2022 Tech Work Report

Founders & Execs on Remote Work, the Downturn, and the Great Resignation

By Joe Lazauskas

MC MASSCHALLENGE

Introduction

"Unprecedented."

Over the past few months, the most overused adjective of the pandemic has returned. It seems like no word has been used more to describe the challenges that tech founders and executives face today.

While valuations and fundraising fall as economic uncertainty spreads, the talent market remains incredibly tight. Workers are quitting and planning to quit in record numbers. That's caused tech founders and executives to adapt to new financial realities while still finding ways to hire the talent they need to not just survive, but thrive.

To better understand how tech leaders are adapting at this crucial moment, A.Team and MassChallenge partnered on our inaugural Tech Work Report, surveying 581 tech founders & execs (C-Suite or department leaders) based in the United States. Respondents were all surveyed in July 2022 through the MassChallenge network of founders, experts, and partners.

The results offer a fascinating look at:

- How tech leaders are dealing with hiring challenges, adopting new hiring criteria, and exploring new talent models amidst the Great Resignation.

- How companies are shifting towards a "blended" workforce that integrates teams of full-time employees with a growing pool of highly skilled independent workers.

- How tech leaders view the effects of the downturn—from fundraising plans to growing concerns over both the health of their companies and mental health of employees.

Key Findings

Hiring challenges

- **The Great Resignation has made a significant impact:** 44% of tech founders & execs say that a significant number of their top performers have exited due to the Great Resignation.

- **They're frustrated with the traditional recruitment model:** 67% agree that the traditional recruitment process needs an overhaul, noting that it's too long and expensive.

- **Bringing on top product & engineering talent remains a challenge:** 62% of tech leaders say it takes 4 months or more to hire top product and engineering talent on average.

- **Long-standing requirements for hiring are changing:** 80% say they're willing to hire someone without a college degree for any role.

The blended workforce

- **Integrated "blended" teams of full-time and independent employees have become the norm:** 73% of tech companies now have integrated teams of freelancers and FTEs.

- **Tech founders & execs see independent talent as a key tool amidst economic uncertainty and remote work:** 71% agree that bringing on freelancers or independent workers gives their business greater agility during times of economic uncertainty, and 70% say that remote work has made them more likely to bring on freelancers.

- **A flexible work model gets results, but some are planning to return to the office:** 62% believe shifting to a more flexible work model during the pandemic has increased employee productivity, but 37% say they intend to work from the office more over the next year.

71% of tech leaders agree that bringing on freelancers or independent workers gives their business greater agility during times of economic uncertainty.

Key Findings

(Continued)

Downturn strategy & challenges

- **Despite cautions from top VCs to not fundraise in the next 24 months, most still plan to try:** 60% expect to fundraise in the next 12 months, and 78% plan to fundraise in the next 18 months.

- **They're doing so with greater concern for the long-term health of their company:** 57% are more concerned about the long-term health and viability of their organization compared to 6 months ago. Only 10% were less concerned.

- **Two years into the pandemic, leaders are concerned about themselves and their employees:** 72% of tech founders & execs are concerned about the mental health of their employees, and 62% are concerned about their own mental health.
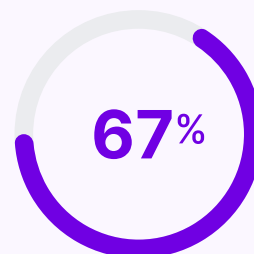
67%

agree that the traditional recruitment process needs an overhaul.

60%
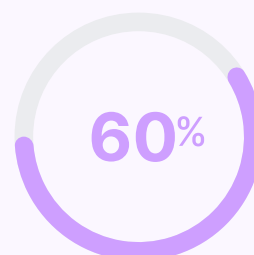
expect to fundraise in the next 12 months, amidst the downturn.

Part I: "The traditional recruitment model is broken"

**TL;DR**

- The Great Resignation remains in full swing, and hiring plans are still on the rise, contrary to popular media narratives.

- Tech founders & execs are deeply frustrated with the traditional recruitment process, and hiring for product and engineering roles remains a challenge.

- 80% are now willing to hire a candidate without a college degree for any role, and over 40% have increased their investment in career growth and upskilling programs over the last year to retain talent.

Since the Great Resignation began last spring, it's been a source of fascination in tech, which has seen the highest resignation rates among all industries.

Many predicted the quit rate would return to normal once a wave of layoffs began this April, but the latest labor report shows no signs of The Great Resignation slowing down. In fact, 40% of workers plan to quit in the next 6 months, per a new McKinsey study released in July.

The impact has been substantial, with 44% of tech founders & execs saying that a significant number of top performers exited due to the Great Resignation. (When excluding early-stage startups through Series A companies, that figure jumps to 53%).

44%
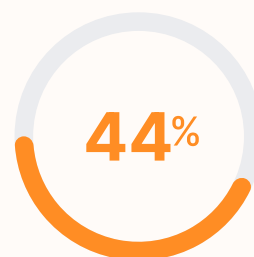
of tech founders & execs say a significant number of top performers have exited due to the Great Resignation.

This departure of top talent may be why—contrary to the popular media narrative created by recent rounds of layoffs—**hiring plans are on the rise, particularly among more mature companies at the Series B to IPO stages.**

Forty-five percent of respondents said that their hiring plans have increased over the last 6 months. For founders & executives at the Series B to IPO stage, that number jumps to 59%.

How have your hiring plans changed in the past 6 months?

1%
Hiring plan decreased significantly

15%
Hiring plan decreased moderately

16%
Hiring plan increased significantly

Hiring plans in past 6 months

25%
No change in hiring plans

43%
Hiring plan increased moderately

Source: A.Team & MassChallenge 2022 Tech Work Report. Survey of tech founders & execs. Subset: Series B, C, D, E, & IPO companies. (n = 225)
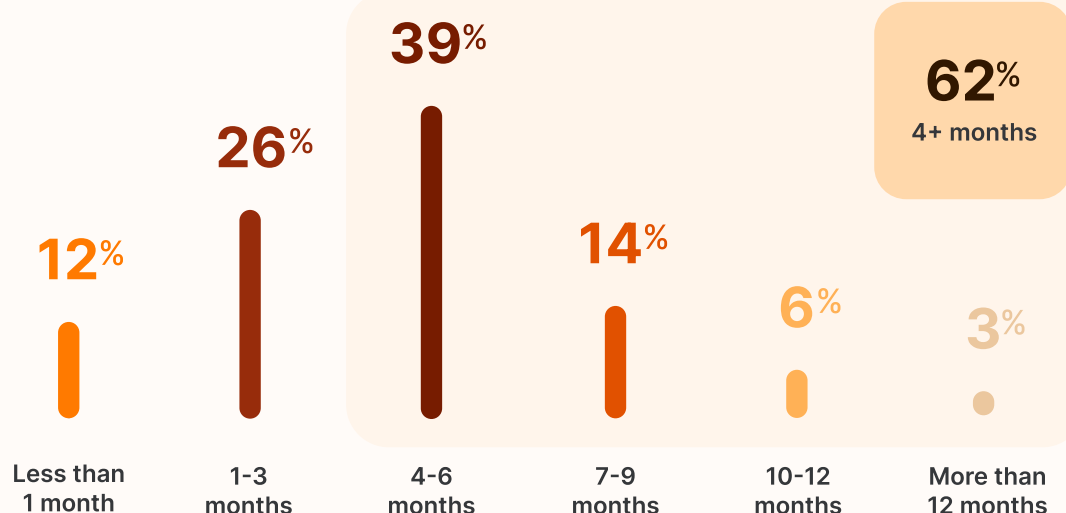
With roles to fill and top performers to replace in a competitive talent market, tech leaders are growing frustrated with the traditional recruitment process for hiring full-time employees. Sixty-seven percent of respondents believe the traditional recruitment process is broken and needs an overhaul—primarily because it's too long and expensive.

What tech founders & execs say about the traditional recruitment process:

67%
say it's broken and needs an overhaul

70%
say it takes too long

70%
say it's too expensive

This is particularly true when it comes to product and engineering talent. **Sixty-two percent of tech founders & execs say it takes 4 months or more to fill new product and engineering roles, on average.**

How long does it take you to fill new product & engineering roles?

39%

26%

12%

14%

62%
4+ months

6%

3%

| Less than 1 month | 1-3 months | 4-6 months | 7-9 months | 10-12 months | More than 12 months |

Source: A.Team & MassChallenge 2022 Tech Work Report. (n = 535)

As you'll see on the next page, respondents also rated product and engineering as the hardest role to fill. However, tech leaders are also prioritizing other key functions across their organizations. A majority of respondents identified important hires in other departments, with marketing (17%) and HR (14%) earning a significant share. This is a sign of how pervasive the impact of the Great Resignation has been. It seems like every hire is critical and challenging to fill.

Marketing teams, for example, face an increasingly complex and competitive digital landscape that requires a special blend of creativity and technical expertise. And given how dramatically work has changed since the pandemic began, great HR talent has never been more important. They play a key role in keeping employees happy and productive amidst a shift to remote work, and retaining and attracting top talent amidst the Great Resignation.

Which roles do you find are the hardest to fill?

Product and Engineering

39%

Marketing

17%

People Strategy / Human Resources

14%

Sales

13%

Operations

11%

Other

4%

Finance

2%

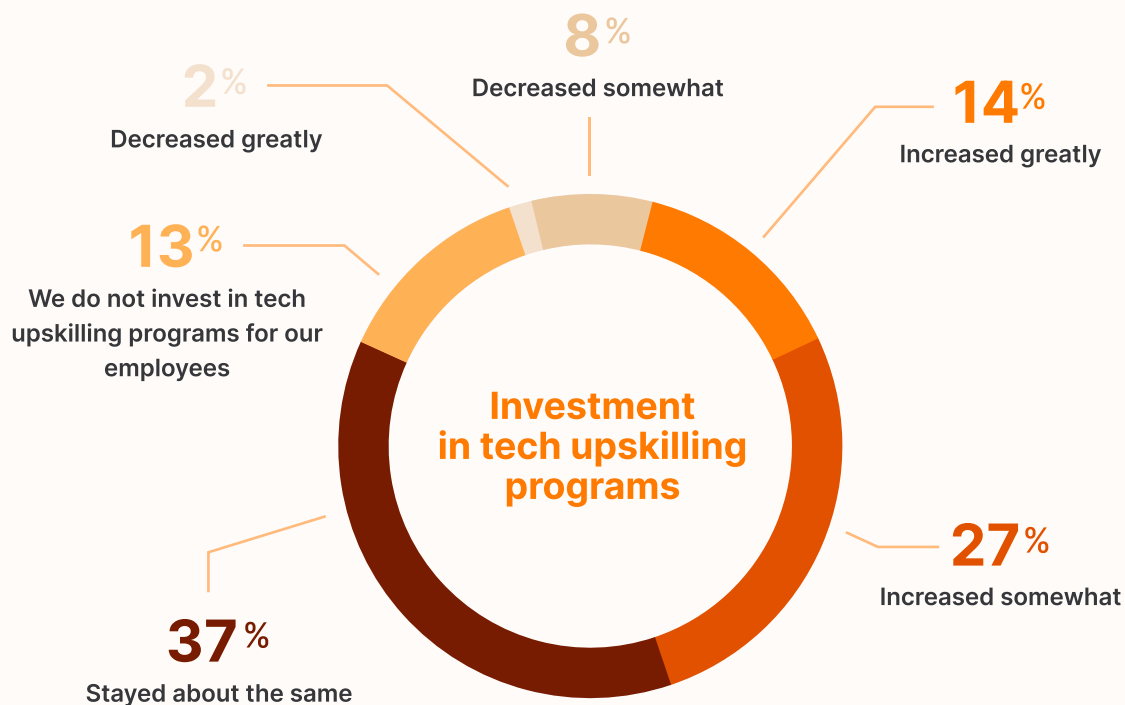Source: A.Team & MassChallenge 2022 Tech Work Report. (n = 581)

Founders and tech leaders are also becoming more flexible in their criteria for great talent. In April, Elon Musk made headlines by saying that a college degree isn't required for a job at Tesla, and our respondents agree; 80% said they're willing to hire a candidate without a degree if they have the right skills and experience.

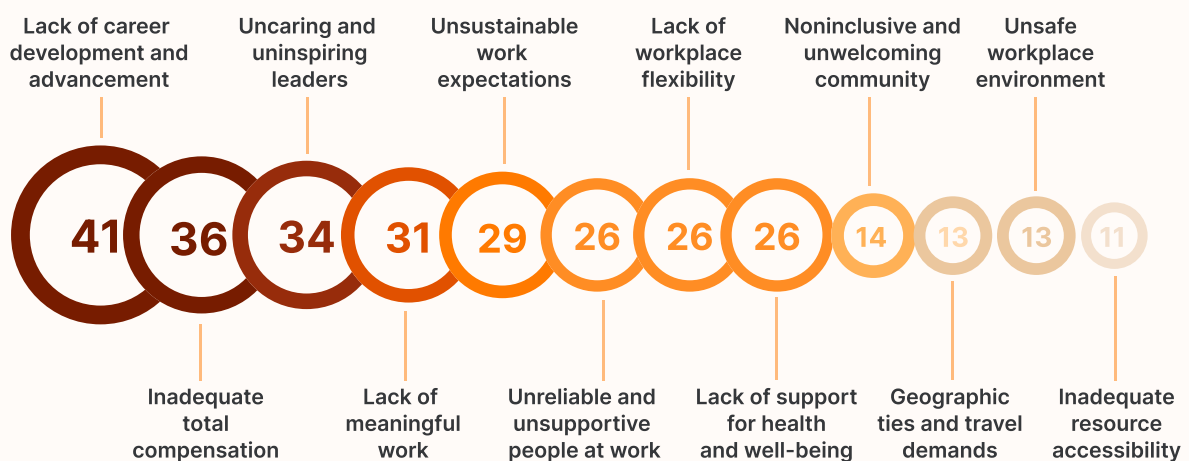**80%** say they're willing to hire someone without a college degree for any role.

In turn, they're increasingly investing in formal career growth and upskilling programs: 87% say having a formal career growth and upskilling program is important to their employees, and 41% have increased their investment in tech upskilling programs in the past year.

How has your investment in tech upskilling programs for your employees changed in the past year?

8% Decreased somewhat

2% Decreased greatly

14% Increased greatly

13% We do not invest in tech upskilling programs for our employees

Investment in tech upskilling programs

27% Increased somewhat

37% Stayed about the same

Source: A.Team & MassChallenge 2022 Tech Work Report. (n = 581)

This is crucial, as McKinsey's analysis found that a lack of career development was the top factor driving workers to quit in the last year.

Lack of career development and advancement — 41
Uncaring and uninspiring leaders — 36
Unsustainable work expectations — 34
Lack of workplace flexibility — 31
Noninclusive and unwelcoming community — 29
Unsafe workplace environment — 26

26 26 26 14 13 13 11

Inadequate total compensation
Lack of meaningful work
Unreliable and unsupportive people at work
Lack of support for health and well-being
Geographic ties and travel demands
Inadequate resource accessibility

Source: McKinsey Great Attrition, Great Attraction 2.0 global survey (n=13,382)

Finally, in an effort to increase the diversity and inclusion of their hiring pool, 60% say they offer anti-bias training to hiring managers and reps. Among more mature Series B, C, D, E, and public companies, that figure jumps to 87%. However, research shows that such training has had mixed results on actually improving workplace diversity. Given the incredible performance that companies in the top quartile for gender and racial diversity see, this topic warrants further examination in follow-up research.

Part II: The workforce of the future is "blended"

TL;DR

- Most companies now have "blended teams" of freelancers and full-time employees, with freelancers or independent workers making up a significant portion of the total workforce.

- Economic uncertainty and a shift to remote work is making freelancers more attractive to tech leaders.

- A flexible work model has increased productivity, but some still plan to make employees work from the office more in the next year—particularly at more mature companies.

The Great Resignation has spawned a major new workforce trend that we wanted to study: the growing pool of highly skilled freelancers and independent workers.

A Bloomberg analysis found that one-third of the growth in the labor force over the past two years has come from the self-employed. A recent Upwork study revealed that 36% of all workers now freelance, with 53% of those workers offering in-demand skills like computer programming and IT.

McKinsey's July examination of The Great Resignation identified a key persona—"the do-it-yourselfer"—of highly skilled individuals who have left traditional full-time employment in the prime of their careers in search of autonomy and a sense of purpose in their work.

Similarly, recent research by A.Team found that highly skilled tech workers say they have greater job satisfaction, financial opportunities, and work-life balance when working independently.

Compared to working full-time, independent workers report having more or much more…

Job Satisfaction

74%

**Financial Opportunities**

70%

Work-life Balance

68%

Source: A.Team Independent Work Report, July 2022. Survey of 503 independent workers from the A.Team network

How are tech founders & executives taking advantage of this growing talent pool? How are they restructuring their organizations to balance immediate needs with long-term growth? And how might that trend continue into the future, particularly as tech leaders face pressure to reduce fixed costs and overhead while accelerating innovation?

The initial feedback is clear: Freelancers are increasingly attractive to tech founders & executives in times of economic uncertainty. Nearly half our respondents (42%) said freelancers or independent workers make up over one-quarter of their total workforce.

What percentage of your total workforce is comprised of freelancers or independent workers?

10%
17%
32%
26%
8%
8%

None | 1-10% | 11-25% | 26-50% | 51-75% | 76-100%
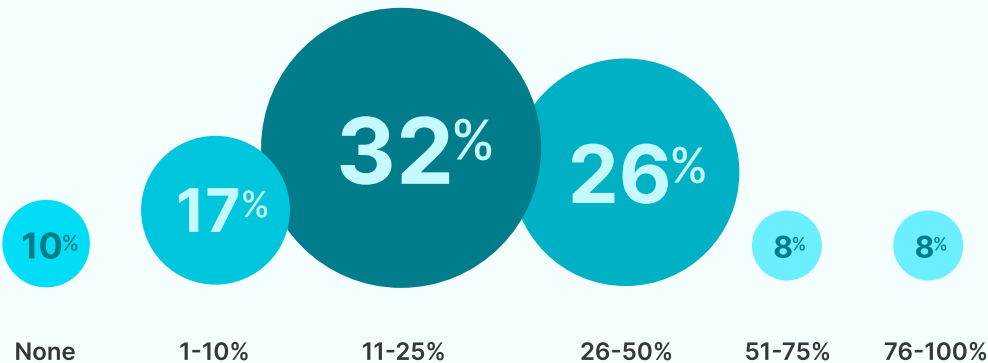
Source: A.Team & MassChallenge 2022 Tech Work Report. (n = 581)

We expect this figure to grow in the future for two key reasons: the growing pool of highly skilled freelance tech talent, and the flexibility that comes with bringing on an independent workforce in times of economic uncertainty and remote work.

Over two-thirds of tech founders & execs (71%) claim that economic uncertainty has made them more likely to bring on freelancers or independent workers. The same number also believes that doing so gives their business greater agility. This approach allows companies to quickly bring on specialized talent who can address the most important initiatives. It also helps execs protect their existing teams from experiencing layoffs.

71%
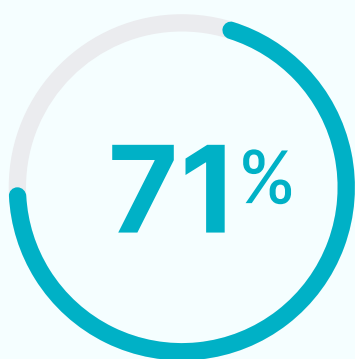
71% of tech leaders say economic uncertainty has made them more likely to bring on freelancers

71% of tech leaders say freelancers give their business greater agility

In the past, freelance workers often handled repetitive, outsourced tasks in isolation. Today, though, they're being integrated into blended teams with full-time employees—73% of respondents said they have integrated teams of full-time and independent workers. An additional 11% plan to do so soon.

73% of respondents said they have integrated teams of full-time and independent workers.

**Do you currently have integrated teams
of independent workers and full-time employees?**
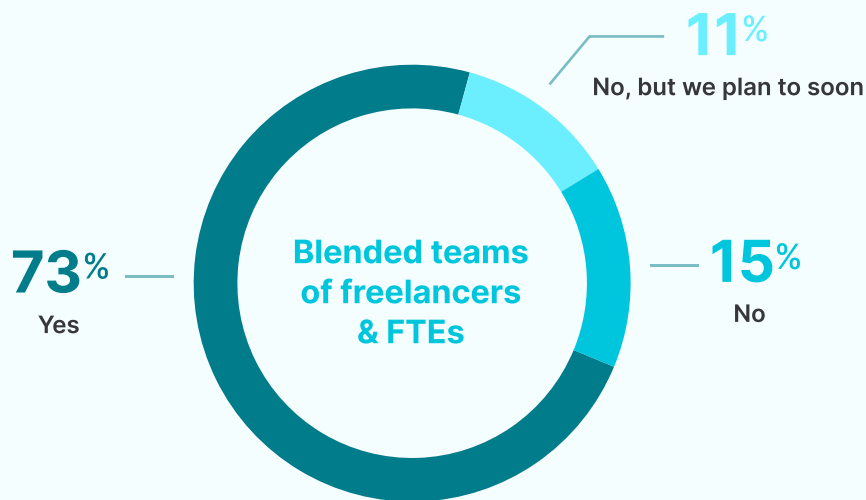
11%
No, but we plan to soon
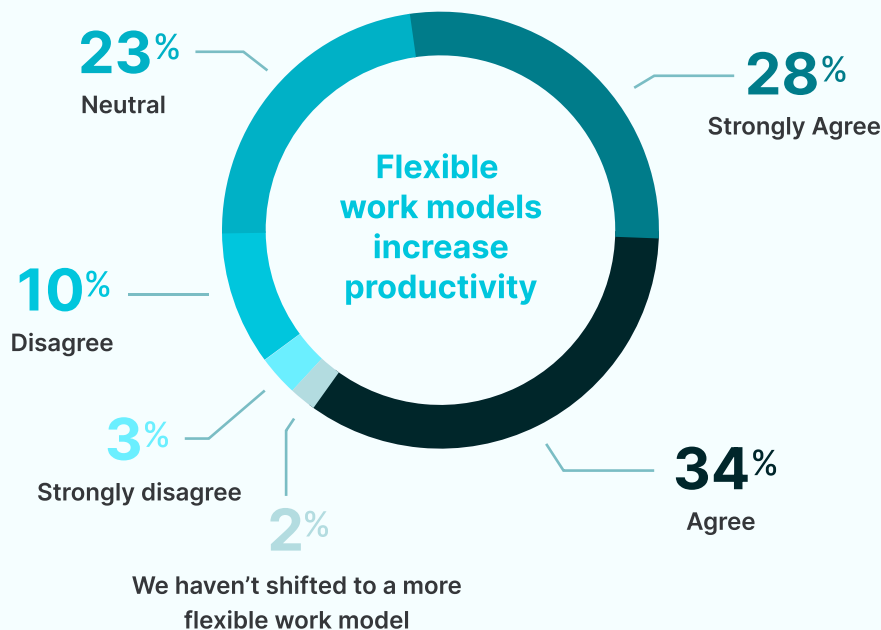
73% —
Yes

Blended teams
of freelancers
& FTEs

— 15%
No

As remote work gained popularity during the pandemic, it's become a lot easier to build blended teams. Many teams now operate out of the cloud, not a conference room. Seventy percent of respondents agreed that a switch to remote work has made them more likely to add freelancers or independent workers to their teams.

70%

say that remote work has made them more likely to bring on freelancers.

Remote work appears likely to continue. Of the tech founders & execs we surveyed, 62% think shifting to a more flexible work model during the pandemic has increased employee productivity. Only 13% disagree with that statement.

Shifting to a more flexible work model during the pandemic has increased employee productivity.

23%
Neutral

28%
Strongly Agree

Flexible
work models
increase
productivity

10%
Disagree

34%
Agree

3%
Strongly disagree

2%
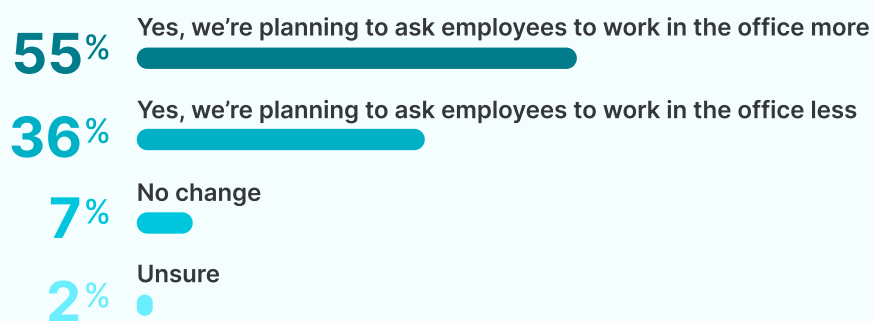We haven't shifted to a more
flexible work model

Source: A.Team & MassChallenge 2022 Tech Work Report. (n = 581)

However, that flexible work model may eventually mean more time in the office. Overall, 37% plan to ask employees to work in the office more over the next 12 months.

But among more mature Series B, C, D, E, and public companies, **55% plan to ask employees to work in the office more.** Fifty-six percent of that cohort—and 53% of respondents overall—say that an economic downturn would make it easier to require employees to return to the office.

Are you planning to change your workplace model in the next 12 months?

55% Yes, we're planning to ask employees to work in the office more

36% Yes, we're planning to ask employees to work in the office less

7% No change

2% Unsure

Source: A.Team & MassChallenge 2022 Tech Work Report. Survey of tech founders & execs. Subset:
Series B, C, D, E, & IPO companies. (n = 225)

Part III: Downturn Strategy & Concerns

TL;DR

- While top VCs have warned founders & execs to avoid fundraising until well into 2024, most still plan to raise in the next 18 months.

- They ranked revenue growth as their top priority, followed by fundraising.

- Most say that they're more concerned about the long-term health of their organization than 6 months ago. The majority also agree that they're concerned about mental health and burnout.

It was the memo heard 'round the world. In May, Sequoia Capital released a 52-page memo to its portfolio companies warning of the downturn ahead and the "crucible moment" they would face.
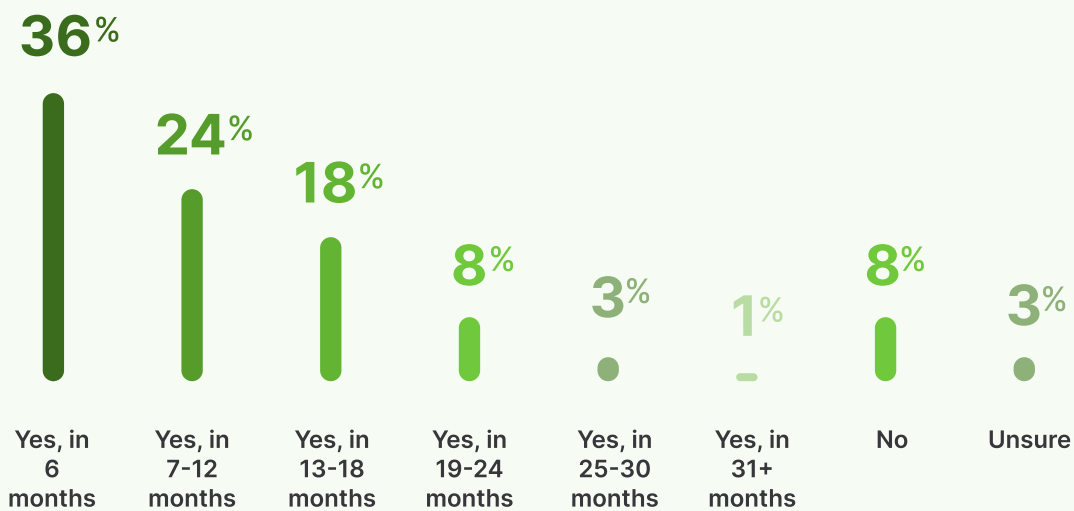
Their advice was quickly echoed across the tech landscape: cut costs, reduce burn, become profitable if you can, and prepare for fundraising to cool off for another 24 months.

We wanted to know, how are tech founders & execs reacting since then? Are they pushing fundraising plans off to 2024? Are they prioritizing cost-cutting and reduced burn over all else?

Despite those warnings, leaders remain focused on fundraising and growth. Few are looking to wait until 2024. In fact, 60% plan to fundraise in the next 12 months, and 78% plan to fundraise in the next 18 months.
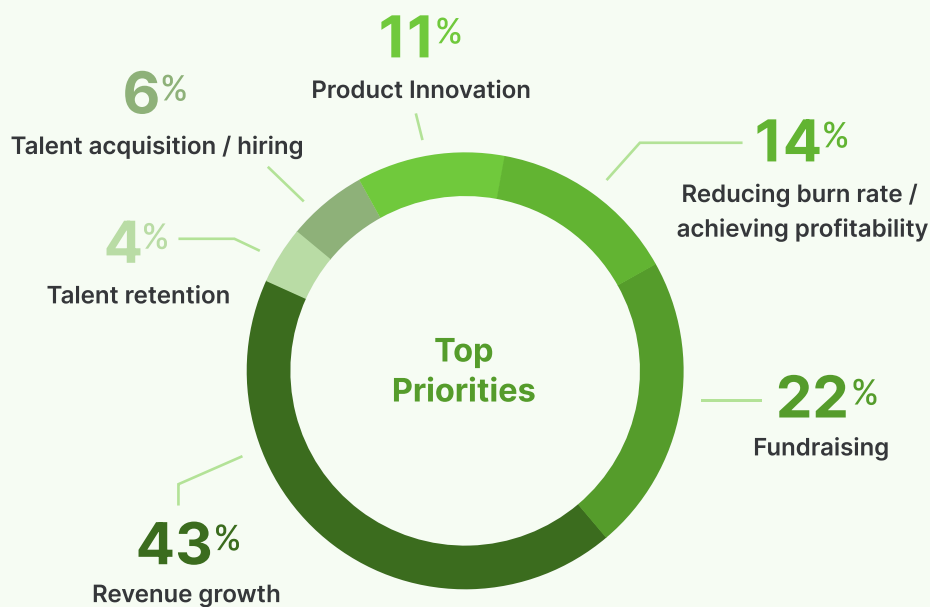
Leaders remain focused on fundraising and growth.

Are you planning to fundraise in the future?

36% Yes, in 6 months

24% Yes, in 7-12 months

18% Yes, in 13-18 months

8% Yes, in 19-24 months

3% Yes, in 25-30 months

1% Yes, in 31+ months

8% No

3% Unsure

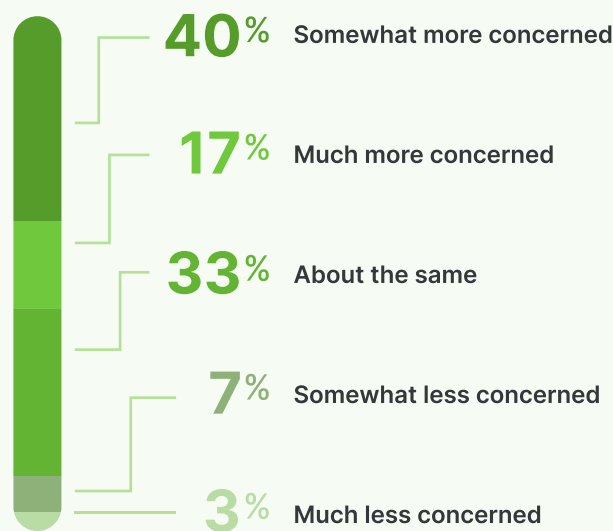Source: A.Team & MassChallenge 2022 Tech Work Report. (n = 581).

When asked to rank their top priorities, revenue growth was the most popular choice at 43%, followed by fundraising (22%). Reducing burn rate and achieving profitability was a distant third (14%).

Top Priorities

11% Product Innovation

6% Talent acquisition / hiring

4% Talent retention

43% Revenue growth

14% Reducing burn rate / achieving profitability

22% Fundraising

Source: A.Team & MassChallenge 2022 Tech Work Report. (n = 581).

However, the majority of tech founders & execs are pursuing growth with greater concern for consistency and stability. Fifty-seven percent told us they're more concerned about the long-term health and viability of their organization compared to 6 months ago.

Compared to 6 months ago, how concerned are you about the long-term health and viability of your organization?

40% Somewhat more concerned

17% Much more concerned

33% About the same

7% Somewhat less concerned

3% Much less concerned

Source: A.Team & MassChallenge 2022 Tech Work Report. (n = 581).

Additionally, they're worried about their employees and themselves: 72% of tech founders & execs say they're concerned about the mental health of their employees, and 62% say they're concerned about their own mental health.

They're similarly focused on reducing stress and managing motivation—63% worry about employee burnout, and 59% expressed concern about their own burnout.

72% concerned about the mental health of their employees

63% concerned about employee burnout

62% concerned about their own mental health

59% concerned about their own burnout

Looking forward

While this is an "unprecedented" time of uncertainty, it's also one of opportunity.

Economic downturns are when the most dramatic evolutions—and opportunities—in the market occur. Behaviors transform. Strategies shift. The 2008 recession, for instance, gave birth to a generation of SaaS companies that went from upstart challengers to category kings. These companies found ways to nimbly adapt to the needs of enterprises suddenly willing to rethink outdated ways of operating. The same could be said about companies like Airbnb and Warby Parker that pioneered a new consumer experience.

Amidst so much uncertainty, there's been a lot of advice to "wait and see," but there's a window of opportunity to seize.

Tech founders & execs have often succeeded by thinking creatively and disrupting the status quo. This time is no different—and our research depicts a generation of tech leaders already willing to apply that mindset to their workforce and org structure. The prevalence of remote work, independent tech talent, and blended teams of freelancers and full-time employees would have seemed fantastical a few years ago, but it's now what many tech founders, execs, and workers want.

This trend is only likely to accelerate, with bumps along the way. As they change how they hire and embrace new talent pools of skilled independent workers, founders will have to keep rethinking the way they form, manage, and optimize teams. They'll also have to answer new questions that arise around benefits, mental health, and compensation.

If history has taught us anything, though, it's that tech leaders ready to embrace change will likely gain a key advantage over the competition. As the tech landscape evolves, we look forward to tracking the impact of new trends and work models in future studies.

In these unprecedented times, we hope you follow along.
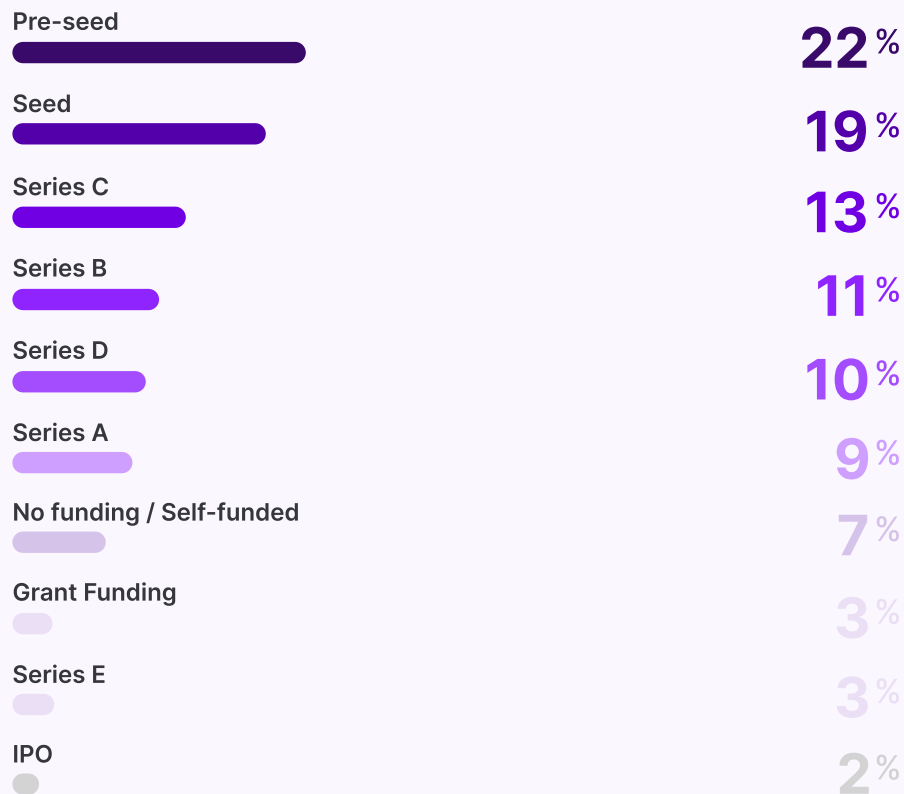
Appendix: Methodology

A.Team and MassChallenge partnered to survey 2,568 tech employees based in the United States. This report focused on a subset of 581 tech founders & executives (C-Suite or department leaders). All respondents identified themselves as owner/founders, partners, members of the c-suite, or VPs/heads of departments, actively serving in a leadership role at their organization. Respondents were all surveyed in July 2022 through the MassChallenge network of founders, experts, and partners.

What best describes your job role at your company?

23% C-Suite

5% Partner

23% Head of / Vice President

Job role at company

46% Owner / Founder
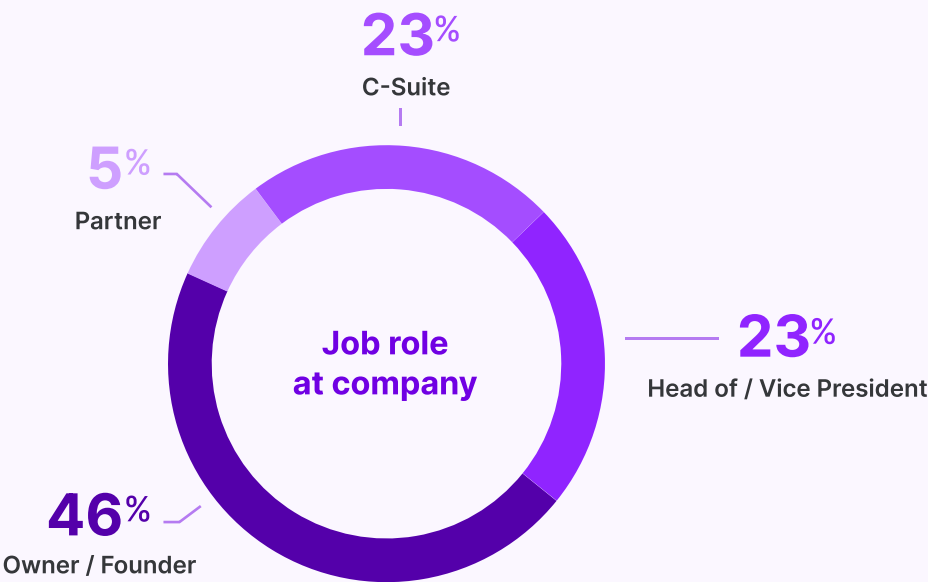
Respondents ranged from Seed to IPO companies, with a small subset (10%) self-funded or grant funded.

Which best describes the funding stage of your company?

Pre-seed — **22**%

Seed — **19**%

Series C — **13**%

Series B — **11**%

Series D — **10**%

Series A — **9**%

No funding / Self-funded — **7**%

Grant Funding — **3**%

Series E — **3**%

IPO — **2**%

The majority (51%) were born between 1981-1996, the generation typically known as millennials.

Which of the following best describes the year you were born?

1945-1954	1955-1964	1965-1980	1981-1996	1997-2012
3%	**10**%	**26**%	**51**%	**9**%