Chapter 1

Define Your Talent Strategy Before You Design Your Hiring Process

■ STOP MAKING TACTICAL EXCUSES FOR A STRATEGIC PROBLEM

A Catch-22, based on Joseph Heller's book[1] of the same title, refers to a situation where someone is trapped and wants to get out of the situation but can't because of some policy, law, or regulation.

Hiring is like that.

For example, too many HR leaders believe that job descriptions must include laundry lists of skills, experiences, and generic competencies in order to be considered objective in the eyes of the law. Yet I asked one of the top labor attorneys in the U.S. if describing a performance objective like "determine the root cause of the manufacturing yield problem and put a plan together to solve the problem" was as objective as "must have 5+ years of experience and a degree in manufacturing engineering." He said it was not only more objective from a compliance standpoint but it was far better than the arbitrary list since it opened the talent pool to more diverse and nontraditional candidates who had a different mix of skills and experiences but who could do the work. (His whitepaper is included in Appendix 1.)

Another part of this Catch-22 is the continued use of generic competency models in combination with structured behavioral interviewing to screen and assess candidates. A structured interview is a great technique to remove bias, but just asking candidates to describe their major accomplishments related to the actual requirements of the role would achieve a bigger benefit by not only reducing bias but also understanding if the person can successfully handle the actual job.

I talked to a number of senior scientists at the firms that use these types of statistically validated tools, including psychometric prescreening tests, and they agree that their tools are far less than perfect. Making them even more imperfect is the lack of a job analysis for every job that's using a generic competency model in combination with behavioral interviewing to assess candidates.

Few companies actually do this, yet it's an essential requirement made abundantly clear in Schmidt and Hunter's exhaustive

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[1]Heller, Joseph. *Catch*-22. Vintage, 1997.

research on which selection methods are most effective.[2] Harvard Professor Todd Rose and I discussed this same missing link idea when Todd was writing his book T*he End of Average*. The collective scientific conclusion is that without understanding the job (this is the *performance profile* in Performance-based Hiring terminology) and the underlying context (these are all of the fit factors in the Hiring Formula for Success), a behavioral interviewing process using generic competencies is fundamentally flawed.

Yet despite the logic, the statistics, and the scientific evidence, HR executives continue to make some Catch-22 excuses for not changing or even using some type of A versus B test to see what approach is most effective.

But there's an even bigger and far more important Catch-22 at play when it comes to hiring. This one has to do with the importance of strategy over tactics. Let me explain this with a story from long ago.

The Importance of Having the Right Talent Strategy

I learned very early in my pre-recruiting career that strategy drives tactics – it's not the other way around. At the time I was a new financial analyst at the headquarters of a Fortune 50 company listening in on a business unit presenting its annual plan to the corporation's executive team. After about 30 minutes the CFO stood up and lambasted the president of a $5 billion group (today's dollars) with seven operating divisions.

It's been almost 50 years now, but I can still hear those words as if they were said yesterday:

> **Strategy drives tactics – it's not the other way around. And I don't care how good your tactics are, your strategy doesn't make any sense. Your operating plan will not be approved until you have a strategy to grow your business, not just run it more efficiently.**

[2]Schmidt, Frank L., and John E. Hunter. "(PDF) The Validity and Utility of Selection Methods in Personnel Psychology." ResearchGate, www.researchgate.net/publication/232564809_The_Validity_and_Utility_of_Selection_Methods_in_Personnel_Psychology.

When it comes to hiring stronger talent, the root cause of most problems is typically the wrong strategy or the lack of the right one by default. This experiment will help you appreciate the importance of getting the talent strategy right before you start looking for candidates.

Supply versus Demand Needs to Drive Talent Strategy

The primary business of my company now is to train hiring managers and recruiters how to implement the Performance-based Hiring process described in this book. At the beginning of each of these programs I always ask the attendees to think about their most important hiring requirements to demonstrate the importance of getting the talent strategy figured out first. I then ask if, given these hiring needs, is there a surplus of great candidates to fill these positions or is there a scarcity? Before reading further, how would you answer this question for the critical positions that need to be filled at your company?

Do you have a scarcity of great talent for your critical roles or a surplus?

In normal economic times it's not surprising that 90% of the time the answer is scarcity. This was the same answer when I first asked the question to a group of 15 TEC/Vistage CEOs at my first resource presentation in 1990 and the same answer for the thousand or so workshops since then.

Given a scarcity of talent, this simple strategy change must be the first taken:

> **You can't use a surplus of talent strategy and process when there isn't a surplus of talent. In this case you need to implement a scarcity of talent program designed to attract the best, not weed out the weak.**

The primary intent in a surplus of talent strategy is to cast a broad net, weed out the unqualified, and hope a few good people remain. This is the classic hiring process most companies still use today and why little has changed from a results standpoint over the past 30 years. It's why doing the wrong things more efficiently, even with the addition of AI and the best ATS on the planet, won't improve overall hiring results.

A scarcity of talent strategy is a high-touch process focused on prequalifying outstanding people, engaging in exploratory career conversations, and recruiting the strongest. This is what Performance-based Hiring is designed to achieve. In our training programs we use the graphic in Figure 1.1 to demonstrate the importance of having the talent strategy define the process rather than the process defining the strategy.

To understand how to achieve the strategy of raising the talent bar in a talent-scarce market, it helps to categorize the major steps in the hiring process into one of these four groups:

➤ **The Having**: The job description itself, including the skills, experiences, and "must have" competencies

➤ **The Getting**: The offer package and what the person receives on the start date, including the title and location

➤ **The Doing**: The actual work the person will be doing, not the list of responsibilities

➤ **The Becoming**: The learning opportunity and the upside potential of the job

While this categorization is a good simplification of a complex hiring process, the direction of the process is what matters

Surplus vs. Scarcity of Talent Strategy

Efficiency of Hire

Surplus Model: Weed Out the Weak – Active – Best Who Apply

HAVE   GET   DO   BECOME

1   2   3   4

Scarcity Model: Attract the Best – Passive – Raise the Talent Bar
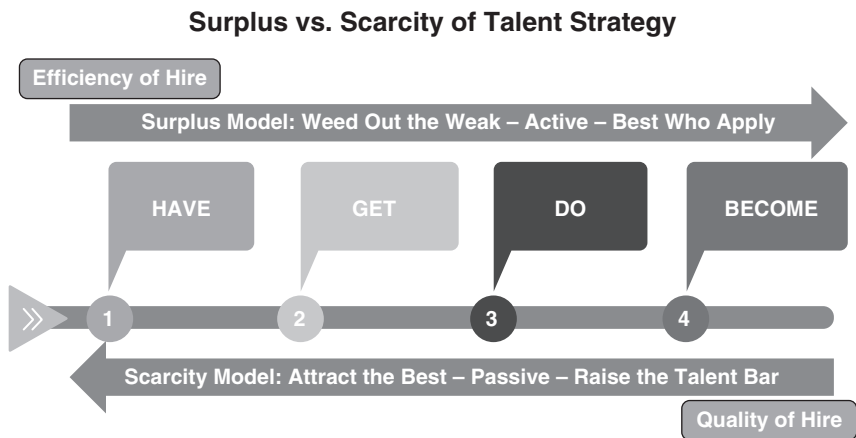
Quality of Hire

Figure 1.1 Surplus versus Scarcity of Talent Strategy.

the most in terms of achieving the desired results of attracting and hiring strong people on a consistent basis. This is where the "strategy drives tactics" concept becomes important. Here are the differences when looking at the hiring process from a directional point of view.

> A *Left-to-Right Surplus of Talent Process*: This is a transactional hiring process designed to fill jobs with the best person who applies or responds to an email as efficiently as possible. It's appropriate for high-volume hiring when the supply of talent is greater than the demand. Properly weeding out the unqualified is the key to the effectiveness of this strategy and process.
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> A *Right-to-Left Scarcity of Talent Process*: This is a more complex hiring process designed to identify and attract the strongest talent possible by offering the best career opportunity among competing alternatives. Spending more time with fewer but prequalified people and understanding their ability and career needs is the key to the effectiveness of this strategy and process.

With these definitions as a guidepost, it's obvious that using a left-to-right process designed to weed out the weak as efficiently as possible will be ineffective when the demand for talent exceeds the supply. The reason is that the best people just won't apply or won't be interested in spending time learning about what appears to be on the surface nothing more than a possible lateral transfer.

To get the best people to consider changing jobs or decide to accept yours requires a lot more effort similar to the discovery and solution-based selling process involved in more complex customized sales situations.[3] This requires a right-to-left hiring process.

While this might seem logical, it's hard to achieve since every applicant tracking system (ATS) is designed by default to go left to right, somehow assuming there's a surplus of talent.

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[3] Rackham, Neil. *Spin Selling*. McGraw Hill Book Company, 1988.

Paraphrasing the words of the CEO, "This is backwards since the strategy is wrong, so the tactics don't matter no matter how good they are."

The Catch-22 in this is that HR leaders know the left-to-right process design is conceptually flawed, especially when they realize referrals are found and hired using some version of the right-to-left process. They're just not sure how to rework it, thinking they're trapped by their ATS design, corporate bureaucracy, legal compliance, hiring manager reluctance to change, and the need to focus on efficiency and cost rather than quality of hire.

Rather than getting overwrought by the challenges involved in making the shift, let's first figure out what it would take to reengineer the hiring process given a talent scarcity situation. Then we'll demonstrate that Performance-based Hiring is an effective means to accomplish this including modifying the ATS to make it all work at scale.

Comparing the Scarcity of Talent versus a Surplus of Talent Strategies

No matter how efficient, a surplus of talent strategy won't work when a surplus of talent doesn't exist.

Filtering people on their skills (the HAVE in Figure 1.1) and what a person gets on the start date (title, location, compensation) before even considering them makes no sense since the best and most diverse people have a different mix of skills and experiences. That's why excluding this group from consideration based on factors that don't predict performance is counterproductive. As important, what people GET on Day One are all factors that are negotiable if the job represents a significant career move. This point is explained in more depth in Chapter 3 comparing the skill set of the strongest performers to those who meet the requirements listed in the job description.

Doing this left-to-right process faster and even using AI to boost it to warp speed is akin to a dog chasing its tail faster and faster and wondering why it can never catch it.

By slowing down, thinking more "high touch" versus more "HR Tech," and spending more time with the right people, these problems go away. Here are the big mind-altering ideas that need to take place to make it happen one hire at a time.

■ WIN-WIN HIRING: HIRING FOR THE ANNIVERSARY DATE, NOT THE START DATE

Hiring for the anniversary date, rather than the start date, and addressing how candidates are onboarded and managed post-hire, has a direct influence on how they're sourced, assessed, and recruited pre-hire. A positive Win-Win Hiring outcome means the hiring manager and the new hire both agree it was the right decision after working together for one year. Recognizing the longer term and dual decision-making involved in this type of process forces both parties to spend more time ensuring they're making the right decision. Achieving this is not possible unless the DOING and BECOMING are clearly defined early in the process.

Part of this is a more in-depth assessment process focusing not only on the ability to do the work but also on ensuring all of the fit factors are properly aligned. Just as important is the need to provide the candidate all of the information needed to compare opportunities being considered from a longer-term perspective.

Develop an Ideal Candidate Persona to Achieve More Win-Win Hiring Outcomes

When the goal is to hire stronger people for the long term, rather than to fill jobs as cheaply and as quickly as possible, it seems logical to first figure out how these stronger people actually change jobs, why they stay, and why they continue to perform at peak levels. This analysis is comparable to a traditional marketing problem associated with the development of any new product. It starts by developing an ideal customer profile that defines what the customer wants, how to reach the customer, and what messages work best. When it comes to hiring, the equivalent is called the "ideal candidate persona." There is a template in Appendix 2 summarizing how to prepare this important marketing document. In Chapter 12 this form will be used as the basis for developing a whole series of sourcing plans and compelling messages with the goal of dramatically increasing top candidate response rates.

As you'll discover, posting boring jobs and hoping a top person applies is not the most effective means to find these top people. In a scarcity of talent situation, the focus needs to be narrowed

to semifinalists rather than just people who apply. A semifinalist is someone who is clearly a top performer in the required field and who would also see the role as one worth at least considering. The value of this is that when done properly a hiring manager only needs to interview three or four semifinalists to make one outstanding hire. The challenge in achieving this is first getting both parties open-minded enough to talk to each other. This is why defining the DOING is so important.

In Chapter 7, describing the details of developing a complete performance profile, there are a number of techniques to overcome hiring manager reluctance. This story describes the simplest and most important.

I remember working with a CEO for a Silicon Valley firm who wanted to hire a VP of Marketing who had at least 10 years' experience in a related field and an MBA and BSEE from a top school. When I asked the CEO what the person needed to do with this, he said, "Lead the development of a detailed product roadmap that incorporated all of the new tech trends." When I asked him if he'd at least talk to someone who had done this work, even if the person didn't have the exact experience and academic background, he said, "Of course." Without defining the DOING as a performance objective, getting this agreement would not have been possible.

Describing the BECOMING is no less important. Developing it starts by asking the hiring manager what the long-term opportunity is for someone who successfully achieved the results required. In this same VP of Marketing example, it related to architecting the future direction of a company that would soon be going public. This became a key part of the messaging that convinced some remarkable people to at least begin the conversation who wouldn't have been interested otherwise.

The key to successfully implementing a scarcity of talent program rests on the idea that fewer people need to be seen to make one outstanding hire. But finding these remarkable people and convincing them to at least consider what's being offered requires exceptional recruiters and fully engaged hiring managers. Yet even with this as a foundation piece, how the job is defined is the tipping point for success. Unfortunately, there are a lot of institutional Catch-22 barriers required to make the DOING and BECOMING shift a companywide initiative.

Remove the HAVING Mindset and Shift to a Performance-Qualified Screening Standard

The biggest bottleneck in making the shift to a scarcity of talent process from the traditional hiring process is the skills-laden job description.

Consider the premise that in a scarcity of talent situation there are few top people desperate enough to apply to a job that appears on the surface to be an ill-defined lateral transfer. From a more practical standpoint, it's pretty obvious that few of the people who do apply read these job postings anyway. In fact, published research from the ATS vendors handling over 60 million applications from 2015 to 2020 reveals that only 1% were hired who applied and roughly 4% actually interviewed.[4] This means that 96% of the effort involved in managing, reviewing, and contacting those who do apply is a wasted and unnecessary overhead expense. Making it worse, their continued use requires companies to spend extra time and resources to deal with these unqualified people, including the creation of a "Positive Candidate Experience" function to ensure the people you say no to don't feel bad.

I have a related HAVING concern with competency models when it comes to using them for screening and assessment purposes. One big one is that they're pretty much all the same. Just about everyone wants to hire people who are hungry, humble, and smart.[5] Others want to hire the same kinds of people but use different terms like results-oriented, have great team skills, think creatively, or are detail-oriented. Just recently I was working with a group of IT hiring managers at a well-known national restaurant chain who were required to screen for cultural fit. While they all said it was important, there was little agreement when I asked them to define their company culture and how they screened for it. In fact, they actually started arguing amongst themselves when trying to define what it actually was.

The problem, as Professor Rose pointed out, without context the use of required skills and generic competencies are ineffective for screening and assessment. Interviewers can define them

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[4]ATS research from SmartRecruiters.
[5]Rose, Todd. *End of Average: The Science of What Makes Us Different*. Harper One, 2015.

any way they want, resulting in just as many false positives as false negatives.

As shown in the example earlier, converting generic competencies, "must have" personality traits, or any essential skill is easy. Just ask the hiring manager how it's used on the job and if she/he would talk with someone who achieved something comparable. The bigger point here is that you never need to compromise performance, ability, or potential when the work is defined as a series of performance objectives. This is what "performance qualified" means.

To prove the person is competent, all you have to do is dig deep into the candidate's comparable accomplishments to see if there's a fit. If so, you'll discover the person will have all of the skills, experiences, competencies, and personality traits needed to successfully handle your job.

However, it will likely be a different mix than what's listed on the job description. As important, emphasizing these performance objectives in your job postings and outbound messages will attract a broader and more diverse pool of people who will quickly see the role as a potential career move.

Regardless of the common sense in all of this, the Catch-22 excuse relates to being more comfortable using some tried-and-true method that other companies use. This is a much safer approach than trailblazing.

■ NEGOTIATE WITH THE END IN MIND

As long as the DOING and BECOMING are better than the other opportunities the person is considering, what the person gets on the start date (compensation, title, benefits, etc.) becomes less important. It takes extra time for a person to fully understand this, which is why a "high-touch" go-slow process is essential for attracting, hiring, and retaining top performers. Presenting offers and negotiating this way is a skill all recruiters need to possess, including those hiring managers who want to make offers directly to their candidates. Of course, it's not possible without using a performance profile to make the comparison.

While these techniques are covered in the sourcing and recruiting chapters (Chapters 12 and 13), the basic premise is to advise candidates not to make long-term strategic career decisions using short-term tactical thinking.

■ MORE HIGH TOUCH AND LESS HIGH TECH: CONVERT STRANGERS INTO ACQUAINTANCES

Although many HR leaders balk at this entire scarcity of talent mindset and process design, this approach is not as radical as it might seem. For evidence, just compare this entire sequence of steps to those used to find and promote people we know, including former co-workers, or to attract and hire referrals from trusted sources. In some way these are all acquaintances or "weak connections" in the words of Reid Hoffman, the founder of LinkedIn.[6]

What is surprising is that we hire strangers using a totally different process that's designed based on a surplus of talent mindset. That's why this whole concept boils down to this commonsense idea: In a talent-scarce situation it's important to hire strangers like we hire acquaintances – based on their past performance doing comparable work. And by spending more time with these people, it's possible to convert these former strangers into acquaintances before they're hired.

[6]Hoffman, Reid. "Allies and Acquaintances: Two Key Types of Professional Relationships." LinkedIn, November 26, 2012, www.linkedin.com/pulse/20121126205355-1213-allies-and-acquaintances-two-key-types-of-professional-relationships/.