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Outcome-Based Hiring

by Harold S. Williams

Training and human development is the multi-billion dollar industry in the U.S. designed to ensure that people perform at their best. While one focus lies in updating staff on technologies and other new information, a significant proportion of training hours go to the basics—correcting weaknesses and imparting wisdom on disposition and motivation, human relations, entrepreneurial spirit, and the like.

An even more powerful tool for ensuring that people perform at a high level is to pick them well in the first place. We see this in sports, where player selection is at the top of the skills list, even for coaches. Yet we fail to see the parallel for the key people in most other kinds of organizations.

Why don't we see this? One reason is that we tend to be better at developing people than at assessing them. We understate the power of our bets given the factors we do not think we control in making them. Another is complacency. We see our organization as generally working well and believe that the new person will adapt to our realities, "fit in," and contribute. What is and what should be overwhelm what might be.

Most selection processes are steeped in input logic. The candidates are judged by their qualifications—their degrees, years of experience, manners and appearance, age, past status in organizations, etc. The problem, as with other forms of input traps, is that none of these factors is powerful at forecasting the contributions of a potential person in your organization. Inputs provide a solid and defensible rationale for selection and some assurance of the predictability of the behavior of the new person. They say much less about their likely achievements.

The Investor Mind Set

In the framework called Outcome Funding, my colleagues and I speak of the need for grantmakers to shift from thinking of themselves as funders or distributors of money to investors seeking a return. This is useful logic for those charged with selecting a new person. Indeed, the investment in human capital can be even more critical than the investment in product development, new computers, or anything else.

Any investment framework starts with options. For our pension fund, we have stocks or bonds. Among available equities are a huge variety of company equities. For our grantmaking, we have tens, if not hundreds, of prospective implementors, all vying for our money. This holds for any job search as well. Indeed the premise is a simple one. No two people are exactly the same. For any given job, one person will outperform another. The challenge is to understand the factors that will best forecast success and to determine their relative degree of presence in the applicants before you.

Hiring in an outcome framework begins with a vision. If this person is wildly successful here, just what will be different? This question norms you at the outset in greatness. You are not just looking for a proficient person or one “highly qualified” to do a job. You are looking for a Great person who will help your organization achieve Great things.

Next up is a “result description” for the person to be selected—the antidote to the job description.

For example:

This person must increase our net revenue, minimally, from \$100,000 to \$200,000 within two years... He or she must build at least 50 new low income housing units in the next 18 months.

Note that this description does not prescribe how the person will achieve the result. You want to give them a chance to answer that question for themselves. In addition to providing clear focus, the result description enables effective self-assessment. “Please...don’t consider this job unless you are comfortable you can achieve these outcomes.”

Result descriptions can penetrate our conventional delineation of functions. Consider, for example, the requirement, “*Must be excellent fundraiser.*” This focuses on the input with no clue as to what result is expected. Even more important, this phrase tells the respondent that the organization presumes a dependency on grants. A better starting point: “*Must generate a minimum of \$500,000 of additional net income with tangible progress toward self-sufficiency. We define self-sufficiency as having at least 60% of our revenues come from project grants, earned income, and reduced costs rather than general grants or subsidies.*”

In addition to clarity on a result description, the investor in a new person asks and answers a number of tough contextual questions prior to engaging the headhunter or placing an ad in the paper. For example, just what kind of skill sets do we need—not just for the first project someone will handle but for the long pull and for organizational vitality? Related questions ask of specific needs given staff already in place. The basketball team is not looking for a great new player. It is looking for a point guard or a center...for someone to spark fast breaks or to be ferocious on defense. The point is to fill gaps, not add a person whose skills coincide with existing people.

Other questions focus more narrowly on a given job.

- To what extent are we relying on the new person to significantly change current practice? (A person strong at intervening in the organization is different from one strong on continuous improvement within an established framework.)
- What technical skills and knowledge base must this person possess? (Too often, we think that the person must come to the job fully prepared to do everything. In reality, quick-study learners can often outperform those with ten years of experience, especially if normed on mediocre performance.)
- What predispositions are essential? (While a person can learn to read a balance sheet or income statement, it is expensive to motivate someone to use financial information who does not see its value.)

The answers to these questions form a human investment strategy that helps the selecting organization to define the “return on human investment” that it seeks. While senior management is one source of the insight needed, another lies in those persons who will report to the new person. What do they think needs changing to improve morale and productivity? What kind of person would best help them to do their jobs most effectively? The view from below is critical; it is here that the new person will have their strongest effects.

Due Diligence

When investors seek to understand a plan or proposal promising economic or social gain, they pursue a discipline called due diligence. Its point is to understand and verify the key representations made which must prove accurate if the venture is to succeed. Getting beneath the packaging is equally important in hiring. Typically, what you see is not what you will get.

Given its expense, due diligence knows when to go wide and when to go deep. The key is to narrow the “funnel” of applicants significantly before entering those steps where the costs of human assessment are highest. Yet this is tricky, in that resumes tell you so little about a person. Extensive deselection on this initial paper may drop out the ideal candidate for results while preserving people whose paper wrap and true content will later prove unrelated.

Getting Started

While resumes are of limited value, they do allow you to prune out persons who without question lack the technical skills you require. But beyond this, watch out. A person from Harvard may not outperform one from Arizona State. And gaps in a resume may not indicate any problem at all. So a person took a year off to find him/herself. How many others burdened their company by struggling for identity while employed?

One way to get early to outcomes is to ask your applicants to submit something that shows rather than describes their competence. Send to all candidates who survive a crude first screening a short assignment. The brief personal essay with the guidelines required by college and university

applications is one good possibility. Another is the kind of business problem or case example used in your company for training. Provide a minimum of context and look for a response. Still another option: ask the person to send to you the one page of a writing snippet of which they are proud.

Not only do such submissions begin to tell you what the person can do but they also reflect degree of interest. Many persons who send in the standard resume and inquiry letter won't bother to take such early initiative. This task can be consequential. And it need take little or no more time to gauge than reviewing a resume.

Accelerating First Contact

I often see great surprise on the faces of grantmakers as well as venture capitalists when they first meet the person whom they have studied on paper. In selecting a finalist, the first five minutes of conversation tells you if he or she is not right for you. In hiring, this situation also occurs. Both because contact is so critical as a sorting (versus determining) mechanism and because other steps of due diligence are even more expensive, I urge getting in direct touch with a wide range of applicants early on. In many cases the initial interview can be done by telephone, where you may discover persons who are articulate on paper, are much less comprehensible to the ear.

When you are ready for the written interview, take a good look at your approach. Here's how it typically happens, especially where widespread "input" is sought:

- At least five, and sometimes ten, persons do the interviewing—each reflecting a special interest or constituency. The questions fly with no chance for in-depth follow up to any one line of inquiry;
- The questioners do much of the talking, blissfully cuing the respondent to the right answers;
- The interviews let stand such sterling representations as "I'm a generalist...I'm a people person...I like to dream;"
- The questions focus on attitude and values, leaving behaviors as an incidental matter; and
- Absolutely no statements of commitment to results are sought from the applicant; only "best efforts" are pledged, albeit with great sincerity!

Effective interviewing follows quite different guidelines:

1. *Limit the interviewers to no more than two to three persons for a given session.* Get widespread input from all interest groups ahead of time and reflect them in the questions asked, not in the number of people present to ask them. Let each interviewer have a block of time to go deep with their questions, using probes based on responses given rather than a preset agenda of questions. Fairness to applicants requires that you ask the questions that will best allow them to show their core mettle as individuals. These will vary.

2. *Remember...this is an investment inquiry, not a discussion. One aspect of the difference: never tip your hand as to what answer you might be expecting.* Just as grantmakers tend to prescribe the response in the wording of the “request for proposals,” so too do many interviewers cue the respondent on just what to say. “We’re real strong on teamwork and collaboration around here. How do you feel about that?” How many applicants will then respond that they would rather work alone?

3. *Look for response to feedback.* Example: “You just took four minutes to try to impress us with what you know about this topic, but you did not directly answer my question. Would you like me to repeat it?” You can say it with encouragement, but the intent is clear. Not only do you improve the rest of the interview, but you get invaluable data on the ability of a person to use feedback to alter his or her behavior—and to handle stress.

4. *Make each question strategic.* Most questions in interviews are lightweights—casual and informal. The best questions are very intentional. For example:

Assume you are our new Chief Executive and you are ready to pick your #2 person. Describe that person, then give us your reasoning.

Much is happening here. Many leaders fall down in either not knowing their own weaknesses or in failing to select people who offer strengths to counter their own. Others do select people with different skills but ensure that no one is as smart as they are. This question and follow-on probes get to all these issues with amazing elegance—and little cue to the respondent as to what is sought. Another example:

Please identify something in which you were involved in the last two-to-three years that did not turn out well. Tell us briefly what happened and what role you played in it.

5. *Test competencies.* You are less interested in skills at rest than in motion. You get there by using the interview to do things and try things—moving away from its intensely artificial nature to come much closer to simulating conditions and tasks of the job itself.

Ironically, we are far better at testing the ability of a secretarial candidate to keyboard quickly and accurately than we are to test a manager for equally important skills. Some examples of short-take applications:

- Here’s a memo that might have been written here. Please take five minutes and edit it to be as short and clear as possible.
- Assume you have the job and I am entering your office with a complaint. Let’s play that out for a few minutes. “Don, I’m really upset over the lack of effort by Bill in our workgroup. Can I tell you about it?”
- Assume you are here and this quarterly statement on your program center is handed to you. What do you see here that would most concern you, and what would you do about

it?

These examples test writing, managing, and extemporaneous ability. Obviously, their relevance is dependent on the job in question. But whatever the task, you get an early sense of three things: expressive capability, speed of response (productivity), and ability to perform under stress.

For many jobs, the testing should go deeper and longer. One mode is to pay the person for a short “real time” assignment. Choosing a person for the organization is no less important than selecting a spouse. Few of us would do the latter without real time together. Yet many of us pick a professional partner based on less than a full day’s exposure.

References

While a few first-blush reference checks can be used as a sort prior to interviews, this process should typically come after the interview, when you are much clearer about what aspects of interesting candidates you are most interested in “checking out.” What do you learn when you ask a friend of the applicant, “Would you hire this person?” or “What is your impression of Joe or Sue?” You are asking a person you do not know to speak objectively of a person they do know—and whom they are typically trying to help get a job. Even if they do not particularly like the person, they are unlikely to be candid for a variety of reasons—from the faint prospect of litigation to one in which the person gets the job, then learns of the reference content. And where the disposition is favorable, inflation in references is rampant. I know that if I do not shamelessly extol the virtues of an applicant to a college or organization, my input will not be competitive.

Use telephone conversations with persons identified by candidates for the only form of discrimination they can reasonably yield: selectivity of strengths. “If you had to name the one top strength of this individual, what would it be?”

References can also verify that a person has done what he or she said has been done. Ask the person for the *evidence* that someone you’re considering has performed at a high level, not for their *opinion*. And look to uncover different persons than would typically be provided as references. Finally, use references to uncover other references not suggested by the applicant. “Please name three other persons with whom the person has worked closely and/or are in a position to verify results.” Secondary references (e.g., not suggested by the applicant and not subject to a heads-up call from that person) are far richer information sources than the primary ones.

Field Work

Save your major gunpowder—and your most astute observers and analysts—for this step, which comes once you have three-to-four finalists. The premise of this step is that the best predictor of performance is not what a person says he or she *will* do in the future. It is what they have done in the past. For your best candidates, go to where they have worked. Speak not only to their bosses, but also to their colleagues and those who reported to them. You are looking for a “360”—a

complete view of the person. When you speak solely to the managers of a person—especially in a large organization—you are largely learning how well a prospect managed his or her boss, not how well they managed those on whom they relied for achievement.

Follow the wisdom of effective field research. Come in inconspicuously as one of several persons, not a contingent on a visit. Speak individually with people, not in groups. Offer confidentiality. And use your eyes as much as your ears.

The Deal

In grantmaking and vendor selection, the tendency is to think of the contract as the step beyond decision. In selecting a new person, the same logic is often used. In all of these cases, it is much more powerful to consider definition and ratification of the deal as the final step in selection.

Assume, for example, that I am hiring the coordinator of a Community Network whose purpose is to coordinate the efforts of non-profit and for-profit firms who pre-qualify and train job seekers for a major urban initiative. Here is what I might suggest to the lead candidate:

As you know, our commitment is to ensure that 1,500 persons get and keep a family wage job in the next two years. You want a salary of \$50,000. Our sense is that this is actually not enough compensation for a person who achieves that result—but too much money for a person who does not.

Here's our proposal. We'll give you a base salary of \$40,000 per year. For the first, year, if you hit mutually agreeable milestones, we'll add \$15,000 as a bonus. If you then achieve the target at the end of year two, we'll add \$20,000 to the base of \$40,000—and make \$60,000 your new base for future years and more bonuses. How does that sound?

This sorts out those who have strong confidence in their ability to hit this target from those who pledge allegiance to it! Also, to the extent that one wants entrepreneurial interests and instincts, enthusiasm for performance-based contracts are a way to look for it. And they help you to look at a person's cost relative to their value, rather than in the rigid terms of salary alone.

Settling In

The final point about an outcome approach to hiring is that it recognizes that the decision on who is hired must be followed by early and active support during the first critical weeks. Sadly, the tendency is to watch the new person carefully to see if the right pick was made. Given your interest in making the bet work rather than documenting a failure, recognize that objectivity is now out the window. You want to do everything possible to help the new person succeed.

This step should include those who made the hiring decision. One reason is they have high motivation to make it work. More important, they know the new person by this time *very* well. That knowledge, in terms of defining role, results, and early intentions to define fit with the organization, are powerful supports.

This final step is also important to capture the value of fresh eyes for the organization about the

selection process. A week or two into the job—and then a month later—further investigation with the person hired can refine the hiring practice for the next time. Useful questions to ask:

- In retrospect, how accurate were we in portraying this job and allowing effective self-selection?
- What parts of the selection process we used strike you as most and least effective—both from your perspective and the company's?
- What should we do next time to best help the person to define and hit early result targets? By taking this last step, selection opens to the possibilities of learning and change based on experience. Investment decisions get smarter and better. And the base of human capital on which training can build goes higher and higher.

Harold S. Williams is President of The Rensselaerville Institute.