

Russell Beck's
WHAT DOES



GOOD LOOK LIKE?



What does good look like?



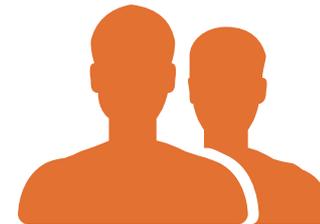
Introduction

“Hiring is the most important people process we have and very few of us are any good at it.” – Laszlo Bock, Former Senior Vice President of People Operations, Google

Hiring is massive. It defines the make-up of your business, creates your culture, stockpiles your skills. It helps to make you who you are. Of all the talent management activities a business performs – training, development, appraisals, succession planning – hiring has the biggest impact on revenue and growth. Yet like the tone deaf child who grew up wanting to be a pop star, we’re just no good at it.

According to the Society for Human Resources Management (SHRM), a **bad hire can cost a business up to five times the employee’s annual salary** due to team disruption, dropping morale, customer dissatisfaction and lost sales. If you consider that **the UK’s average salary is £26,468, the average cost of a mis-hire is £132,340.**

Even more alarmingly, a study by LeadershipIQ revealed that a stunning **46% of hires fail within 18 months.** For executive hires, the failure rate is 60%. Only 19% are a success. Imagine £132,340 multiplied by almost half your workforce. This whitepaper will look at the reasons why we fail to hire good people and discuss ways we can improve our hiring.



What does good look like?



The definition of madness

Despite decades of investment in interview techniques, technology, psychometric testing and the like, we're still falling into the same old traps when it comes to hiring. This is down to five intertwining factors:

Relationships

"I'll know it when I see it."

It's the perennial answer of a hiring manager when a recruiter asks what kind of hire they're looking for. Perhaps it's little wonder that **80% of recruiters believe they have a good understanding of the jobs they're recruiting, while only 61% of hiring managers agree.**

According to Deloitte, *"The majority of talent acquisition leaders agree that recruiters who have the closest relationships with hiring managers outperform recruiters who do not have such close relationships."* The relationship between the hiring manager and the recruiter is the single biggest predictor of success when it comes to hiring. The better the

relationship, the more the hiring manager understands the recruiter's ways of working and the more the recruiter understands the hiring manager's needs.

It doesn't help that hiring often isn't given the attention or formal recognition you'd expect for the company's most important people process. Rarely are managers assessed on hiring for their job description, bonus or appraisal. The hiring process is often an unwelcome, time-consuming addition to their everyday activities, further burdening an already cluttered diary with meetings and CVs. Employers find themselves in the position of being so busy that they haven't actually got time to bring someone in to make them less busy.

Hiring managers often feel that recruiters don't spend enough time with them to really understand the blend of skills and personality traits they're looking for, the nuances of the role and the challenges involved. And recruiters often feel it's not worth challenging on these requirements, even though it might actually help them gain a better understanding of what the manager's after. Never the twain shall meet. But this relationship needs to be a true partnership. It needs to be a two-way thing.



What does good look like?



The definition of madness

Process and measurement

Considering only around a third of the hiring process is actually spent sourcing candidates – while the other two are spent on internal challenges – the process itself is a barrier to successful recruitment.

The way we measure the success of our hiring is completely misplaced. According to the HBR, *“Most traditional HR metrics – such as employee turnover rate, average time to fill open positions and total hours of training provided – don’t predict organizational performance.”* We assess recruitment on targets that measure efficiency rather than effectiveness. In the same way that the quality of a cake shouldn’t be measured according to its preparation time and price, the success of a hire shouldn’t be judged on its speed and cost. It’s the taste of the cake that matters. It’s the quality of the candidate.

We need to measure things that reflect employees’ performance, such as:

- Average performance appraisal scores of new hires
- Manager satisfaction with new hires
- Turnover rate of new hires within the first year
- The monetary impact of an open position / bad hire
- Revenue per employee.

Then we need to link them to the corresponding measurements of the hiring manager’s performance to ensure managers and recruiters are aligned, strengthening their relationship. Each stakeholder needs to be made accountable.



What does good look like?



The definition of madness

Standards and expectations

Although job descriptions are used as the basis for recruiting and measuring prospective hires, they're often subjective and vague in the language they use. For example, what is a "true leader?" Different people have different definitions of leadership. Competencies, behaviours and skills are important attributes to consider for any job. However, without context they're useless.

Job descriptions list the activities that need to be performed in a particular role – not the outcomes required from those activities. Businesses need to define specifically what they're looking for and decide how to measure it. They need to describe how the required traits are actually used on the job, with real examples. Do you want a waiter to take a customer's order or provide service that will make the customer want to come back?

Measurement

"Though hiring is a crucial business function, conventional methods are remarkably short on rigour." – The Wall Street Journal

Quite simply, we don't know how to select successful people. Looking at the predictive power of 19 different assessment techniques, Schmidt and Hunter published a meta-analysis based on 85 years of research into how well assessments predict employees' performance. They found that the best predictor of how someone will perform in a job is a work sample test, which has an accuracy rate of 29%. The joint second best predictors are general cognitive ability and structured interviews, each scoring 26%. Structured interviews – through which most hires are made – have a success rate of 25%, meaning three out of four hires will fail.



What does good look like?



The definition of madness

Measurement (cont.)

Interestingly, outside of graphology, previous work experience is the least reliable predictor of future performance, with academic achievement the second least. This means that two of the biggest criteria businesses use to judge candidates' suitability, and upon which candidates base their CVs, are completely redundant.

Tracking new hires' behaviours, performance and personality, the LeadershipIQ study also revealed that the **top reasons for failure were a lack of: coachability (26%), emotional intelligence (23%), motivation (17%), temperament (15%) and technical competence (11%). 89% of hiring failures are for attitudinal reasons and only 11% due to lack of skill, yet we hire on skill and fire on behaviour.** Barnes & Noble famously announced it was parting ways with CEO Rob Boire after only 11 months as he *"wasn't a good fit,"* paying \$4.8m by way of settlement.

Interviews

"Years ago, we did a study to determine whether anyone at Google is particularly good at hiring... We looked at tens of thousands of interviews, and everyone who had done the interviews and what they scored the candidate, and how that person ultimately performed in their job. We found zero relationship." – Laszlo Bock

For many reasons, the very process by which we select people is fundamentally flawed. Take the classic interview situation: a candidate pitches up at an office, rehearsing their pre-prepared answers and random facts about the employer. Questioned by a panel of interviewers on why they're looking for a new job, they reel off a list of worthy, non-financial motivations such as their desire to take on a new challenge, further their career, work specifically for this company. In reality, the answer would probably be a toss-up between *"I hate my last boss"* (the number one reason people leave their jobs is their manager – **35% of American workers would forego a substantial pay rise to get their boss fired**) and *"I need money to pay bills."* The situation is already hugely fake, hugely unnatural, hugely staged.



What does good look like?



The definition of madness

Interviews (cont.)

Yet an interviewee can't realistically say they're leaving their current role because they feel unfulfilled, uninspired and unrecognised. Unless they want to be seen as divisive and problematic.

Interviews are biased. We make an immediate choice and without realizing it, spend the rest of the time trying to confirm our initial impression. To prove this, two psychology students recorded real interviews from the point candidates knocked on the door to 10 seconds after they'd taken a seat. Then observers rated candidates' employability, intelligence, ambition, trustworthiness, confidence, nervousness, warmth, politeness, likeability and expressiveness. For nine of these variables, their judgements correlated significantly with those of the interviewer. The conclusion was that judgements made in the first 10 seconds – a handshake and a brief introduction – could predict the outcome of the entire interview.

Interview performance is a skill that can be improved by practice and research. These days, everything a candidate might need to know about the company or the interviewers themselves is readily available online, giving them the opportunity to cater their answers to the specific interests of their audience.

And strangely, no matter how many great candidates we meet and no matter how difficult the decision, we never look at the unsuccessful candidates again. There are worthwhile people who we are actively overlooking.



What does good look like?



The hiring Holy Grail

“Find the best person suited to doing the job, not the most talented.”
– Jack Ma

To ensure you have the right people for your team, it comes down either to training your existing people or hiring better people from the outset. But designing effective training is difficult. Some experts say that 90% of training does not cause a sustained improvement in performance or behaviour, so it’s even more important to hire the right people in the first place.

Strangely though, we continue to invest substantially more on training than hiring. The size of a training budget doesn’t reflect how much you’re investing in your people – it’s evidence that you’re failing to hire the right people.

Hiring is like a relationship: there is a right person for each job. If you hire the wrong person, you’re unlikely to be able to change them into the hire of your dreams over a period of years. So here are three models to help you find that Mr or Ms Right to begin with.

1. The balancing act

Whatever the role you’re hiring, there needs to be some balance of technical skills and cultural fit. It’s obvious that candidates will need the skills for the job. But for the person to be successful, there needs to be an alignment of culture, values and behaviours between the individual and the business. All too often, we underestimate the importance of an individual employee’s personal values and expect them to subscribe to the values imposed on them by the company.



What does good look like?



The hiring Holy Grail

It's difficult (and expensive) to find someone with both qualities in abundance. But there needs to be an appropriate balance between the two. Some roles need to be hired based on technical experience due to their very nature. Actuaries need technical knowledge and a head for numbers and analysis. At the other end of the scale, behaviour is all-important for call centre or hospitality staff, who need an affinity for interacting with other human beings. You can train them in what to do, but not so much in how to do it.

Understand what balance of technical knowledge and cultural alignment each of your roles requires. Is it more important that your hire has the right skills or the right personality? Is it a combination of the two and if so, is one of them more important for this particular role?

2. What's in the box?

As a practical way to maximize their hiring accuracy, the Chemistry

Group uses the "5-box" model. Considered together, these five key candidate attributes give a high degree of accuracy when predicting someone's future performance. They are displayed in descending order of how difficult they are to change (intellect being the hardest and experience the easiest):

Acumen or intellect

A person's ability to come to correct conclusions. Their reasoning, rational-thinking and problem-solving ability. It's a measure of how quickly and accurately they take in, process and retain information.

According to analysis by Google, *"Academic performance did not predict job performance beyond the first two or three years after college."* Avoid blindly demanding a degree. Having a degree is not the same as having the smarts and it will not guarantee the individual is a success in your business. Instead, you need to work out how much intellect a person needs to succeed in the role and how you measure it.



What does good look like?



The hiring Holy Grail

Beliefs or values

The individual principles or standards of behaviour that define a person's conduct; their judgement of what is important in life. Beliefs define how you behave, what you stand for, what is important to you. Much like intellect, these are set early in life although they can change depending upon the stage of life a person is at.

Have you ever met a candidate and thought that something about them just wasn't right? This is a belief misfit. According to Roundpeg, **89% of mis-hires are due to poor cultural fit** – when something just isn't right. The reason people fail is not what they know, but who they are. You need to understand your company's and your people's values and select against them.

Catalysts or motivators

The inner drive that directs your behaviour towards goals. The things that energize and sustain you, that push you to do something.

Motivators can be extrinsic (arising from outside the individual, such as money and rewards) or intrinsic (intangible, such as recognition and praise). Motivators reflect how you like to work and how you like to be recognized.

If a candidate wants autonomy and the ability to influence what they do, they will not operate successfully in a bureaucratic, process-orientated, authoritarian structure. You need to understand motivators as they tap directly into what will make people push themselves.



What does good look like?



The hiring Holy Grail

Deliveries or behaviours

What you do, your actions. How you respond to a situation, environment, person or stimulus. Past behaviour is the best predictor of future behaviour. Analyzing how a person has previously supported their colleagues will give objective information on how they're likely to engage with colleagues in your business.

Evidence or experience

What you've done before. A knowledge or skill acquired from a period of doing something. Experience is the worst predictor of future performance as just because a person knows how to do something, that doesn't mean they'll actually apply that knowledge with you. Someone might have call centre experience, but that doesn't mean they were any good working in a call centre.

3. My definition is this

Before you can hire the best people, you need to know what makes them the best people for your specific needs. Here are six steps to define what good looks like:

Define the job before you define the person

Too often, a company hires for a position that changes over time until it's no longer in line with the candidate's skills. Instead, work backwards. First, define the goals and the milestones that the role needs to achieve. Then, define the skills necessary to achieve them. Do not focus on the activities that need to be performed – focus on the outcomes you want. For each, define what constitutes exceptional performance.



What does good look like?



The hiring Holy Grail

Define typical on-the-job problems

What are the real day-to-day challenges that the person will need to deal with in your business? Ask them to find a way of improving a currently flawed process. The candidate might not know your business, but the way they approach the task will tell you a lot about their problem-solving skills. It will show you how they think.

Define your culture

Culture can be defined in many ways. One study suggests the primary determinant of a company's culture is its rate of change. Fast-growing, flexible companies with limited resources must quickly collaborate, make decisions and respond to changing market conditions, implementing continuous process improvement programmes. Stable and mature organizations are more heavily structured, so implementing change is more complex and decisions are slow due to the lengthy review cycle.

Understand how structured you are. When interviewing candidates, find out how they make decisions – whether they're cautious, how they deal with ambiguity, how fast they can change direction – and how well these traits fit in with your company.

Define the manager's leadership style

With the biggest impact on an employee's motivation and performance, the hiring manager will determine the success or failure of a new hire more than anything else. By understanding how the manager communicates, organizes, motivates, engages, supports, coaches and gives feedback, you can hire people who will work best under that method of management. When interviewing candidates, find out where they've excelled and the role the manager played.



What does good look like?



The hiring Holy Grail

Define the team

Your hires will need to be able to support and collaborate with the people in your organization. One of the key ways to improve engagement in any business is to enhance social relationships between colleagues. Not everyone needs to have the same personality – in fact, it's preferable if they don't – but you need to assess how new hires will fit within the team.

Although an average employee might demonstrate the right qualities from time to time, the best people will do it consistently. This is where traditional competency-based interviews fall short, asking questions like *"Tell me about a time when you were dealing with a difficult customer."* But you need evidence of consistency – not just a one-off. Phrase the question in a way that will elicit more examples.

Define the behaviours

What behaviours does the successful person need to display to be a success in your business? What do your top performers do consistently that the rest of your employees don't? Observe your good people and work out what makes them successful. In interviews, ask questions that will help to reveal that behaviour. Ask your top performers a question, ask your interviewees the same question and compare their responses.



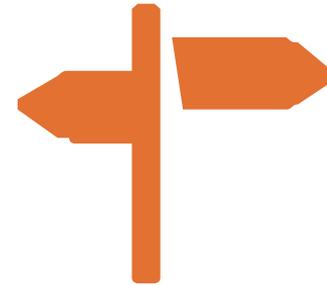
What does good look like?



Conclusion

When it comes to hiring, the secret is not in finding the most skilled, most qualified, most experienced person in the market; it's in finding the right person. Understanding what *"right"* means for your company.

To extend the relationship metaphor, before you can understand who you need, you need to understand yourself. Once you know what you want to accomplish, what makes your business tick, what constitutes success and what kind of people will help you achieve it, you can then go out and get them. We like to think that in this candidate-short market, we're engaged in a war for talent. But in reality, we're on a journey to find ourselves.



What does good look like?



About Russell Beck

Russell Beck is Head of Consulting at Impellam Group, delivering thought-provoking seminars on the very latest issues affecting people and the recruitment sector. Other seminar topics include the future of work, managing a multi-generational workforce and employee engagement.

If you'd like to arrange for us to come in and host one of our seminars or to discuss any of the other major issues currently affecting businesses in the UK, please contact Russell at **Russell.Beck@Impellam.com**.



Contact us

For more information about this intelligence or to discuss it further, please contact

Carbon60 Marketing

E: marketing@carbon60global.com

