit the right talent for each role. All of these factors converge to influence startup performance. Those key performance metrics include survival and growth measured by the startup's ability to withstand early challenges and scale operations like revenue and speed, which are reflected in the efficiency of delivering products or services, generating income, and maintaining team stability.

### **3 Methodology**

#### **3.1 Exploratory Research**

To explore our main research question, 'How do founders see early hires in startups experience and navigate role changes, and what impact does employee turnover have on startup performance?' We used two research methods to undertake this study. Qualitative interviews are used as a primary research method. In this method, data is gathered in the form of interviews from sample sources for the purpose of a specific study. The purpose of qualitative research interviews is to gather descriptions of the life-world of the interviewee with respect to the interpretation of the meaning of the described phenomena (Kvale, 1983). Qualitative research offers a deep understanding of how individuals perceive and experience their environment, which is significant to comprehend entrepreneurs' behaviours, values, and norms (Hlady-Rispal and Jouison- Laffitte, 2014). This form of data collection is the most effective method for exploratory research. The research interview focuses on interviewees' experiences and views. Exploratory research is research about a topic where not much information is known about (Sekaran & Bougie, 2016b). Since the phenomenon of role changes in startups and the impact of turnover on startup performance is a fairly under-researched area. Qualitative data are appropriate for studying phenomena that are not well understood (Barley, 1990). Qualitative interviews are analysed, coupled with a grounded theory approach. Grounded theory is an inductive, comparative, iterative, and interactive method (Charmaz, 2006). During the data collection process, numerous theories emerged consistent with the data analysis. Various theories and concepts were observed in the

iterations linking to the literature review, like P-O Fit, the Learning organisation model, the concept of social capital, among others.

### 3.2 Data Collection

Semi-structured online interviews were conducted to gather the data. The semi-structured interview choice provides flexibility to probe the topics as new or intriguing insights kept emerging (Kvale, S. & Brinkmann, S., 2009). Such interviews allow for understanding and in-depth insights, offering flexibility to explore new topics. The conversation started with some warm-up questions, and consent was always asked to record the interview for later processing and analysis of collected data. Open-ended questions were presented to the participants, for example, What was your screening process? To what extent do you think the job description formulated before hiring aligns with the actual role? Can you give any examples of role changes at your startup? Did you observe any turnover? Did the startups perform better or worse if those early hires leave due to a role-related change issue? Was any replacement hired for the employee who left because of a role change? what strategies do you use to improve role match and reduce turnover? What resources or support mechanisms do startups usually provide to employees who are transitioning to new roles, and how is the success of these transitions measured? In order to gain further insights or explanations, further questions were asked. The interview guide is attached in the appendix as "Appendix 2 Interview guide". The primary aim was to listen and understand the experiences and insights of the participants on a given problem statement. We had no prior relationship with any of the participants, and we spoke for the first time during these interactions. Fictitious names and company names are used in the transcription process to uphold the confidentiality and trust of the participants. At the start, a few warm-ups were presented to each participant to break the ice and make a conducive interaction. Owing to these confidence-building measures, we also presented our comments and experiences. All these measures resulted in a conducive interaction where experiences and opinions were shared by the participants. In total, ten interviews were conducted. Nine interviews were conducted online and video recorded with the interviewees' consent. One interview was conducted physically in Hasselt and recorded. The Gmail suite of applications provided by Hasselt University was used to conduct and record online meetings.

### 3.3 Sampling process

This study used a purposive sampling strategy to select participants based in Belgium and the Netherlands. The intention was to select participants having the characteristics required for this study. Geographical selection was made to draw comparisons effectively, as both countries boast active startup ecosystems and ample opportunities for innovation. Both also share comparable work cultures, legal systems, and business environments. Practicality also played an important role as it was easier to contact participants, arrange interviews, and follow up when needed. This helped improve the quality of the data collected. Startups were selected using two main sources. The first source was alumni from well-known startup accelerators, such as IMEC in Belgium and YES!DELFT in the Netherlands. These accelerators support startups with innovative and disruptive

ideas. Such innovation requires dynamic teams and, therefore, often experiences role change. The second source was coworking spaces like WATT THE FIRMS and OpenOffice. These spaces are used by many active startups that are young, have smaller teams, and have at least some commercial successes.

For this research, founders, cofounders, and senior executives were selected as the primary data sources because of their defining role in startup formation, team structuring, strategic decision-making, and ability to comment on the performance aspect. Unlike employees, who typically operate within the boundaries of their assigned roles, founders possess a comprehensive view of the entire organization. They are responsible for hiring decisions, team formation, growth, and performance of the startup. Their involvement in every stage of team evolution gives them access to valuable, tacit knowledge that cannot be easily observed or documented. This includes the reasoning behind recruitment choices, how roles are adapted to fit business needs, how turnover is addressed, and a long-term vision for their startup. Employees, by contrast, may focus more on personal values. These include things like work-life balance or emotional responses to change. While these perspectives are valid and important, they do not always reflect the strategic challenges faced by the startups. Moreover, relying on founders ensures greater consistency and clarity in the data, as they can comment on both the “what” and the “why” of organizational changes. For this reason, interviewing founders is not only aligned with the research aim but also strengthens the methodological foundation of the study. Their insights offer the depth and strategic relevance needed to understand how early-stage startups navigate role transitions, handle turnover, and learn and adapt as organizations.

By combining these two filters, an attempt was made to ensure that a suitable mix of participants was selected that could correspond well to the objectives of this study. In summary, the sampling strategy was designed to make sure the participants were relevant to the research questions, easy to reach, and diverse enough to provide rich and useful data.

### 3.4 Overview of the startups and participants

A brief overview of startups listing the industry, founding year, maximum team size, current team size, number of turnovers, and number of hired replacements of the respective startup is provided in Table 1. The participating startups were founded between 2020 and 2023. The current team size ranged between two and thirteen in the sampled startups. While the maximum team size ranged between two and fifteen. Five startups experienced the role-driven turnover firsthand, and these same startups also hired replacements.

Table 1 Overview of Startups involved in the study

<b>Industry</b>	<b>Founding year</b>	<b>Maximum team size</b>	<b>Current team size</b>	<b>Number of turnovers</b>	<b>Number of replacements hired</b>
Logistics	2020	15	13	2	1
Tech/SAAS	2023	6	5	1	1
Tech/SAAS	2020	4	3	1	1
Digital services	2020	5	4	0	0
Food & Beverages	2022	6	5	0	0
Cosmetics	2023	4	4	0	0
Life sciences	2023	2	2	0	0
Digital Health	2022	5	5	0	0
Tech/SAAS	2023	14	13	2	1
Tech/SAAS	2022	6	6	1	1

In this study, nine participants are either founders or cofounders, and one participant is a senior lead. A brief overview of the participants is listed in Table 2, listing their educational background, industry experience, and entrepreneurial experience. The industry experience ranged from 20 to 2 years. Participants were educated to at least a bachelor's degree, and two participants had doctorates in their respective fields. Varied academic backgrounds were observed, ranging from business economics to engineering and life sciences. Five participants had previous entrepreneurial experiences. On the contrary, for the other five, it is their first attempt at entrepreneurship. The outreach to potential participants was made primarily via email. After a successful connection, an invite was sent to an online meeting, or further explanation was sent, depending upon the nature of the reply received.

Table 2 Overview of backgrounds of the participants

<b>Acronym &amp; role</b>	<b>Educational background</b>	<b>Industry experience</b>	<b>Entrepreneurial experience</b>
JV Founder	BSc. International Business, MSc. International Economics	8 years in the services industry as a Project management consultant	2 other startups active in consulting & e-commerce
MS Tech lead	Master's in computer science engineering	6 years in various roles as a software developer	No previous entrepreneurial experience
AM Cofounder	Master's in business administration	10 years of various roles in the international trade industry	No previous entrepreneurial experience
TG Cofounder	Bachelor's in ICT & Electronics	10 years as a web developer and full-stack engineer	1 non-active SAAS startup
FM Founder	PhD Computer Software Engineering	2 years as business developer	1 non-active Cleantech sector
CD Founder	Master's in international marketing	2 years as a marketing intern and administrative worker	2 startups active in construction and Interior decorations
HF Founder	MSc Chemical Engineering	20 years in various roles in manufacturing, pharmaceuticals, and the chemical industry	1 non-active supply chain startup
SL Founder	Master's in business economics	2 years as an administrative worker	No previous entrepreneurial experience
SI Founder	PhD Biomedical sciences	8 years in various roles in the life sciences industry	No previous entrepreneurial experience
AI Cofounder	Master's in mechanical engineering	5 years in the Instrumentation industry	No previous entrepreneurial experience

### 3.5 Data Analysis

#### **Transcription of data**

We used the software clipto.ai for transcribing the data collected through interviews. After AI transcription, the transcripts were manually rechecked to ensure their originality and correctness. It was observed that AI transcription struggles due to different accents, as most of the participants were not native English speakers. The transcription tool often confused words like "hire" and "role" and transcribed them as "higher" and "tool". Filler words like "um" and "uh" were removed. Participants often repeated words for emphasis or during moments of hesitation (e.g., "ok ok", "so so so", and "but but but"). These repetitions were removed during transcription to improve readability while preserving the intended meaning. Such corrections were applied to maintain the originality and readability of the gathered data. This activity enhanced our understanding of the collected data in this cleaning process as well.

#### **Initial Coding**

The data was coded in three steps, as elaborated by Charmaz in grounded theory (Charmaz, 2006). The three steps are initial coding, selective coding, and higher order themes. In the initial coding step, we studied all the data and tried to give a meaningful code to every line of data. For example, the data where an employee left himself due to a role change was coded as voluntary turnover, or if there was a transition due to a role change, it was coded as either a successful or unsuccessful transition, depending on the given data. It was observed that it was impossible to attribute a code to each line, as often it was not cohesive. In that case, we tried to attribute multiple lines to one code. This process helped us get more familiar with the data and maintain the actual intended meaning of the respondent. The volume of data, though, made it a challenging task.

#### **Selective Coding**

In the second phase of coding, the initial codes were grouped into focused codes. We attempted to identify important and recurring codes from the initial screening. We formulated focused codes from these recurring codes. For example, a focused code, namely Hiring preferences for early hire, was formulated by initial codes such as employees with entrepreneurial spirit, hires as a strategic resource person fit over person skills, and hiring for interns. These focused codes present a broader concept, preserving the data. Broader categories were observed from the analysis of initial coding. Categories referring to hiring process, role dynamics, voluntary and involuntary turnover and startup performance emerged from this process. A challenge was observed here that a concept was often discussed in different phases of an interview. This resulted in dispersed data across different sections of the initial coding. Moreover, at times, respondents opined in a limited context on some subjects. This led us to interpret the data to fill the voids.

#### **Higher Order Themes**

The third step dealt with higher order themes. We collected the core categories within each theme. The theories discussed in the literature helped to form themes. A sequential arrangement of events and information was constructed by processing the focused codes. This sequential

arrangement also made the logical connection between all three categories of the codes. These themes were then linked to various theories. The coding scheme is attached as Appendix 1 Figure 2 Coding scheme, which includes initial, selective, and second-order themes.

## 4 Findings

We intended to study how early hires experience and navigate role changes and the resultant impact on turnover and startup funding. The findings are interesting and provide us with varied opinions and insights. All the participants described extensively their opinions on the subject at hand. Most of these opinions and observations were validated by different examples witnessed by these participants. The examples covered their experiences of hiring, role changes, adaptations to these changes, turnover, and the overall impacts of these changes on the startup. Early hires have a deep and lasting impact on a startup, both in terms of business performance and organizational culture. Several participants opined that early hires shape the initial success of a startup by filling critical gaps and influence how processes, values, and work dynamics are established. Operational efficiency, team dynamics, and growth trajectories are directly impacted by their ability or inability to adapt to such changes.

It was observed that role changes in startups are inevitable. This has been attested to by most of the participants. This happens due to the evolving nature of startup environments. They need to optimize and vary their offerings. These kinds of pivots require early hires to take on more responsibilities in addition to the original job descriptions. These role changes sometimes act as opportunities for professional growth and skill acquisition. While, at times, it is observed by founders that the ambiguity and shifting expectations lead to dissatisfaction and eventual turnover.

Participants highlighted that turnover could have both positive and negative consequences. On one hand, turnover can remove misaligned employees. This allows startups to hire individuals better suited to the evolving needs of the startup. On the other hand, frequent turnover is costly and destabilizing. It drags down the efficiency and productivity of the startup. Startups operate in a highly dynamic environment. They cannot afford the time and costs involved in learning curve and onboarding of a new employee very frequently.

It has been observed that some support mechanisms are identified by most of the founders. These were in the shape of training, time, and peer learning. In addition to that startup structure and internal communication also lend support to such transitions. It is identified from the data that open communication, regular feedback, and flexible leadership were the key factors for the startups where successful transitions were observed. Startups that have structured hiring process, maintained ongoing dialogue about role evolution, and offered training or mentorship opportunities saw lower turnover, successful role transitions and increased productivity.

Finally, the participants noted that a startup's long-term success and performance is closely linked to how it manages early hires through transitions. Startups that recognized the dynamic nature of roles, hired individuals with an entrepreneurial spirit and provided support frameworks were better



equipped to handle the inevitable challenges of change and growth. It is observed that early hires are architects of the startup's foundation. Their experiences with role changes, their adaptability, and their satisfaction levels are significant determinants of whether a startup can survive and succeed.

In the following section, we will present findings relevant to each theme and sub-themes articulated during our coding process. Table 3 outlines the key themes observed from the participants during data analysis process. The analysis will deal with the role changes and its effects on the startups, focusing on turnover and the resultant impact on the startups. This includes investigating the initial hiring process, drivers of role changes, support mechanisms, turnover and impact on startup performance.

Table 3 Key themes identified from interviews

Theme	Sub theme	Participants responses
Hiring process	Hiring methodology	7/10
Hiring process	Preference for personality fit	9/10
Hiring process	Hires as strategic resources	4/10
Role change dynamics	Startup pivoting	6/10
Role change dynamics	Fluid job descriptions	7/10
Role change dynamics	Startup expectations	5/10
Role change dynamics	Flexibility of hire to embrace change	4/10
Role change dynamics	Informal support structures	5/10
Role change dynamics	Formal support structures	4/10
Role change dynamics	Successful transitions	5/10

Role change dynamics	Unsuccessful transitions	6/10
Turnover and startup performance	Replacement impact, Good or bad match	5/10
Turnover and startup performance	Performance increases	5/10
Turnover and startup performance	Performance decreases	5/10

#### 4.1 Hiring processes and fit determination in startups

Hiring in early startups is essentially driven by the founders. There is recognition of the pivotal role played by early hires in the years to come for the startup in the collected data. Startups operate in a resource constrained environment. Therefore, the founder's own experiences, financial situation, and the immediate business need at hand shape the hiring process. In the following section, we will discuss the influence of early hires on startups, hiring structure and the hiring preferences.

##### **Impact of early hires on startups**

There is weak evidence collected from the data that founders explicitly reflected the pivotal role of early hires in the development of the startup itself. Most founders reflected in their opinion in a nuanced way that the early hires contribute to the culture and values of the startup. Some founders were very vocal and directly term the early hires as having a significant influence on the startup. As per JV, early hires play an important role in startups. JV commented,

*And especially in the first 15 people of the company, that's super important. Because they will be the face for the company right so the first five developers will be how the other the next five or ten developers will look like to look like at the development team...*

From this comment, it can be observed that they play a role in shaping the values and culture of the startup. HF observed,

*We really want leaders who are going to help us grow the company, who take initiative, who have their own opinion. So that really goes back to the kind of people you hire, who are really, really crucial in the early stages.*

HF underlines and attests to the notion that early hires are very important for the growth of the startup. SI commented similarly that

*Certainly yes, because if you do wrong hires, you will be yeah, it will become more difficult for a company to grow. If you do good hires that will have a long lasting impact on the growth of the company.*

AI commented,

*People who are hired at the very start are, yeah, like they would have a heavy effect on the processes and culture of the company. I would even say that it becomes like the standard for us to hire someone like this xyz person or to not hire someone like this.*

It can be observed that from these comments that early hires are termed as contributors and co-constructors of organizational values and cultures by some of the founders. Their role is recognised by some founders.

### **Hiring Process of the startups**

The collective data is suggestive that most of the participants adhered to the fact that there is a hiring philosophy behind the hiring to tackle the challenges faced by early startups. It is extracted from the data that varied hiring methods were employed by these startups. The evidence suggests that most often, startups indulge in a structured hiring process. This process includes a formal multistage process checking for a mix and match of interpersonal skills and technical capabilities as per the given needs of startups. Both MS and JV commented that they followed "Hire slow and fire fast" mantra. JV and MS stated that they used "quite extensive" initial screening process at their startups. JV commented,

*Then, after getting the applicants, we are only limiting maybe 5% who we are inviting for an interview... They talk to an employee of our startup first to see if they would work with them. Then they talk to the founder who they will work under... The second meeting will be with the commercial founder and then the third meeting will be with the two other founders who are not in the first, nor in the second call, but in the third call to see if everything aligns with what the first person said and what the second person said.*

MS stated,

*We do a technical test. We do a very extensive personal type of interview/test. We do many background checks both given by the people themselves... we also do our best to find people that we know might know those persons or have worked with them before.*

Similar procedures were adopted by TG and FM at their startups. Multiple rounds were conducted to hire any potential candidate. TG commented, "One hr check, one technical, and then social, yeah, so three, three contact points."

FM observed that his hiring process was structured but not time-intensive, like in the corporate world. FM and his other founder hired using a multiple round approach. Hiring was only done when both founders were sure that it would satisfy the needs of the startup. In the case of SL and AM, financial constraints pushed them to look for interns within their network. There was no structure in hirings, and they looked for resources as per the needs of their respective startups. SL searched for people in her network who are interested in doing an internship and picked what she found was interesting. In the case of AM, two interns were hired from her network. They were vetted during the intern tenure, and both continued to work after the end of the internship.

### **Hiring preferences for early hires**

There is strong evidence gathered from the data that startups have a strong inclination to hire candidates with a specific personality. The skills are often shadowed by these personality traits. JV commented on this part saying,

*So, in our screening process, we're not looking at what someone can do, but we're more at looking at what someone could do, and that's more looking at personality; we're looking at people who are confident and because it's a startup.*

It is an interesting and peculiar phenomenon. Seven respondents concretely commented that they are looking for personality fit more than the skills they possess. JV stated,

*So, in our screening process, we're not looking at what someone can do, but we're more at looking at what someone could do, and that's more looking at personality; we're looking at people who are confident." On similar lines, HF commented that,*

*The first hires you have, really the fit with the company is much more important than the skills they bring. It's really crucial. You're really counting on those people to build a company with you. So, the personal match is almost more important than the skill set they bring in.*

MS stated on the personality fit,

*It's very important that there is a good fit in terms of role expectations, in terms of growth of that person, and in terms of culture fit. Actually, if neither of those well, if we see basically any red flags, we do not hire the person, or if you have any doubts, if anybody in the company has any doubts about hiring a specific person, we do not hire them.*

For FM, the personality match is a make-or-break thing; he stated, "So once we pass the initial step of, like, okay this person looks good and there seems to be a match on a personality basis, then we do a technical challenge".

SI similarly observed that

*We have to ask to the applicant to fill out a test, which is a some personality or preference related test... We let the applicants fill that out because by knowing, by seeing the results,*

*we can already see, is this really a match with our company and the role that we want the applicant to fill? Yes or no.*

From the collected data, we saw evidence that most of the participants term early hires as a key resource for the startup. The early hires shape the startup in the days to come so there needs to be an optimal personality match. JV notes,

*And especially in the first 15 people of the company, that's super important. Because they will be the face for the company right so the first five developers will be how the other the next five or ten developers will look like to look like at the development team and that's why it's super important to hire especially in the first part for personality...*

## 4.2 Dynamics of Role changes in startups

Data collected by the qualitative interviews strongly suggests that participants attested that almost all the early hires in startups experience evolving roles. Most of the participants noted that they have observed role changes in early hires. Although the nature and extent of role changes is varied. In the next sections, we will discuss the drivers of role change, support of startup to adapt role changes and role change transitions.

### **Drivers of role change**

Role change is a product of the dynamic nature of startups. Startups operate in uncertain environments. The dynamic environment of a startup is a common recurring theme in all interviews. There is strong evidence suggesting that role changes are the norm rather than the exception in startups. It is extracted from the data that startup structure, pivot to new markets, expanding offerings and services, new products, long term vision realignment, role ambiguity, multitasking expectations of startups from hires, job expectation-reality gap and own personal growth goals of hires are the reasons of role change listed by the participants. JV reported that they are expanding their offering to include AI agent in the tool they have built. They have no prior expertise but have conviction that this is the right way for his startup. Now he needs to convince and motivate his team to cope with the role changes. Following comments by HF directly relates to the dynamic environment and the uncertainty as follow,

*We try to set the plans in the direction three years out, but then we navigate those three years depending on how the circumstances change. Because one thing that's very typical about early startups is that you have a definite business idea, you know where you want to go, but there is a lot of uncertainty. There's a lot of things you don't know, which you'll have to find out as you go.*

HF further commented that *"it's important to have people who fit in multiple jobs, which means also that in a function description, well, the function description we write today is valid today. It will evolve."* FM talked about going for new products or markets, he commented that,

*We are looking for somebody that does this, but. We are an early startup, so in a year, it could be that we have a different product. It could be that we're going for different markets. Your role is not going to change radically. You're not going to go from development to marketing, but you might radically change in a year the things that you need to do on a day-to-day basis.*

SL described the multitasking expectations from her hires and said,

*We search for general profiles, and they need to switch tasks. So, for example, in my startup, a lot is focused on the sales because we do B2B business, ... you need to really get in contact with people like in person, emailing, calling, whatsoever. So, a lot is focused on sales, but that's why I'm searching for like general profiles. They also need to do different things, for example, they also need to search for students who want to work with us in the summer to go to the festivals. And for example, that's one of their other tasks right now; they're searching for students. So, that's more like human resources related.*

It was observed in the data that, owing to all these drivers of role change and participants' intuition about the startup's uncertain environments, fluid job descriptions were used at hirings. It is due to these drivers that a focus is laid to personality fit during hiring process. HF stated that *"So, the people we are looking for very explicitly in an early stage are people who are willing and capable to live with that uncertainty at the same time."* FM commented on having fluid job descriptions that *"it's very early, so the majority of the people know that when you join, you'll need to do a whole bunch of stuff."*

FM further explained about the job description and the fit regarding the role changes as follows,

*I think we've, if anything, less precise, because the more precise you are, the less room you leave for changes. So we've always been very, not vague, but our job descriptions have always been very broad to avoid people being, you want to scare people away that they are looking for a very narrow, very well-defined job. You don't want them to apply in the beginning. You want people that see like, wow, this is just basically doing everything within a certain team. And if they're fine with that, that's the person that you need.*

### **Adaptation to role changes**

The evidence suggests strongly that flexibility is regarded as a critical capability for early hires by the participants. It could be indicative of the reasoning why founders place such a significant stress on personality fit during the hiring process. It is expected of hires to go beyond fixed roles and adapt to needs and requirements of the startup. Four participants noted flexibility makes hires adapt to changes. CD noted, *"They have to be very flexible. They have to be able to change quick in the task they have to do."* On the similar lines JV commented that, *"It's about are you flexible enough to adapt to different situations, ... It's like going in so many different phases and moments where you have to adapt. Yeah, if you don't like that, you should work for a corporate."*

HF also noted the flexibility and degree to embrace role changes and opined that, *"And it means that the people we hire, the personalities we hire, must be able to cope with that change and to cope with that uncertainty. That's their function description, well as we write it today..."* Employee own interests and growth goals also play an important part in such adaptation. MS commented that,

*Then also on the person's own interests and personal growth. If we see they by nature pick up a more of an ownership role and they go outside of that box that they're assigned to initially, then that's let's say a prime candidate for a person more in a leadership type of role, management type of role. Then also just not necessarily the growth of the person but just personal preference.*

Both formal and informal tools and processes were observed to help hires navigate around the role changes. On account of informal processes, explanations and open communication are identified as tools to encourage and support hires embrace the changes. It drives transparency and builds trust. HF commented,

*I think a way to counter that what we always try to do is explain our choices with all of the data that we have, so really like all cards on the table. So, you explain why a specific choice was made, what the data was that was used to make that choice, and then you try to validate the choice you've made. You try to reassure people saying, 'Okay, in the meanwhile, we've gathered more data and try to get everybody aligned in the new direction. I think that's the way that we've been trying to deal with it, and it seems to have been successful so far.*

JV noted a similar thing and commented that,

*We can process why is that happening. And if the why is clear to everybody, why is this happening, then that solves maybe 80, 90% of the problems that might arise around that. Because the moment people know why they're doing something and why something has changed, nine out of the 10 times, it's acceptable for them because in combination with that, it came naturally, and it offers them more experiences...*

Some employees embraced the change and understood the need of it. AM stated that,

*You always need to communicate with the people for them to understand because sometimes they believe it's, you know if the communication is not good then they do not understand why we change. We change so often and it can be also frustrating for them.*

FM provided one positive and one negative case where the need was communicated and explained. When the startup pivoted to a different market, the marketing requirements changed, and all the work "went down the drain". But the marketer understood the need of change and worked to achieve the new goals. On the contrary, during the same change a developer did not follow through the idea, and she was fired. JV provided an example where a product owner was tasked with something not absolutely aligned but he understood the needs and embraced the change. HF noted on importance of communication as follows,

*And so, that's the part we try to do, also in communicating to people, also in in setting those responsibilities. It is to be really, really clear about where we're going and how we have to correct the course along the way.*

However, not all startups had support in place. TG commented on support to adapt role changes that time was given to a hire to "Just figure it out. We'll see next week where you are, something like that. I don't think there was much support... try to figure it out and if we're not getting there then we'll have to switch strategy" On the informal processes, the quote from JV perfectly sums up as follows,

*The moment we tell them that and they have accepted and we can say yeah but every part that you do brings value to that bigger goal that we're achieving and you can become part of that bigger goals like from an emotional perspective but also from a financial perspective they're more than happy to commit to that.*

It is observed from the collected data, that the startups of HF, FM, AM, and CD have formalised tools of trainings available to varying extents. HF commented that they rely on one-to-one coaching for new hires. If an internal knowledge gap is discovered, they also get coaches externally to fill the void. FM stated that they arrange trainings or search for an appropriate course, if a hire feels that there is a specific skill he is lacking. AM gave time and paid for the courses also if a hire needs training. CD have a formalised one to one traineeship with the hires. The link between role changes, founder's involvement, and hiring preferences highlights how early support systems in startups are built not through processes, but through people. In such situations, flexibility and personal ambitions become key to navigate role transitions successfully.

### **Role change transitions and turnover**

It is explored from the data that adaptations are either successful or unsuccessful. Role change perception can either be taken as a positive or a negative thing. FM stated on the role change perception that,

*I think the challenge is inherently human in the sense that most people don't like change. And so, to radically change things up makes people anxious. The most anxious part of that is if you're not sure where you're going or whether it's the right direction.*

If the transition is not successful, it will lead to leaving or firing. It can improve startup performance as a bad match leaves, and a better match can be hired. On the contrary, successful transition leads to retention, skill enhancement, and better performance of both the hire and the startup.

All participants reported either successful, unsuccessful or both type of transitions. These transitions are measured directly and indirectly. SL commented that it's the first year of the interns, so she is not actively monitoring the transitions. TG reported that they tried to employ OKRs to measure such transitions, but the changing environments and workload just pushed the OKRs to the background. Evidence strongly suggests from the data that most participants employ



indirect and informal parameters to measure whether the transition was successful or not. This can be attributed to the fact that startups mostly are comprised of very small teams and founders have a personal connection with every member.

The degree of transition success can be judged by merely looking at the output and effort of a specific individual. As noted by JV, "So we don't have like hard measures in place but we try to measure it more on a personal level and that works for us right". AM commented on this matter that,

*Yeah, you see how engaged they are. Also, you see how the project progressed. My co-founder is also a very experienced developer, so we kind of know what's reasonable. And yes, we work, even though we do not have very well-defined processes. But we work with project management tools and all tasks are divided and they work with tickets and in you know they work with scrum framework.*

CD stated that,

*Well, I think the measurements within most of the startups are underdeveloped. In a way that we don't actually measure it, but we can see it by the retainership of our clients. So, this is a review that we get when a work is done...*

The transitions are pivotal in determining turnover. In the next section, turnover and its impact on startup performance will be explored as per the collected data.

### 4.3 Impact of Turnover on Startup Performance

Employee turnover is considered a critical issue for early-stage startups due to smaller team size and high dependency on a few individuals. In this chapter, the impact of turnover is examined across two dimensions impact of turnover for startup performance. A recurring theme was observed across all the qualitative interviews that role change driven turnover, can either help or hinder a startup depending on the timing and context of the turnover.

#### **Turnover and Decrease in Performance**

Turnover can have a significant negative impact on startup performance. As gathered from the collected data, it is explored that turnover results in loss of knowledge, time loss, productivity delays and overall performance of a startup. So, there is weak evidence that often turnover results in a decrement in startup performance. As noted by TG

*There's also people from that company working developers working on our product or like integrations into it and those people have had some role changes and they have to work on different projects like in an agency setting and the turnover, there has been a lot of turnover and lots of people like over the years four or five people have come in, and then exited again, and every time they have to learn a piece of the code base and then hand it over to the next person, and that has been painful for me because I've seen all of them*

*coming but they all bring their own style and yeah, that's terrible value for the client in the end.*

Turnover can also be a result of personal choices like a job switch and in that case also it brings a bad impact on startup performance. FM commented that

*I think people, so people leaving the company without you wanting them to do so right. Where we're not in a situation where you actually should have fired them but they left before you did. I think that has a negative impact on the company. I think from a productivity perspective, typically it's a negative impact. From a team perspective, it's a negative impact.*

Also, in terms of team performance, it can be a bad thing, considering that the workload will be increased for the remaining team members. HF reflected on this and said,

*It's a very tricky one as I said when you have to stop and cut crucial resources of course it's a huge blow because you have no alternative. So that means that if you're five people, you fire one well, that means that each of the remaining four is going to have to do 25% extra to compensate for that resource less until you manage to find somebody else. So it is a major impact.*

Often there is a delayed turnover observed where founders were reluctant to let a hire leave. Evidence suggests that this delay stems from a reluctance to make tough personnel decisions due to emotional bonds or the fear of creating operational gaps. This delay results in unsatisfactory outputs and startup performance. FM stated that,

*You always fire too late. So you fire because nobody likes firing. It's not nice. Typically, you work together with these people for a while, so you appreciate them on a human level. And so you take a while to fire somebody to make sure that there's no other way, which means that by then their performance isn't great. Everybody knows it, but nobody really wants to talk about it.*

AM experienced the delay in letting go a hire and observed that if a misaligned employee is found it is better to terminate the employment immediately rather than after procrastinating for a long period. This delay can also put strain on performing team members, as they are forced to compensate for the performance gaps of low performing employees.

HF provided a clear example,

*Now on the other but that's maybe typical for us that the consequences of that is that very often unfortunately early startups are afraid of taking clear decisions about resources even if they find out they've hired the wrong people. And that's the example that I gave before...The person we hired was their new head of supply chain. So it was a crucial resource. It was a key resource. We very soon found out that we had hired the wrong person, but then they ended up in a situation where they said, 'Yeah, but wait a second,*

*we can't fire him because if we fire him, we're making another gap.' And that we have an issue, and that's basically the wrong reasoning.*

Additionally, the scale of turnover can significantly affect startup performance. FM pointed out that drastic reductions in staff can severely impact performance, drawing a comparison to high-profile corporate layoffs. This perspective highlights the balance that startups must maintain when managing turnover, as even a single departure can disrupt team dynamics and strain remaining staff.

### **Turnover and Increase in Performance**

Despite the challenges, turnover can often lead to significant performance improvements. There is strong suggestive evidence that turnover generated by unsuccessful transitions is better for startup performance. Participants noted that turnover can result in better performance. JV highlighted how turnover can improve overall team performance,

*It's like you have a group of people who are trying to create the most business value to the organization for all of its stakeholders. And if you're not part of that, then you have to go. So then automatically everything is operating at a better way even with less people, we have better results.*

HF shared the sentiment, and elaborated that,

*I'd say to my experience, taking these hard decisions and even getting rid of key resources that don't perform, in the end, the company is always better off. They're worse off initially but in the end they're always better off.*

This approach aligns with the broader philosophy of "hire slow, fire fast," mentioned in the interviews by MS and JV. Additionally, some founders observed that turnover can serve as a reason for redefining roles, aligning responsibilities more closely with the evolving needs of the company. For example, HF discussed how turnover sometimes highlights the need to adjust job description and responsibilities,

*The role description was right but you hired the wrong person. Typically you will keep the function description and try and find another person. I've also seen cases where it had nothing to do with a person but simply the role definition or the way it was rolled out was wrong and so you hired the right person before the wrong role and then that person leaves by himself or by herself because they found out that the role you're hiring for is not at all what they expected and that's the point where you correct the role.*

Similar thoughts were reflected by FM where after a hire was fired, they waited for the change to complete, and a new role was clear. Once the role was clear, only then a replacement was hired. Unsuccessful transitions lead to decrement in team performance, and it is always better as per the collected data to disconnect in a timely fashion. FM noted that,

*They're dragging down the startup or the team. And so when you let go of somebody, typically I think it goes better if you fire them because they're unable to make the change." Similarly MS noted that " So people leaving due to role changes. I guess in general I would think it's a good thing because it is very bad for your startup or your company in general to have people who are demotivated. And if you don't have the right person in that position, you are effectively hurting your company.*

Moreover, turnover also provides room to hire replacements which are better suited to the needs of startup. There is suggestive evidence that hiring replacements after a turnover impacts the performance of startup in a better way. Four participants attested that the replacement hired after turnover resulted in better results and performance. FM commented on the question of overall performance of startup when he a replacement was hired, and his answer was a definite yes. JV commented that after hiring a replacement, although the output was a little less, the results were better. AM observed the same, that an increment was observed, but there were other factors also which could have contributed to enhanced performance. This perspective suggests that turnover can increase performance as it removes demotivated or low-performing hires, making room for replacement hires and improving team dynamics.

## 5 Discussion

### 5.1 Introduction

The findings of this research attempted to provide insights into how early hires in startups experience and navigate role changes and how these transitions impact employee turnover and overall startup performance. This study used a grounded qualitative approach to explore the relationship between hiring processes, dynamics of role changes, turnover, and startup performance. The insights presented are extracted from qualitative interviews conducted with founders or co-founders. This introductory section will connect these findings to the broader research objectives and the guiding research question. The following are the key insights that emerged from the findings.

- **Importance of Hiring Processes**

Founders in startups prefer personality fit when hiring. The rationale is that roles are fluid and there is a high degree of uncertainty. This demands the need for flexible candidates capable of handling varying responsibilities and tasks as the startup evolves.

- **Role Changes as a Norm**

Role changes are common in startups. These are primarily a product of market pivots, organizational restructuring, and alteration in products and offerings. These changes require early hires to go beyond the initial job descriptions.

- **Impact of Role Changes on Turnover**

Role changes can lead to turnover if employees is unable to transition successfully. However,

turnover is not bad for startup. It can remove low performing or demotivated hires and create room for replacements hirings.

- **Support Mechanisms for Adaptation**

Successful role transitions are often supported by open communication, flexible leadership, and support mechanisms. Presence of such support structures can help role change transitions and lower turnover rates.

- **Turnover and Startup Performance**

Turnover has a complex relationship with startup performance. High turnover can disrupt operations and reduce productivity. It can also provide an opportunity to refine roles and hire more suitable candidates and resultantly performance can be increased.

## 5.2 Connecting Findings to Research Objectives and Research Question

The primary research question guiding this study was "How do founders see early hires in startups experience and navigate role changes, and what impact does employee turnover have on startup performance?"

To address this question, the research aimed to achieve several key objectives

- Understanding hirings in Startups  
To explore how early hires are hired, the founder's role and vision in hiring, and the process of role changes in startups.
- Identifying dynamics of role changes  
To identify the factors that lead to role changes, adaptations, and transitions in startups.
- Impact of Role Changes on Performance  
To assess how these role changes influence turnover and startup performance.
- Exploring Support Mechanisms for Role Transitions  
To examine the support structures startups use to facilitate role transitions.
- Evaluating Turnover Outcomes  
To evaluate the impact of turnover on startup performance.

The findings align closely with these objectives. It has emerged from data that founders past experiences, education, and industry experience shape the philosophy behind hiring when it comes to hiring for their startups. The data reveals that role changes are a fundamental part of startups driven by factors like organizational growth, varying market demands, and personal career aspirations. Participants highlighted numerous drivers of role change, including strategic pivots, expanding product offerings, and restructuring, reflecting the dynamic nature of startup environments. The findings indicate that role changes driven turnover can both enhance and undermine performance, depending on how well employees adapt to these changes and the support they receive. The importance of communication, flexibility, and structured support in facilitating successful role transitions emerged as a critical theme in the data. Turnover was found to have both positive and negative impacts on performance, depending on the context, timing, and scale of the turnover, aligning with the final research objective. The following sections of this

chapter will explore these findings in detail. These details will link the findings to existing theories and literature on hiring processes, establishment of fit, role transitions, turnover, and startup dynamics.

### 5.3 Foundational Role of Hiring in Startups

The hiring process in startups is a critical factor in shaping the success of a startup. Startups operate in resource-constrained dynamic environments. This requires hires to be flexible, skilled, and highly adaptable. This aspect of hiring is reflected in the importance placed on personality fit, entrepreneurial spirit, and the ability to handle fluid roles. The same has been highlighted in the findings.

Founders have a pivotal role in shaping the hiring processes within startups. Startups do not possess HR resources and standardized hiring procedures. Early-stage startups often rely entirely on the judgment, experiences, and networks of the founders when making hiring decisions. This approach is shaped by the unique challenges and opportunities that startups face. These include limited resources, the need for rapid growth, and the requirement for a strong cultural fit among team members (Baron & Hannan, 2002).

Therefore, Founders often prioritize hiring individuals who share their vision and possess a strong entrepreneurial mindset. The rationale is that these employees are expected to drive the company's growth and adapt to changing roles as the startup evolves. This approach is consistent with the "Founder's Dilemma,". Founder's dilemma highlights the struggle between maintaining control and scaling the business (Wasserman, 2012). Founders must strike a balance between hiring people who align with their strategic vision and those who bring diverse skills and perspectives to the organization.

Additionally, founders' personal backgrounds and industry experiences heavily influence their hiring decisions. As the study data indicates, founders like AM and TG emphasized the importance of hiring based on immediate business needs and financial constraints. Founders often leverage personal networks and informal hiring processes to fill critical roles. The same was observed in cases of AM and SL, who used their networks to hire interns. This approach aligns with the Resource-Based View of strategic management. RBV states the importance of unique, firm-specific resources, including human capital, in creating competitive advantage (Barney, 1991).

Fit determination is a key element of the hiring process in startups. The preference reflects the critical need for cultural alignment and role flexibility in early-stage companies. Established firms prioritize technical skills and industry experience. But it is observed that startups often focus on hiring individuals who can thrive in ambiguous, rapidly changing environments (Cable & Judge, 1997). This emphasis on fit includes personality traits, adaptability, and cultural alignment.

The concept of "Person-Organization Fit" (P-O Fit) is relevant in this context. This theory suggests that employees are more likely to be satisfied, committed, and productive when their values, goals, and work styles align with those of the organization (Kristof, 1996). In startups, this

alignment is even more critical given the small team sizes and the significant impact that each employee can have on organizational culture and performance.

The findings of this study strongly support the importance of fit determination. For example, MS noted the importance of cultural fit in their hiring decisions, stating, "It's very important that there is a good fit in terms of role expectations, in terms of growth of that person, and in terms of culture fit." This approach aligns closely with the "ASA Model" (Attraction-Selection-Attrition) developed by Schneider (1987). ASA model states that organizations attract, select, and retain individuals whose personalities are compatible with the organizational culture, while those who do not fit tend to leave voluntarily or are let go.

Furthermore, the data suggests that startups often rely on informal and intuitive assessments of fit. This could be indicative of the resource constraints and rapid decision-making typical of early-stage ventures. This approach is consistent with the findings of Cardon and Stevens (2004), who noted that startup founders often prioritize personality and cultural alignment over formal qualifications when making hiring decisions.

One interesting finding from this study is the emphasis on personality fit over technical skills in the hiring of early startup employees. This reflects an understanding in the startup world that technical skills can be developed over time, while personality traits such as resilience, adaptability, and entrepreneurial spirit are more challenging to cultivate (Baron & Hannan, 2002). The emphasis on personality fit is aligned with the concept of "Person-Job Fit" (P-J Fit), which focuses on the alignment between an individual's abilities and the requirements of a specific role (Kristof-Brown et al., 2005). For instance, JV noted in the findings that their hiring process is focused more on what candidates could do rather than just what they can currently do, stating, "So, in our screening process, we're not looking at what someone can do, but we're more at looking at what someone could do, and that's more looking at personality." This approach is particularly important in startups, where roles are fluid and employees are often required to take on multiple responsibilities as the company grows and evolves. Moreover, the focus on personality fit is not just about cultural alignment but also about managing the high levels of uncertainty and ambiguity in startups. As HF noted, "The first hires you have, really, the fit with the company is much more important than the skills they bring. It's really crucial." This perspective reflects that early hires must be prepared to adapt to rapid changes, work across multiple functions, and handle the challenges of startup life.

In summary, the role of hiring in startups extends beyond simply filling open positions. That is an oversimplification for a startup. It involves carefully picking individuals who align with the startup's mission, have the right personality traits, and can excel in an uncertain and dynamic environment. This approach not only reduces the risk of turnover and creates a strong cultural foundation that supports growth and success.

## 5.4 Dynamics of Role Changes in Startups

Role changes are a common phenomenon in startups due to the dynamic and uncertain nature of these businesses. Startups often lack the stability of properly defined roles and functional specialties. This fluid nature presents both challenges and opportunities. This forces early hires to adapt quickly as their roles evolve in response to market shifts, funding cycles, and strategic pivots (Brett et al., 1990; Bruni et al., 2004). The following sections explore the primary drivers of role changes, the adaptation strategies used by early hires, and the impact of these transitions on turnover.

Role changes in startups are driven by a combination of internal and external factors that reflect the volatile environments of startups. The following is an overview of these factors. The operational needs of startups evolve with growth. This drive hires to take on new responsibilities or shift roles entirely. For example, a founding member initially responsible for product development may transition to a more strategic or managerial role as the company grows (Clarysse et al., 2011). This shift is often driven by the need to build organizational structures and establish processes that did not exist in the early days of the company. This process is attributable to organisation lifecycle theory, which dictates that every stage of an organisation presents challenges and requires different managerial approaches to deal with it. In this study, founders are discussed as leaders with a strategic vision, so it is their purview to adopt measures to ensure success.

Startups frequently pivot their business models or target markets in response to changing market conditions or competitive pressures (Ries, 2011). These pivots often lead to significant role changes. This in turn requires hires to acquire new skills, focus on different responsibilities, or adapt to entirely new product or technologies. As noted by FM,

*We are looking for somebody that does this, but we are an early startup, so in a year, it could be that we have a different product... Your role is not going to change radically, but you might radically change in a year the things that you need to do on a day-to-day basis.*

Founders often have a long-term vision for their startups that requires employees to align their roles with these broader strategic objectives (Wasserman, 2012). This can include expanding into new markets, introducing innovative technologies, or scaling operations to support a growing customer base. For instance, HF mentioned that "we try to set the plans in the direction three years out, but then we navigate those three years depending on how the circumstances change."

Role changes can also be driven by the individual career goals and personal development aspirations of early hires (Brett et al., 1990). Startups often attract individuals who seek varied experiences and learn new skills. As MS explained, "For many or all applicants, actually, that is something they're actually looking for, so in a sense, that aligns with their expectations and also with our expectations..." Startups often expect employees to wear multiple hats, reflecting the lean operational model of early-stage businesses (Raffiee & Coff, 2016). MS commented similarly that "We tell them upfront that it is a startup and they will be wearing more hats than is



specifically written in the job description, of course." This expectation leads to frequent role changes as employees switch between tasks and different functionalities. SL noted, "We search for general profiles, and they need to switch tasks... So, that's why I'm searching for general profiles."

### **Adaptation to Role Changes**

Adapting to role changes is a critical capability for early hires in startups. Startup employees must develop a range of skills and exhibit a high degree of flexibility to succeed. Several key adaptation strategies emerged from the interviews

Flexibility is perhaps the most critical trait for early hires. This aligns with the *Person-Job Fit* theory (Kristof-Brown et al., 2005), which emphasizes the importance of matching individual traits with job requirements. In the context of startups, this fit extends beyond technical skills to include a mindset that embraces change and uncertainty. As JV noted, "It's about are you flexible enough to adapt to different situations... It's like going in so many different phases and moments where you have to adapt."

Early hires often need to develop new skills rapidly to keep up with changing job demands. This is consistent with the *Learning Organization* model (Senge, 1990), which emphasizes the need for continuous learning in fast-changing environments. One TG highlighted this, saying, "If we see they by nature pick up a more ownership role... then that's a prime candidate for a person more in a leadership type of role."

The ability to cope with uncertainty and setbacks is critical for early hires. This aligns with Dweck's (2006) concept of a *Growth Mindset*, which emphasizes the importance of viewing challenges as opportunities for growth. One participant noted that flexibility is not just a functional requirement but also an emotional one, stating, "The people we hire must be able to cope with that change and cope with that uncertainty."

Effective communication and support from founders play a crucial role in helping early hires navigate role changes. As noted in the findings, startups that prioritize open communication, regular feedback, and personalized support tend to have more successful role transitions. This approach aligns with the *Supportive Leadership* theory, which emphasizes the role of leaders in providing guidance and support during times of change (House, 1971).

### **Role Change Transitions and Turnover**

Role change transitions can have significant implications for turnover and overall startup performance. These transitions are often a critical juncture in the employee journey, determining whether an individual remains engaged and committed to the startup or chooses to leave.

When role changes are facilitated by the startup and align with the employee's skills and career aspirations, they can lead to increased retention and higher job satisfaction. This is consistent with the *Job Characteristics Model* (Hackman & Oldham, 1976), which suggests that employees are more likely to stay when their roles are meaningful, provide a sense of autonomy, and offer opportunities for personal growth.

On the contrary, poorly managed role transitions can lead to frustration, disengagement, and eventual turnover. This aligns with the *Psychological Contract* theory (Rousseau, 1995), which highlights the importance of meeting employee expectations regarding their roles and career growth. TG noted, "If the first people are not doing amazing, then you drag that atmosphere with you and you will always be mediocre."

Turnover following unsuccessful role transitions can disrupt team dynamics, reduce output, and lead to a loss of knowledge. This reflects the broader concept of *Social Capital* (Nahapiet & Ghoshal, 1998), which emphasizes the importance of interpersonal relationships and shared knowledge within organizations.

Turnover is a critical issue for startups due to their small team sizes, resource constraints, and high dependency on a few key individuals (Wasserman, 2012). The impact of turnover in startups can vary widely, with both positive and negative consequences depending on the timing, context, and reasons for employee departure. This section examines the dual nature of turnover in startups, focusing on the potential for performance decline, performance improvement, and the unique challenges associated with replacement hiring.

Successfully navigating role transitions in startups is often a make-or-break factor for both individual employees and the startup itself. Effective support mechanisms can significantly reduce turnover and improve overall performance, ensuring that employees are better equipped to handle evolving responsibilities and changing business needs (Baron & Hannan, 2002). This section explores the informal and formal support mechanisms that facilitate successful role transitions and the critical role of culture and leadership in this process.

### **Informal Support Mechanisms**

Informal support mechanisms often play a crucial role in helping employees adapt to changing roles within startups. These mechanisms are typically unstructured but deeply embedded in the culture of the startup, reflecting the personal leadership styles of founders and early team members.

Several participants emphasized the importance of open communication in building trust and ensuring that employees feel supported during transitions. This aligns with *Psychological Safety Theory* (Edmondson, 1999), which suggests that employees who feel safe to express their concerns and ask for help are more likely to adapt successfully to changing roles. As HF explained,

*I think a way to counter that what we always try to do is explain our choices with all of the data that we have, so really like all cards on the table... I think that's the way that we've been trying to deal with it, and it seems to have been successful so far.*

Informal mentorship and peer learning are also essential components of successful role transitions. These relationships provide employees with the guidance and confidence needed to take on new responsibilities. As noted by JV, creating an environment where employees feel connected to the broader goals of the startup can drive commitment,

*The moment we tell them that and they have accepted and we can say yeah but every part that you do brings value to that bigger goal that we're achieving and you can become part of that bigger goals like from an emotional perspective but also from a financial perspective they're more than happy to commit to that.*

Startups often rely on a high degree of flexibility from their employees, expecting them to take ownership of their roles without rigid oversight. This approach can foster a sense of autonomy and commitment, critical for adapting to evolving roles (Schein, 2010). As noted by JV, *"It's about are you flexible enough to adapt to different situations, ... It's like going in so many different phases and moments where you have to adapt. Yeah, if you don't like that, you should work for a corporate."*

### **Formal Support Mechanisms**

While informal support is crucial, many startups also employ more structured, formal mechanisms to support role transitions. These mechanisms are often designed to provide clarity, reduce uncertainty, and ensure that employees have the skills needed to meet changing demands.

Several participants highlighted the importance of formal training and professional development in supporting role changes. This aligns with *Human Capital Theory* (Becker, 1964), which emphasizes the value of investing in employee skills and knowledge. FM, for instance, mentioned that they actively seek external courses or coaching when employees express a need for skill development *"We arrange trainings or search for an appropriate course if a hire feels that there is a specific skill he is lacking."*

Providing clear role definitions and structured onboarding processes can reduce the uncertainty often associated with role transitions. This approach is consistent with the *Job Demands-Resources Model* (Bakker & Demerouti, 2007), which posits that well-defined roles and sufficient resources can reduce job strain and turnover. As noted by FM, *"We waited for the change to complete and a new role was clear, and only then a replacement was hired."*

Some startups, like HF's, rely on personalized coaching to support role transitions. This approach allows for more targeted skill development and personalized feedback, which can be particularly valuable in small, rapidly evolving teams.

## **5.5 Cultural and Leadership Influence on Adaptation**

The culture of a startup and the leadership styles of its founders play a critical role in shaping how employees adapt to role changes. Founders set the tone for how change is managed and communicated, significantly influencing employee commitment and retention.

Founders who adopt an open, supportive leadership style can create a culture that encourages risk-taking and adaptation. This is closely linked to *Transformational Leadership Theory* (Bass, 1985), which emphasizes the importance of inspiring and motivating employees to achieve beyond their expectations. As noted by AM, *"You always need to communicate with the people for them to*

*understand because sometimes they believe it's, you know if the communication is not good then they do not understand why we change."*

Startups that foster a culture of flexibility and openness to change are better positioned to navigate the challenges of rapid growth and role transitions. This perspective aligns with *Organizational Culture Theory* (Schein, 2010), which highlights the critical role of shared values and norms in shaping employee behavior. HF commented on this aspect, *"It's important to have people who fit in multiple jobs, which means also that in a function description, well, the function description we write today is valid today. It will evolve."*

Creating a shared sense of purpose can also enhance employee commitment and reduce turnover during transitions. This approach aligns with *Self-Determination Theory* (Deci & Ryan, 2000), which suggests that employees are more motivated and engaged when they feel a sense of purpose in their work. SL's approach to providing purpose and ownership to her interns reflects this idea. She tries to give the hires a sense of purpose and explain why a certain task is expected of them. She further explained that all her interns have her personal contact details, and the interns can come and ask if they have any questions.

## 5.6 Turnover and Decrease in Performance

Turnover often has a negative impact on startup performance, primarily because of the loss of critical knowledge, disruption to team dynamics, and increased workloads for remaining employees. This perspective aligns with the *Resource-Based View* (RBV) of the firm, which emphasizes that a company's competitive advantage depends on its unique internal resources, including the skills and knowledge of its employees (Barney, 1991). In startups, where each hire often plays a crucial role, the loss of a single employee can have a disproportionately large impact.

One of the primary drawbacks of turnover in startups is the loss of institutional knowledge. As noted by TG, frequent turnover can disrupt continuity and reduce overall productivity,

*Developers working on our product or like integrations into it... have had to learn a piece of the code base and then hand it over to the next person, and that has been painful for me because I've seen all of them coming but they all bring their own style and yeah, that's terrible value for the client in the end.*

Turnover can also strain team dynamics by increasing the workload on remaining team members. HF highlighted this challenge, explaining that when a critical team member leaves, the remaining employees must often take on additional responsibilities,

*If you're five people, you fire one, well, that means that each of the remaining four is going to have to do 25% extra to compensate for that resource loss until you manage to find somebody else. So, it is a major impact.*

Many startups' founders delay making tough personnel decisions, often due to emotional bonds or the fear of creating operational gaps. This delay can result in prolonged periods of reduced productivity and performance. FM reflected on this tendency,

*You always fire too late. So, you fire because nobody likes firing. It's not nice. Typically, you work together with these people for a while, so you appreciate them on a human level. And so you take a while to fire somebody to make sure that there's no other way, which means that by then their performance isn't great.*

Turnover can also have a significant emotional impact on the remaining team, potentially leading to decreased morale and motivation. This aligns with the *Affective Events Theory* (Weiss & Cropanzano, 1996), which posits that workplace events, like the departure of a valued colleague, can have a profound emotional impact on remaining employees, affecting their job satisfaction and overall performance.

## 5.7 Turnover and Increase in Performance

While turnover can be disruptive, it can also provide an opportunity for startups to improve overall performance by removing poorly fitting employees and bringing in fresh talent better suited to the company's evolving needs. This perspective aligns with the concept of *Creative Destruction* (Schumpeter, 1942), where the removal of underperforming employees can lead to renewed organizational vitality. Some participants noted that turnover can be beneficial when it allows the organization to remove employees who are not aligned with the startup's mission or culture. As JV explained,

*It's like you have a group of people who are trying to create the most business value to the organization for all of its stakeholders. And if you're not part of that, then you have to go. So then automatically everything is operating at a better way even with less people, we have better results.*

Removing underperforming employees can improve overall team cohesion, as the remaining members are often more committed and aligned with the startup's goals. This perspective is supported by the *Person-Organization Fit* theory (Kristof-Brown et al., 2005), which suggests that employees who share the values and goals of their organization are more productive and satisfied in their roles.

Turnover also creates opportunities to bring in new talent that may be a better fit for the evolving needs of the startup. As HF noted,

*I'd say to my experience, taking these hard decisions and even getting rid of key resources that don't perform, in the end, the company is always better off. They're worse off initially but in the end they're always better off.*

Turnover can also be a catalyst for redefining roles and responsibilities within a startup, ensuring that employees are better aligned with the organization's strategic goals. HF highlighted this benefit, explaining how turnover can lead to more effective role definitions, *"The role description was right, but you hired the wrong person... You will either rehire for the same role or rehire... for a role which you have redefined."*

## 5.8 Replacement Hiring and Its Impact

Replacement hiring can have a significant impact on startup performance, both positively and negatively, depending on how well the new hire fits into the existing team and aligns with the startup's long-term goals. Finding a suitable replacement can be challenging in a startup environment, where roles are often loosely defined, and cultural fit is critical. As FM noted, finding the right replacement is not always straightforward, *"We waited for the change to complete and a new role was clear, and only then a replacement was hired."*

Replacement hires can also bring fresh perspectives and new skills that enhance overall team performance. This aligns with the *Resource-Based View* (Barney, 1991), which emphasizes the value of diverse skill sets and perspectives in building competitive advantage. However, if the replacement does not align well with the startup's culture or strategic goals, the cycle of turnover may continue, potentially creating a destabilizing effect. As noted by one participant, even well-intentioned replacement hires can sometimes fail if the role is not clearly defined or if the new employee lacks the necessary support to succeed. The introduction of new team members can also disrupt established team dynamics, potentially reducing morale and increasing the risk of further turnover. This highlights the importance of careful onboarding and role clarity to ensure successful integration.

## 6 Conclusion

The purpose of this thesis was to investigate how founders see early recruits in Startups deal with and adjust to role changes, as well as how these changes affect employee turnover, particularly in relation to firm performance. We have developed an extensive understanding of the relationship between hiring methods, role dynamics, transitions, replacements, turnover, and the long-term success of startups through qualitative interviews with founders and a thorough examination of a selection of current literature. Our belief is that employees form the foundation of any company. But this is more pivotal for startups. By nature, startups must swiftly adapt to changing conditions while navigating high levels of uncertainty and operating with limited resources. Given these challenges, it is both crucial and difficult to recruit and retain early hires. The literature review highlighted several important themes.

- The importance of employee firm matching including person job fit and person organization fit for the job satisfaction and retention.

- The inevitability of role changes in startups due to evolving strategies, market demands, and internal growth of startups.
- The significant impact of turnover, especially in the early stages, on knowledge retention, team stability, and investor confidence.
- The dual nature of turnover because it can be disruptive and it also offers opportunities for organizational learning, filtering for the perfect role match employee and strategic resets.

We used an exploratory qualitative approach to investigate these themes, interviewing founders of startups in Belgium & Netherlands. This approach allows us to gain detailed insights into the real-life experiences of individuals navigating the unpredictable startup environment. The findings validated and extended the themes found in the literature. It is true that early hires shape startup performance and culture. Although role transitions are frequent and frequently required, their effectiveness depends on effective communication, leadership style, and organizational and employee's adaptability. Even though turnover is often unavoidable, it can be actively managed to reduce negative impacts and even foster long-term progress.

### **Key Insights**

Following are the key insights observed by indulging in this study. Startups prioritize personality and cultural fit over technical proficiency when it comes to early hiring. Candidates who exhibit flexibility, resiliency, and an entrepreneurial mindset are frequently given preference by founders. The fact that positions in startups are flexible and subject to quick changes as the company grows is what motivates this focus. Numerous factors, such as organizational growth, market shifts, and individual career goals, influence role shifts in startups. As the firm adjusts to shifting conditions, early personnel are frequently asked to take on new duties or change roles completely. Turnover in startups has some positive and negative impacts. Let's talk about the negative first. With turnover, you can lose tacit knowledge and skills. Turnover can disrupt the team stability and dynamics by eventually increasing the workload of the remaining staff. It shows as a negative signal to the investors because mostly investors do not invest in the idea—they invest in the team. However, turnover has some positive effects as a strategic reset in the startups. Startups get the experience of hiring, and it can set well-defined roles and relate to the expectations of the employee. The important thing is to manage turnover proactively. Startups can clearly define the roles after getting the experience of hiring. They can use turnover events as learning opportunities to improve the overall hiring process and internal communication. Startups will invest in knowledge transfer systems to minimize the knowledge loss. When deciding whether to provide funds, investors keep a careful eye on team stability and turnover rates. High turnover is frequently interpreted as an indication of uncertainty and managerial instability. Successful startups see turnover as the opportunity to learn by reflecting on how they can solve this problem and make the team better for the startup. They aim to improve hiring accuracy and onboarding processes, strengthen internal communication and support systems, and build a culture of adaptability and continuous improvement.

## 6.1 Final Reflections and Recommendations

Based on the research, several practical recommendations emerge for startups seeking to navigate the complexities of early hiring, role changes, and turnover. Startups should prioritize fit and flexibility in hiring. They should implement hiring processes that evaluate personality qualities, cultural fit, and technical proficiency. It is important to communicate openly about those positions, as roles in a startup environment are dynamic, and to look for applicants who welcome change.

Startups should also communicate and support role changes. They should keep the lines of communication open regarding the motivations behind role changes and the expectations of new positions. It is essential to give staff members time to adjust to new jobs, training, and mentorship. To manage turnover proactively, startups should understand that some turnover is unavoidable and that, with proper management, it may be beneficial. They should take advantage of turnover events as opportunities to learn and improve the hiring process. It is also important to put knowledge management tools in place to gather and avoid knowledge loss. Startups should foster a culture of learning and adaptability. This includes encouraging all staff members to pursue further education and career advancement. They should establish feedback loops so that staff members can express their experiences and recommend changes. Honouring resilience and adaptation as fundamental organizational principles is key.

Finally, to enhance startup performance through team stability, startups should demonstrate a commitment to maintaining team stability and talent retention. They should emphasize proactive approaches to handling turnover and position adjustments. Highlighting successful role transitions and employee development can help strengthen overall performance and operational effectiveness.

### **Conclusion**

Early hires perceptions in Startups are influenced by a special confluence of opportunity, uncertainty, and quick change. Even though these circumstances create many difficulties, they also present unique chances for development, learning, and creativity. Startups can create strong, cohesive teams that drive long-term success by putting match first, assisting with role transitions, taking proactive measures to manage loss of talent, and encouraging an adaptable culture. In the long run, a startup's performance and durability are significantly influenced by its capacity to handle the challenges of early recruiting and role changes. According to this study, creating and maintaining a team that can adjust, grow, and flourish in the face of continuous change is more important for Startup success than simply having an excellent concept or product. We hope that this thesis has given entrepreneurs, early employees, and everyone else involved in the fast-paced world of startups insightful information and useful advice. We may contribute to the development of Startups that are not just innovative and profitable but also Strong, adaptable, welcoming, and fulfilling workplaces by understanding and dealing with the human side of startup growth.



## 6.2 Limitations

This thesis has several limitations that should be considered. First, the research is based on a small number of qualitative interviews with founders from startups in Belgium and the Netherlands. This limited sample size and geographic focus mean the findings may not reflect the experiences of all startups or early hires in other countries or industries.

Another major limitation of our research was the difficulty in finding and interviewing relevant founders. Many founders were extremely busy and often did not have time to participate, which made it challenging for us to collect enough first-hand insights from startup leaders.

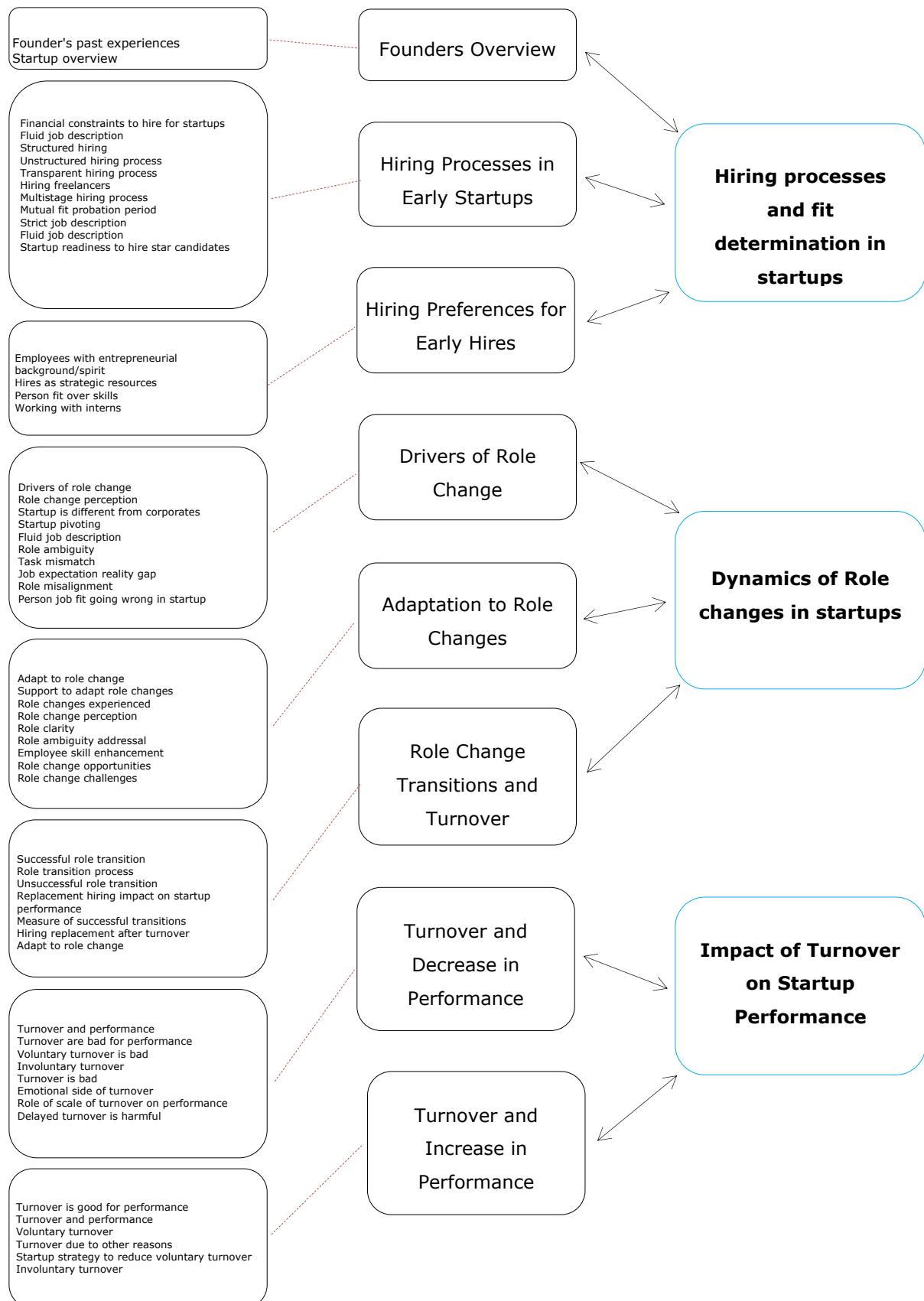
Four of the startups we interviewed were from the SaaS sector, where the job market is not saturated, and employees have more opportunities. As a result, employees in these startups are more likely to leave if they face challenges in their roles. In contrast, we also interviewed a few startups from industries with fewer job opportunities, and their responses were different. If we had chosen startups strictly by industry, our findings might have shown even greater differences.

Fourth limitation is related to the backgrounds of the founders we interviewed. Some founders did not have a business background, so they could not provide detailed opinions on business management or hiring processes. Founders with more experience or education in business were able to share deeper insights and examples.

Startups in regions like Silicon Valley face intense competition, rapid technology changes, and fast-paced growth. These conditions often lead to more frequent role changes and a higher turnover of early hires. The primary causes are the pace of innovation, availability of more venture capital and rapidly expanding job markets. In contrast, the startups included in this study may operate in more stable or slower-moving environments. This difference means the findings may not reflect the realities of startups in high-pressure ecosystems. As a result, the study's conclusions are limited in their applicability to other global regions. This affects the generalizability of the research and should be acknowledged as a key limitation.

## 7 Appendix

**Appendix 1 Figure 2 Coding Scheme**



## **Appendix 2 Interview guide**

### **Introduction and privacy**

Introduction of the interviewer: name, study & university

Purpose of research: to gain insights into the founder's perspective on early hires in startup, role change and turnover.

Declaration: on anonymity & privacy, independence, confidentially, recording permission

Rules of discussion: The conversation is about the experience of the interviewee not a knowledge test. So, no right or wrong answers Can I record? So that I can spend more time listening and discussing rather than taking notes.

### **Warm-up Questions**

Could you briefly introduce yourself? (Main points: Study background, organization, job position, job experience, age, location)

Would you describe what you do exactly on an average working day? Duration: Maximum 60 minutes

### **Core Questions**

How do founders see role changes experienced by early hires and the impact of employee turnover on startup performance?

How extensive was the initial screening process used by the startup to ensure a good employee-firm match before hiring early employees?

To what extent did the role descriptions at hiring align with the reality of the job experienced by early hires?

How do early hires perceive the nature and scale of their role changes within the startup, on a scale from 1 (minor change) to 5 (major change)? Can you provide examples of specific changes and their perceived scale?

What factors (such as learning opportunities, training provided, leadership style, communication, and organizational support) most significantly influence how early hires experience and navigate role changes?

What specific challenges and opportunities arise for employees during role changes, and how do they adapt to the new responsibilities and expectations?

Did startups perform better or worse after key early hires left due to role-related issues, on a scale from 1 (worse) to 5 (better)? Also, can you give some examples?

When an employee left, was their replacement hired for the same role, and did this result in a better or worse employee-role match?

Turnover due to role changes is considered beneficial or detrimental to the startup, and what strategies do they use to improve role match and reduce turnover?

What resources or support mechanisms do startups typically provide to employees transitioning to new roles, and how is the success of these transitions measured (e.g., employee satisfaction, performance metrics, overall firm outcomes)?

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