

The Hiring Process is Broken

By Lynn Taylor and Milton Woolley

Automation, Information, Communication, Systemization, Standardization — assign a value to each of these. Invest everything you can. Add them all together. The result is still a Vilfred Paretoism — 80% of the work is completed by 20% of the people. There appears to be no solution for this human productivity paradox.

Greg is a highly respected Chief Operating Officer with a major Securities Company. He has academic and feet-on-the-street credentials that make him the envy of his industry. More than 20 regional vice presidents report to him. More than 1200 Investment Consultants generate a billion dollars in commissions under his direction. When asked what percentage of his sales force generates 80% of his sales, his answer was, “I wish it was as good as 80/20. We know that fewer than 15% of our people create 80% of the revenue.”

Finding new top performing star employees is difficult in any functional position in every company. Top executives can't personally recruit and select every person working within their organization. Even if they could, most are honest enough to admit that their personal batting average for hiring top performers is about one in five, or even one in ten.

Research conducted during business reorganization projects indicates that this human productivity conundrum is endemic in American business. It is so pervasive that most executives no longer believe it is possible to defeat the 80:20 principle. Greg, for instance, despite his industry wide reputation for performance, is a good example of this. When asked how he intended to improve the performance of his sales staff, he replied, “We expect to increase our sales force by an additional 300 people this year, and we are doing a better job of training.”

Having already learned that the turn-over rate of his sales force was greater than 40% (recidivism within two years was 70%), we offered a projected end-of-the-year scenario. Greg's company, in order to simply replace the turn-over crowd would have to hire 480 new sales people just to stay even. Since 40% of the new hires would not likely survive the year, an additional 100 to 150 (40% of 480) would need to be hired. That's approximately 600 new hires in one year just to sustain the current force. In order to grow to the 1500 person level, 400 more people would need to be added for a total of 1000 new employees.

If the results at the end of this year are essentially the same as current results, Greg's company would gain 45 top performers, increasing the population at the top to 225 individuals. And, since Greg acknowledged that at least 30% of his sales force should never have been hired, a certain 450 sales agents would be on the bottom rung of performance at the end of the year.

The estimated cost of each Investment Consultant is \$85,000 per year, creating an accepted \$38,250,000 annual waste. Neither Greg nor we found this conclusion attractive. But completion of this objective (adding 300 more sales people) would be considered by Greg's company a significant success. The fact that 85% of his employees would still be contributing only about 20% of the revenues was not being considered. Why? Because there was no belief that a solution exists.

Design a Process to Hire Better?

Greg and a slew of HR recruiting people had refined their hiring process, using every technique that makes sense. Their process is a good model of current state-of-the-art recruiting. Advertise and network for resumes, gathering 1000 possible candidates. Screen resumes down to 300 using demographics, work durations, education levels and time since college graduation as discrimination points. Phone interviews further screen candidates to 200. In turn, the first live interviews are conducted, followed by team interviews. This leads to hiring manager interviews and final hiring interviews. This process finds 100 new employees- of which we already know 15% will be top performers and the other 85% spread across a spectrum of performance levels.

Why does this process work so poorly? The argument is that only a small percentage of people are truly good workers but everyone claims to be. Another myth is that only a small percentage of people have the real skills or sufficient knowledge necessary to perform at high level. But if these two factors were truly critical, the currently available battery of skills tests, IQ, and knowledge tests would more than suffice to select only top level people. Still, the 80:20 principle is found almost uniformly within companies that utilize these screening and processing tests in addition to interviewing processes.

If the effectiveness of hiring isn't significantly enhanced by increasing the number of hours of subjective interviewing (with skills, IQ, and knowledge tests not providing the necessary discriminatory ingredient) what element, if any, is missing?

Tidemark is a Human Capital Management (HCM) software company that equips corporations with the best technology available for creating efficiencies in the workforce. Based on the Taylor Protocols, the Hire Clearly method is an objective turn-key process that equips companies to duplicate their top performers. The Retain Strategically method equips companies to objectively quantify the employees who are least likely to be top performers in the future.

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