

## Hiring for Talent

### How Organizations Select Employees for Talent to Defeat the 80:20 Syndrome in Business Today

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#### The Problem

The 80:20 Principle originated from Vilfredo Pareto, an Italian economist who studied the distribution of wealth in a variety of countries in the early 20<sup>th</sup> century. He discovered a common phenomenon: about 80% of the wealth in most countries was controlled by a consistent minority -- about 20% of the people. Pareto called this a "predictable imbalance." His observation eventually became known as either the "80:20 Principle" or "Pareto's Principle".

The 80:20 Principle has been expanded since its first economic use. It has become one of the best known leadership shorthand terms reflecting the notion that most of the results come from a minority of the effort. This is especially true when it comes to the performance of employees. Left alone, organizations will tend to migrate towards a natural 80:20 distribution of performance.

#### The Dilemma

Predicting employee performance is very difficult, and it is becoming more difficult all the time, as jobs in our economy continue to become more specialized. Companies have made great strides using technology to squeeze productivity from their systems. From customer relationship management, to supply chain efficiencies, to lean manufacturing, companies have made and documented fantastic improvements. However, when it comes to employees, the same level of improvement has not been realized.

In most businesses, there is a core group of top performers who are the productivity engine of the company. They produce the sales, keep the customers happy, and make the innovative breakthroughs that allow a company to stay competitive. They are part of every group--they come in every race, sex, creed, shape, and size. Unfortunately, they do not walk around wearing name tags that alert you to their abilities. You can only find out about their propensity for success in a particular

*Even the best companies can only manage to hire one top performer in every five tries.*

position after you've hired them, and they have been working in your company for several months.

This is not a new problem. Companies have been struggling with this issue for decades, and they've tried everything to fix it. Some of the solutions include screening more candidates, carefully reviewing resumes, using expensive recruiters, writing better job ads, hiring from the competition, testing for competence, analyzing personalities, creating better job specifications, hiring from within, conducting complex interviews—and even bizarre techniques like analyzing handwriting.

It doesn't matter what you have been doing up to this point. The best companies in the world—who go to a great deal of expense and effort—are only able to hire one top performer for every five new hires. If your company has not gone to the effort and expense of top performing companies, you are probably much closer to the industry average of hiring only one top performer for every ten new hires!

Nearly three-quarters of corporate spending is allotted to employees. Therefore, even small improvements in the entry and exit of employees from your talent pool will pay big dividends.

## The Solution

In 1997, the Gallup Organization underwent the most extensive human resources study ever conducted of its kind. The first portion of the study was funded by the investment bank community who suspected "human capital" was an increasingly more important component of a typical company's valuation. More specifically, a company's ability to hire and retain top performing employees had a direct and profound effect on traditional corporate performance metrics, such as stock price, revenue growth, profitability and cash flow.

By conducting over a million surveys, the researchers were able to create a standardized methodology for assessing the value of human capital in a company. Like a doctor's exam, it was a snapshot of the company's human capital health. It didn't, however, give insight to how a company achieved its current state of health, or whether it could continue to maintain that level in the future. This was a much more difficult question.

*Talents are behaviors and actions a person finds themselves doing often.*

The answer came in the second portion of Gallup's study. By surveying an additional 80,000 managers in over 400 companies, the researchers set out to determine what made some companies more successful than others at developing and maintaining human capital. The solution was two fold:

1. Hire employees based on talent rather than the traditional hiring metrics of experience, intelligence, and willpower.
2. Spend management time and resources on the talented top performers instead of the larger number of average performers.

In essence, large productivity gains came from selecting people who are "wired" for success in a particular position, and then giving those top performers the majority of the management resources and attention.

## What is Talent?

If hiring for talent is so critical for producing a culture of top performers, then understanding what the term means is the cornerstone of the discussion. "Talent is a recurring pattern of thought, feeling, or behavior that can be productively applied."<sup>1</sup> The word "recurring" deserves the most emphasis--talents are the behaviors or actions that a person finds themselves doing often.

Most people believe that talent is something that only a few people possess. Celebrities like Tiger Woods, Jack Welch, Elton John, Stephen King, and Mel Gibson all have talent, but normal people like you, me and the employees in your company do not. This is not true. These celebrities have been blessed with unique talents that just happen to garner a lot of attention and monetary reward in our society. Talent is not some rare and special miracle. Rather, everyone has some talent. Every person has behaviors that they find themselves doing often. Quite often, these recurring behaviors can be productively applied in the workforce. The key to hiring effectively is matching a person's innate talent with the job position that makes productive use of their unique recurring behaviors.

*Hiring by experience, intelligence, and willpower will always produce a typical range of performance.*

## Conventional Hiring Methods

Over the years, companies have tried all kinds of techniques to produce better hiring results. Most of these techniques attempt to assess one of the following three things:

1. Experience. Does the candidate have some experience in the past that is similar to what you are asking them to do in the new position? Did she go to the right school? Does she have the right qualifications and training? Does she show a pattern of outstanding performance in other companies doing similar jobs? In essence, how does she look on paper?

To evaluate experience, companies use resumes, references, and background checks. Just like choosing a stock or mutual fund, they are hoping past performance is a good indicator of future performance.

2. Intelligence. Does the candidate have the intelligence to figure out the new job? No two job positions are exactly the same. Even if the candidate was an effective office products salesperson in one company, it does not mean that he will be an effective pharmaceutical sales representative in the next company. He has to be intelligent to make this jump.

3. Willpower. Thomas Edison was not the only one to notice that “success is 90% perspiration and 10% inspiration”. Hiring managers know this to be true as well. If the candidate is reasonably intelligent, the technical parts of a new position can be taught. However, the desire to achieve and to persist in the face of obstacles cannot be taught.

To evaluate intelligence and desire, companies primarily use interviews. During an interview, the hiring manager will present the candidate with questions, hypothetical scenarios, and sometimes real-life situations to try to assess whether she can quickly and effectively learn the new job. If she’s smart, does she want to apply her ability to the new position?

## Adding Talent to the Equation

Resumes, references, and interviews are used by most companies try to assess experience, intelligence, and willpower in the hiring process. Although each company or manager may have a unique way of gaining this information, the conventional hiring methods will always produce a range of performance—Pareto’s 80:20 Principle.

*The right talents  
are the  
prerequisites for  
excellence in all  
roles.*

The Gallup research cited earlier revealed there are very few exceptions to the typical results produced using conventional hiring methods, and the exceptions only produce marginal gains in productivity. However, by assessing a fourth element—talent—significant gains in hiring top performers for all types of positions are achieved. Here is what the researchers concluded:

“[Conventional hiring techniques] fail to take into account ... that the right talents, more than experience, more than brainpower, and more than willpower alone are *the* prerequisites for excellence in *all* roles.”<sup>2</sup>

“It is not that experience, brainpower, and willpower are unimportant. It’s just that an employee’s full complement of talents—what drives her, how she thinks, how she builds relationships—is *more* important. Only the presence of talents can explain why, all other factors being equal, some people excel in the role and some struggle.”<sup>3</sup>

### Why Does Talent Matter So Much?

The answer to this question lies in how the brain is wired together. In the last 10 years, breakthroughs in brain research have revealed the following:

“You have a filter, a characteristic way of responding to the world around you. We all do. Your filter tells you which stimuli to notice and which to ignore; which to love and which to hate. It creates your innate motivations—Are you competitive, altruistic, or ego-driven? It defines how you think—Are you disciplined or laissez-faire, practical or strategic? It forges your prevailing attitudes—Are you optimistic or cynical, calm or anxious, empathetic or cold? It creates in you all of your distinct patterns of thought, feeling, and behavior. In effect, your filter is the source of talents.”<sup>4</sup>

“A person’s mental filter is as enduring and as unique as her fingerprint. This is a radical belief, one that flies in the face of decades of self-help mythology. But over the last ten years, neuroscience has started to confirm what these great managers have long believed.”<sup>5</sup>

### What Does This Mean for Hiring Employees?

You cannot teach talent. You can only select for talent. If the person does not have the talent when you hire him, there is no way to put it in after he’s hired. The Gallup researchers made the following observations:

*If you have the wrong people on the bus, nothing else matters.*

“Skills, knowledge, and talents are distinct elements of a person’s performance. The distinction among the three is that skills and knowledge can easily be taught, whereas talents cannot. Combined in the same person, they create an enormously potent compound. But you must never confuse talents with skills and knowledge. If you do, you may waste a great deal of time and money trying to teach something that is fundamentally unteachable.”<sup>6</sup>

## There Is No Substitute for Talented Employees

According to the Gallup researchers, the mantra of great managers is, “People do not change that much. Don’t waste your time trying to put in what was left out. Try to draw in what out what was left in...that’s hard enough.”<sup>7</sup>

And they’re not the only ones. Jim Collins, the author of the best-selling book Good to Great: Why Some Companies Make the Leap and Others Don’t, compiled research from over 1400 companies and found the following:

“If you have the right people on your bus [his metaphor for a company], you don’t need to worry about motivating them. The right people are self-motivated: Nothing beats being a part of a team that is expected to produce great results. If you have the wrong people on the bus, nothing else matters. You may be headed in the right direction, but you still won’t achieve greatness. Great vision with mediocre people still produces mediocre results.”<sup>8</sup>

“If I were running a company today, I would have one priority above all others: to acquire as many of the best people as I could. I’d put off everything else to fill my bus.... The single biggest constraint on the success of my organization is the ability to get and to hang on to enough of the right people.”<sup>9</sup>

Putting people into job positions where they are “wired” to succeed is the essence of having the right people. Having the right people is the cornerstone of success in any business.

## Myths about Talent

As mentioned earlier, many people believe that talents are rare and special. This is not true. Everyone has certain recurring patterns of behavior. The best way to help an employee is to match that employee with roles that play to his talents.

*Existing top performers are the source of any position's talent profile*

Another common myth about talent is that it does not apply to low-end positions. Some roles are so simple, they do not require talent. This is not true either. In fact, the opposite is true. Some of the best productivity gains are realized by selecting talented people at low-end jobs such as truck driving, telemarketing and data entry.

#### Case Study: Regional Transportation Company

Scott W. is the owner of a regional transportation company in Washington State. His company has 40 employees of which 14 are truck drivers. Using traditional hiring methods that concentrated on qualifications and experience, Scott was averaging turnover of 3 drivers per month.

By creating a Top Performer Profile, Scott added a talent element to his hiring methodology. Selecting only candidates that were "wired" similar to his existing top performing drivers, Scott lost only 3 drivers in the following 6 months.

### Hiring for Talent

#### 1. Know What You Are Looking For

The best way to identify the talent required for a particular position is to study the existing top performers in that unique position. The talent profile of an employee involves a lot more than a job title or a job description. Company cultures, work environments, expectations, other people on the team, and other factors all have a significant effect on what talents will compound with the required skills and knowledge to produce outstanding performance.

It is tempting to use standardized job profiles, but it doesn't work. What makes a top performing waitress at the Outback Steakhouse is often quite different than what makes a top performing waitress at Red Lobster. There is no substitute for actual data coming from inside your organization.

#### 2. Create a Systematic Way of Identifying Talent among Candidates

After you assess the unique talent mix of your existing top performers, then create a hiring system that detects the same "wiring" in your candidates. You cannot ignore the experience, intelligence, and desire that traditional hiring methods measure. These are still important. However, an equal

emphasis should be placed on finding people who have talents very similar to your existing top performers.

## Summary

Predicting employee performance is very difficult, and it is becoming more difficult all the time as jobs in our economy continue to become more specialized. Companies have made great strides using technology to squeeze productivity from their physical systems, but Pareto's 80:20 syndrome is still very common among most workforces.

Resumes, references, and interviews are used by most companies to try to assess experience, intelligence, and willpower in the hiring process. Although each company or manager may have a unique way of gaining this information, the conventional hiring methods will always produce a range of performance. However, by assessing a fourth element—talent—significant gains in hiring top performers for all types of positions are achieved.

Adding the talent component to the hiring process is not easy. The best way to identify the talent required for a particular position is to study the existing top performers in that unique position. After you assess the unique talent mix of your existing top performers, then create a hiring system that detects the same “wiring” in your candidates.

*Hire for talent to compound the performance level of any group of employees*

To further  
understand the  
concept of  
hiring for talent,  
these books are  
recommended

## Sources

The background research and ideas for many of the points made in this article came from the following best selling books:

### **First, Break All the Rules: What the World's Greatest Managers Do Differently**

by Marcus Buckingham (Author), Curt Coffman (Author)

**Hardcover:** 255 pages

**Publisher:** Simon & Schuster; 1st edition (May 5, 1999)

**ISBN:** 0684852861

### **Good to Great: Why Some Companies Make the Leap... and Others Don't**

by Jim Collins

**Hardcover:** 320 pages ; Dimensions (in inches): 1.05 x 9.62 x 6.46

**Publisher:** HarperCollins; 1st edition (October 16, 2001)

**ISBN:** 0066620996

## Citations:

<sup>1</sup> Buckingham and Coffman, *First, Break All the Rules*, Simon & Schuster, 1999, p. 71

<sup>2</sup> Buckingham and Coffman, *First, Break All the Rules*, Simon & Schuster, 1999, p. 72

<sup>3</sup> Buckingham and Coffman, *First, Break All the Rules*, Simon & Schuster, 1999, p. 73

<sup>4</sup> Buckingham and Coffman, *First, Break All the Rules*, Simon & Schuster, 1999, p. 76

<sup>5</sup> Buckingham and Coffman, *First, Break All the Rules*, Simon & Schuster, 1999, p. 79

<sup>6</sup> Buckingham and Coffman, *First, Break All the Rules*, Simon & Schuster, 1999, p. 83

<sup>7</sup> Buckingham and Coffman, *First, Break All the Rules*, Simon & Schuster, 1999, p. 57

<sup>8</sup> Collins, Jim. "Good to Great." Fast Company 01 October 2001: 90.

<sup>9</sup> Collins, Jim. "Good to Great." Fast Company 01 October 2001: 94.