

Introduction

Why are most companies so bad at hiring?

This question has been on my mind for the better part of two decades, starting with my first job as a recruiter in the staffing industry and continuing through my journey as a technology entrepreneur. People are almost always the single largest expense in a company's budget, yet most companies have a better process for buying office supplies than they do for hiring great talent. *Why?*

The answer to this question is amazingly straightforward: *most companies are bad at hiring because most companies don't teach their managers how to do it.* Think about the last time you received formal training on hiring. I won't hold my breath waiting for an answer, because more than 90 percent of companies lack any kind of structured hiring process. It's no wonder that the average hiring success rate for companies is less than 50 percent.

The good news here is that companies can dramatically improve their hiring results by implementing a structured hiring process and teaching their managers how to follow it. As the cofounder and CEO of Hireology, a talent technology company that I began in 2010, I'm fortunate to have the opportunity to work with thousands of entrepreneurs, CEOs, and managers every year to address the specific hiring challenges that they face. When we launched Hireology, our vision for the company was straightforward and personal: *empower business owners to succeed by helping them build their best possible team.* We'd been there as business owners, and we'd made all of the typical hiring mistakes. Nobody had ever taught us how to "do

it right,” and we had the battle scars to prove it. We knew there had to be a better way.

Six years later, we’re incredibly humbled that over 5,000 businesses are using Hireology’s platform to source, screen, hire, and onboard their teams. Along the way, we’ve created a process that, when followed, leads to higher quality hires, lower administrative costs, a lower cost-per-hire, and significantly reduced twelve-month turnover. These results aren’t attainable only by big corporations—we’ve remained steadfast in our focus on delivering value to the entrepreneur: the family-owned automotive group; the franchisee; the business services provider; the high-tech start-up; the Main Street retailer—men and women who, like you, risk their personal capital every day to compete in some of the toughest markets.

I’ve written this book to share with you the processes, tricks, and tools that I’ve developed over the last twenty years to turn hiring from a liability into a source of sustainable competitive advantage for your business. You don’t have to be a Fortune 500 company to succeed in the hiring game. You do, however, need to implement a consistent, repeatable process and measure the right things. But rest assured—you *can do this*.

This book isn’t theory; it’s a blueprint that will take you step-by-step through the hiring process, from writing the job profile and sourcing candidates all the way through to specific interview questions and testing approaches. Throughout the book, you’ll hear from real entrepreneurs and business leaders who have experienced the same struggles that you have:

- You'll meet franchise industry veteran David Barr, whose company, PMTD Restaurants, owns twenty-three restaurants across several states. David credits his company's focus on people (the initials stand for "People Make the Difference," after all) for the success he's achieved.
- You'll hear from Tim Heitmann, founder and CEO of Popcorn Palace, whose company has made the Inc. 5000 list of America's fastest-growing private companies an unprecedented ten years in a row.
- You'll listen to Joe Turchyn, a veteran of the retail automotive industry and partner in Burns Buick GMC in New Jersey, share how small but important changes to his dealerships' hiring model has his stores humming.
- You'll learn from technology entrepreneur Ajay Goel, founder and CEO of JangoMail, as he talks about the mistakes he made—and the lessons he learned—as he grew his start-up from bootstrapped concept to a successful acquisition.

Can you imagine the impact that getting your hiring decisions right seven, even eight times out of ten would have on the growth and profitability of your business? My hope is that by reading this book and implementing these ideas, you'll unlock the amazing potential in your business. I'm here to tell you that *you can do this*.

Read on, and turn your company's hiring process into a source of sustainable competitive advantage that will pay dividends for years to come.

Stage One:

Define the Role

Chapter One

Discover Your Untapped Competitive Advantage

When you distill business to its basic element, you're left with one thing: people. No matter what product or service you're offering—selling cars, renting hotel rooms, manufacturing 3D printers, or providing digital marketing services—it's the people working in your business that make things happen. They're the faces that your customers see on a daily basis. In today's hypercompetitive world, where your competitors can copy even the most innovative new offerings in near real time, it's your people that are the *true* secret. Good people clear the field and drive success. They are the one truly unique competitive advantage left for your business to pursue.

Even though payroll is one of the largest expenses for a business, most business owners have a better process for buying office supplies than they do for hiring the right team. People account for around 70 percent of the cost structure of a typical company; think of your people as stacks of cash walking around in shoes. When a manager makes a bad hire, an employee can end up costing the company even more—up to ten times a typical employee's compensation, by some estimates. Why is the financial damage of a poor hiring decision so high? Bad hires result in the following costs:

- Disruption to your company culture that negatively influences your other employees
- Loss of essential management time and focus because of turnover and recruiting

- Damage to your company's reputation, which affects your customers and future potential employees
- Wasted wages and training costs

Despite these high stakes, most managers report that nearly 50 percent of the people who report to them fail to meet performance expectations, a problem that often occurs when employees do not understand how their performance is measured.¹ With results like these, why even bother with a hiring process or job interviews? Why not just flip a coin, hire all the heads, and save yourself the trouble? If good people are so crucial to the success of your business, isn't it about time to even those odds by rethinking how you might go about hiring them?

Finding qualified candidates is harder than ever.

"Labor shortages in crucial functional areas such as technology, sales, and marketing are making it all but impossible for companies to meet their talent needs solely with traditional recruiting techniques like job postings—a trend we expect to intensify, given the growth of the worldwide knowledge economy," says Corey Greendale, a technology venture capitalist and analyst with the firm First Analysis.

"The global economic recovery is shifting power from employers to employees with high-demand skills and increasingly turning labor into a seller's market."

¹ Jim Harter, "Obsolete Annual Reviews: Gallup's Advice," *Gallup*, September 28, 2015; <http://www.gallup.com/opinion/gallup/185921/obsolete-annual-reviews-gallup-advice.aspx>.

Greendale also notes that demographics are likely to exacerbate this trend, with the Bureau of Labor Statistics projecting that US workers aged sixteen to twenty-four will shrink 13.3 percent in the decade ending 2022.

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“Business leaders worldwide increasingly recognize that talent will be a key competitive consideration over the coming years,” says Greendale. “HR systems and structures are often insufficient to address the looming challenges.”

The 2013 Conference Board CEO Challenge report, a survey of seven hundred CEOs from around the globe, identified human capital as the number one challenge facing them today, above factors such as operational excellence (number two) and customer relationships (number four).

“We view these results as a signal that human capital is shifting from a seat filling function to a core strategic consideration and will increasingly occupy the attention of high-level corporate decision makers,” says Greendale.

Getting the right people in your organization isn’t someone else’s job anymore: It’s time for you to *own it*.

Case Study: People Make the Difference

David Barr has seen it all when it comes to running retail and restaurant businesses. He has advice for business owners and hiring managers: It’s time to rethink your hiring practices. The factor that sets any business apart from its competitors is its people.

“Hiring the right people is the number one thing we do in retail,” says Barr, whose holding company is called PMTD (People Make The Difference). “Our people are

the most crucial factor to our success. It doesn't matter whether we sell burgers, chicken, or jewelry. We will win every time if we have the best people. They are the representation of our brand and the interface with our customers."

Given his extensive experience as a business owner and advisor, Barr has been asked to brief White House policymakers, senators, and congressmen and their staffs on how different policies like the Affordable Care Act (ACA) influence the retail industry. The retail industry employs more than fifteen million people in the US,² which means about one in ten people in the workforce are employed in the retail sector—more than any other market segment except government and healthcare.

The retail industry is a bellwether for the rest of the economy. This important status means the forces buffeting the labor market, such as the crunch caused by retiring Baby Boomers and pressure to raise the minimum wage, are hitting retail businesses particularly hard. It's becoming harder and harder to find good people. It's going to get even harder in coming years.

Barr has done a great deal of hiring over his career, from frontline workers all the way up to the C-suite level. Although the process of interviewing and hiring an hourly employee may be different than bringing on a new CEO, Barr believes that everyone, regardless of their position, wakes up with the same needs and desires.

² United States Department of Labor, "Industry employment and output projections to 2024," Bureau of Labor Statistics, 2015, <http://www.bls.gov/opub/mlr/2015/article/industry-employment-and-output-projections-to-2024-1.htm>.

“Everyone wants to work for something that is bigger than themselves,” says Barr. “They don’t want to just punch a clock. You have to find people who don’t just want a job—they want an opportunity.”

When Barr evaluates candidates at any level of his organization, he first looks to see if the candidate has the kind of intelligence and attitude that fits their culture. The applicants’ technical ability and their match with the job description come second.

“We want to hire for attitude and train for aptitude in the retail business,” he says.

Barr prioritizes candidates who display basic attributes like an ability to make good eye contact and be polite. To illustrate his preferences, Barr shares a legend about Debbie Fields, the eponymous founder of Mrs. Fields Cookies. Fields would interview candidates in a public space, such as the middle of a mall food court. She would ask her candidates to stand up and belt out a hearty rendition of “Happy Birthday.”

“If someone wasn’t willing to be courageous and bold enough to do something self-deprecating like that, they wouldn’t be a fit at a retail counter,” says Barr.

For frontline workers, Barr says it’s essential to cast a wide net when you’re building your applicant pool. This large scope increases your chances at identifying qualified candidates who fit your culture. For executives, Barr says he relies on a more targeted approach where he uses internal referrals or networking sites like LinkedIn to tap potential new hires.

Before you go looking to hire someone, it’s important that you first understand exactly what you are hiring that person to do.

“You don’t want to fall in love with someone and then stretch the position beyond what they are capable of,” says Barr.

When managers focus too much on just filling out their open position, they can make bad hires. A bad hire costs an organization enormous amounts of money and time. Worse, a bad hire can also become a cancer inside your organization.

“If you hire a bad manager who treats people poorly and doesn’t make them believe they are achieving great things as a team,” says Barr, “then you won’t attract great people. You will see the results of that in your business.”

Barr says that developing a scalable hiring process that prioritizes identifying the people who are the best fit for your organization is the biggest factor in whether your business will be successful or not.

Taking Control of the Hiring Process

Hiring is the last crucial component of your business where you have total control. Think about it: We live in an era where your business faces increasing pressure and risk, from competition to regulation. You control fewer and fewer of the variables that determine your business’s success. You can’t control interest rates, access to capital markets, constantly shifting consumer behavior, or rapid industry consolidation. You also can’t control the decisions made by the Consumer Financial Protection Bureau, or the fact that Congress passes game-changing laws like the Affordable Care Act. The only thing you have *100 percent* control over is the employees you put on your payroll. It’s time to give hiring the same importance that

you give every other element in your business, to put it on par with everything from finance and operations to marketing and customer service.

By changing how you hire, you can generate a ripple effect that will give you a sustainable advantage over your competitors.

“Hiring has always been a bit social and riddled with bias,” says William Tincup, the principal at Tincup & Co, and a HR technology analyst and consultant based in Arlington, Texas. “We’re not just talking about biases about whether someone has the kind of educational pedigree you want or about race, gender, or sexual orientation. Our biases include work style and a preference for people who work like you do.”

Such biases create a homogenous workforce, the antithesis to innovation.

“If you have an inclusive and diverse culture,” says Tincup, “you create friction, which creates innovations and leads to greater market share. That’s why if we want to make better hiring decisions, we need to come to grips with those biases. Otherwise, we can inadvertently kill our organizations’ ability to innovate and compete.”

You need to radically rethink how you hire to create an innovative workforce.

Consider what happened at Pillar To Post, a twenty-two-year-old home inspection franchisor with some 536 franchisees spread across forty-eight of the US states and eight Canadian provinces.

“At its core, Pillar To Post is a people business,” says founder and CEO Dan Steward. “We make a difference in people’s lives by helping them buy a home.”

Steward recognized early on that finding and retaining quality inspectors—the company employs about nine hundred of them—was crucial to the success of individual franchises and the company in general.

“The recruitment, selection, and onboarding of good people is the secret sauce in this business,” says Steward. “Good people build relationships with customers and real estate agents. When you can establish trust with them, you get more referrals and less price sensitivity.”

If Pillar To Post was going to keep up its track record of doubling in size every four years, it needed a steady stream of incoming talent. Yet retention rates throughout the company were just 33 percent. Worse, just one in ten people hired lasted long enough to have a positive effect on the business. These lost employees resulted in enormous amounts of wasted time and resources throughout the company. These added costs made franchise owners exceedingly reluctant to bring on new people, and that created operating issues that cascaded down the rest of the business.

“It was becoming a chokehold on our growth,” says Steward. “Poor retention meant we were wasting resources and performing poor quality work that was negatively influencing our brand. If we wanted to build a great company, we needed a clear philosophy on the people side of our business. We realized that there had to be a better way for us to approach hiring.”

An added challenge for Steward was that he needed to get his franchisees on board with introducing a new process for recruiting and selecting home inspectors for their individual businesses. Because there was no universal hiring process the

company adhered to, every franchise approached hiring in their own way based on their past experiences. The lack of a focused hiring process led to inconsistency and poor results. Steward admits he even made poor decisions with a few key senior-level hires.

“I have come to recognize that it’s better to leave a position unfilled than to make a bad hire,” he says. “It’s easy to look back now and see where I compromised, either on the job requirements, the cultural fit, or the background check. I now appreciate the need to take your time and do it well. If you feel panicked and hire the wrong person just to fill a seat, the cost can be enormous.”

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Working together, Steward and his franchise owners revamped how the entire company approached hiring and onboarding.

“We recognized that we needed to all speak the same language and use the same selection tools,” says Steward. “We needed to bring some process and discipline to our approach. We had to forget the idea that you can just hire a warm body and hope they work out.”

The changes Steward and his team subsequently made to their hiring process—including rethinking how they interview for things like cultural fit and leveraging their employment brand to attract Millennials (those in the workforce born after 1980)—have had a dramatic influence on the business. Although Steward acknowledges that they still have room to improve, the success rate for new hires

has climbed from 10 percent to more than 60 percent. More dramatically, unwanted turnover has dropped to nearly zero. These incredible results have given his franchisees new confidence to increase their hiring. The business is back on the fast track for growth.

“If you aren’t focused on your people,” says Steward, “you aren’t focused on the long term-welfare of your business.”

Relearning How to Hire

Most of us are pretty bad at hiring. This shouldn’t come as a shock, because the majority of companies don’t train managers how to hire well, or at all. Instead, we rely on outdated techniques and gut feelings to make high-impact decisions involving the most valuable assets in our business. Hiring new employees is no different from any other business process. When the process is thought out, documented, and meticulously followed, the results are consistent and produce actionable outcomes. Winging it, on the other hand, produces wide swings in results and no predictability.

Most of us don’t prioritize the time it takes to do hiring well. It takes a lot of effort— overall, companies take 52 days on average to fill an open position—up from 48 days in 2011.³ During a forty-hour workweek, most managers may be investing less than 10 percent of their time on hiring. Why is that? The simple answer is that they’re beyond busy. They have a job opening to fill and they want to

³ *Talent Acquisition Factbook 2015*, Bersin by Deloitte / Jennifer Krider, Karen O’Leonard, and Robin Erickson, Ph.D., April 2015.

put a checkmark inside that box. But the consequences are too high to continue using this quick approach.

You can't simply delegate the task of hiring to someone else. Even if you're fortunate enough to have a dedicated human resources professional on staff, they are probably bogged down in payroll administration, medical benefits, and training, among many other duties. As much as you'd like them to develop sound hiring practices, you can't count on that happening without getting involved. Ensuring consistency throughout the hiring process needs to be one of your top priorities.

Would you rather spend more time up front getting great people in the door, or more time managing the problems created by hiring the wrong people for your organization? The answer should be obvious.

If you can bump up the time you invest in recruiting and hiring to even 20 percent of your week—one day—and employ a clearly defined, consistent hiring process, you can realize a tremendous return on your investment that far exceeds anything else you can do in your business. Over the next twenty years, the skill that will separate the mediocre managers from the truly exceptional will be their ability to find, recruit, hire, and retain great people.

A hiring process is the list of steps that take a manager from first understanding and defining a job opening all the way through to a new employee's first day on the job. It's the path that a company starts when it decides that it has a need for a new employee and finishes when the position is filled. Ideally, this process is simple, straightforward, and usable by everyone in your company with minimal training.

I've written this book to teach you a proven, straightforward, and effective method for hiring new employees. In the pages that follow, I will teach you to rethink how you go about finding, assessing, and hiring the best people for your business. By following this process, you will eliminate the guesswork and put yourself back in control of your business.

I've divided the content into four sections that mirror the steps of the hiring process:

Stage One: Define the Role (Chapters 1–2)

In this section, we'll discuss how you need to *define* the kinds of people you're looking for to fill your open positions, which often begins with rethinking your definition of an "ideal candidate." Have you considered, for example, that your next great hire might not have any experience in your industry? Or, that there are four key personality attributes that serve as a near-bulletproof filter for screening high-potential hires? I'll explain what these characteristics are and why they are so important.

Stage Two: Source Your Applicants (Chapter 3)

In this section, we will dig in to how you can *find* the best people. Do you realize that you need to identify at least fifty candidates for every job opening you have to let the mathematics of selection play to your benefit? How on earth can you cast such a wide net? Although most growing businesses rely on popular job sites to push out their job postings, the most successful companies understand that finding great people begins with building your employment brand. When is the last time you

went online and looked at your company's job postings? I'll show you why you need to reevaluate your company's employment website.

Stage Three: Select the Right Person (Chapters 4–8)

In this section, you'll learn how to confidently *select* the best potential fits for your organization after you have built up a sizable candidate pool. Picking the right person for the job means you need to go much deeper than a candidate's resume or the fact that they went to the same school as you. In the chapters within this section, I'll share reliable techniques for evaluating candidates through interviews, reference checks, and homework assignments and explain how to win over the best of the best with an offer they can't refuse.

Stage Four: Retain Your Best (Chapter 9)

Employing great people doesn't stop with hiring. In this final section, we'll talk about how you can *keep* your best people with good management practices, including proven onboarding processes and retention techniques.

Don't make the mistake in thinking that the content of this book is just theory. Each section includes case studies from a range of organizations operating in a variety of industries that have renovated their hiring practices using these techniques. You'll also find a set of templates and tools on our website, Hireology.com/exclusive, that you can download for free and use to jump-start the revamping of your hiring process. If you have any further questions, join our online community and learn more ways that you can find the best people for your organization.

Chapter Summary

The most valuable asset in your business is your people. They are your true source of sustainable competitive advantage. Most companies are terrible at hiring, which leads to massive costs and business setbacks. The ability to hire and retain great people is the skill that separates the mediocre managers from the truly exceptional. Who you put on your payroll is the only thing you have 100 percent control over in your business. To hire better, you need to relearn how to go about finding, selecting, and retaining great people.

Self-Analysis

Ask yourself the following questions:

- How did your last bad hire affect your business? Your customers?
- How much time do you invest in the hiring process? Given the stakes involved, is it enough?
- Are you willing to rethink and relearn what it means to hire great people?

Key Takeaways

1. Hiring is the one thing you can control in your business, and getting it right provides an immediate return on investment.
2. Hiring is not just a function of HR; you can't delegate it. Every leader needs to incorporate hiring in their daily routine.
3. Investing more time in getting the hiring process right will increase your organization's performance.

The Best Team Wins:

Build Your Business Through Predictive Hiring

By Adam Robinson

Will be available on store shelves

in March 2017.