By Robert J. Grossman ▪

Measuring Hiring Managers

Businesses can reap rewards by measuring hiring managers' success rates.

Nearly half the store managers at the Wallis Cos.' 40 convenience stores/gas stations in Missouri started as entry-level workers who were hired by the preceding store manager. That's a healthy success rate for store managers who identified and groomed their successors. Does Wallis Cos. have great hiring managers? Or, is it just lucky?

Unfortunately, it's hard to tell because Wallis, like many companies, doesn't evaluate the hiring performance of its managers. Who were those managers who picked the applicants who went on to succeed? How did they make their hiring decisions? Could the criteria they applied be adopted by other hiring managers throughout the company?

These are good questions that most HR professionals don't ask. Because of that, experts say, they are missing out on a golden opportunity to tap and duplicate a valuable resource in their organizations—best practices of successful hiring managers.

The managers who made the good hires would be relatively easy to identify: At Wallis—a major Midwest gasoline distributor based in Cuba, Mo.—convenience store managers do their own hiring.

"Sometimes you fail to see opportunities that should be obvious," admits Rachel Andreasson, SPHR, vice president

of organizational services. "This would appear to be a measure that would help us with our business strategy. If we can identify six managers who have developed good-quality employees and retain them longer than average, we may be able to harness their strengths and apply them throughout the organization."

Expand the Focus?

Until recently, HR's metrics in recruitment and talent selection have been concentrated on efficiency—measuring cost-per-hire and time-to-fill data. Now, experts maintain that efficiency is only part of a winning formula; quality must be the other part.

"When you make [an unsuccessful hire], especially in managerial, sales or other jobs with customer contact, the downside risks are high; you can lose millions in revenues," says Scott Erker, senior vice president of selection solutions at Development Dimensions International, a global HR consulting firm in Pittsburgh.

"Assume you've hired 100 new sales representatives and periodically group their performance in three categories," he explains. "Ten A performers quickly and then consistently exceed their goals, 20 B performers regularly reach theirs, and 70 C performers are close but not quite there. If just 10 of the C's had been an A or B, the impact on revenue would be substantial."

Sure, you can upgrade most employees to some degree with training and coaching, but even the best trainers are not miracle workers. "If you need a 7-footer to play center on your basketball team and you recruit a promising player who is 6-feet-2, the finest training available won't get you where you want to be," says Jim Del Rosario, vice president of talent acquisition at Veritude, a staffing services company in Boston.

Fortunately—or unfortunately—most of the performer's fate is sealed at the hiring stage. Studies show that 65 percent of the time, the hiring process will be the deciding factor in determining whether you will end up with a good performer, Erker says.
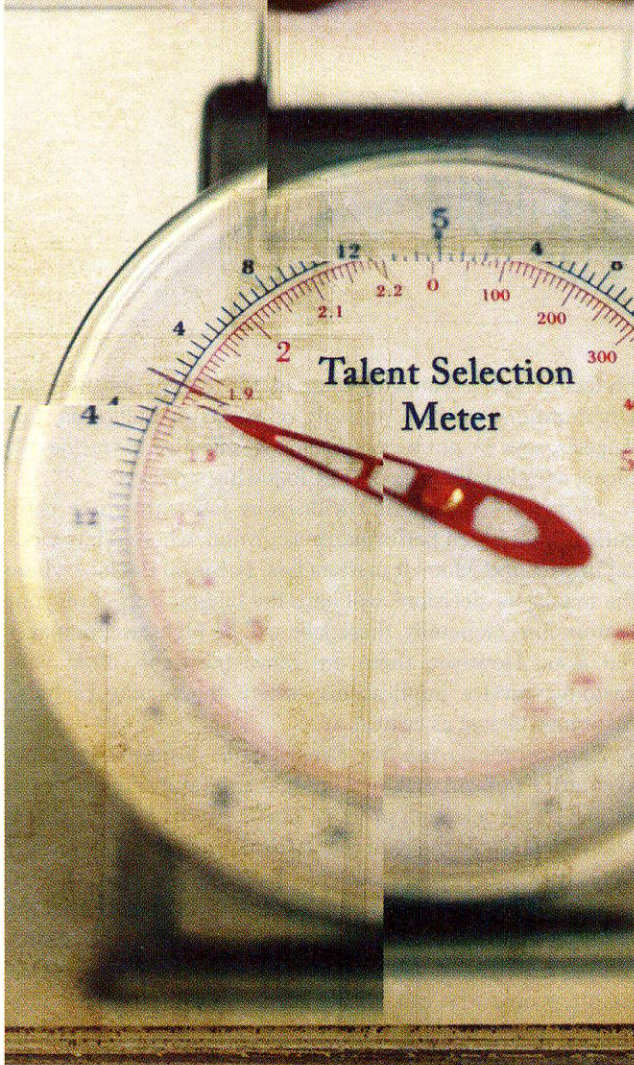
A Commitment Gap

Virtually all top executives say it's important to hire the best people. But Del Rosario says they admit that tracking the outcomes of hiring decisions is a lower priority than other aspects of their business. When executive teams monitor the cost-effectiveness of HR's hiring practices, they don't ask HR for metrics or other formal feedback about hiring managers and their skills in talent selection. And while company leaders hold line managers strictly accountable for achieving marketing and sales targets, they give managers a free pass on their talent selection and development track record.

Pete Ramstad, executive vice president of strategy and finance at Personnel Decisions International, a global consulting firm in Minneapolis that specializes in talent management, says managers' hiring choices should be subject to the same level of scrutiny as their performance in generating revenue or managing money. "You need to deploy the same rigor you apply to accounting and marketing to hiring decisions," he says. "That means using outcome-based metrics that really matter."

Without measuring managers' hiring performance, Ramstad says, "you don't have a reliable way to know whether it's going well or not."

Moreover, he points out, if things aren't going well, you

A Self-Assessment Tool

Consultant Ben Dattner suggests that HR recruiters and hiring managers perform self-assessments after each new hire. He believes this information can be valuable in two ways: as a self-improvement measure where it's not shared, or as a comparative measure between HR and the hiring manager.

Dattner suggests asking: How likely is it that the candidate will be successful in the following 10 areas? (Answers should be given on a five-point scale, with 1 being highly unlikely and 5 being highly likely.)

· Technical proficiency.
· Leadership skills and motivating others.
· Interpersonal skills and building successful working relationships.
· Team skills and ability to work interdependently.
· Conflict management and diplomatic skills.
· Self-motivation and drive for results.
· Fitting in to the organization's culture.
· Catalyzing positive change and driving for continuous improvement.
· Representing the organization well to external entities and stakeholders.
· Going beyond formal job description to contribute outside of own role.

Talent Selection Meter

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won't know why—or how to fix the problem, which could be caused by heated competition for labor, a poor employment brand, uncompetitive salary and benefits, or a poor hiring decision.

"You hire someone who turns out to be a poor performer. Why did it happen?" Ramstad asks. "Did you have a weak applicant group to choose from? Or did you have a strong group and make a poor selection? If you want to fix a problem, it's important to be able to segment why it happened. You could need either a selection or recruitment intervention."

Ben Dattner of Dattner Consulting in New York says: "Not following the trail back to the hiring manager doesn't make sense. It's like running a mutual fund and not being able to learn who picked the best stocks."

Further, the need to identify managers who can pick winning employees will only intensify as the labor force grows at a slower and slower rate and competition for talent heats up. Companies that identify such managers can play to their strengths, use them as role models and build training programs around them.

Implementation Issues

With any metric, the way it is defined and implemented will affect its usefulness in measuring business-related performance. And while the need exists for hiring manager metrics, there apparently is no ideal solution currently in use.

Experts do, however, offer these thoughts on what employ-ers should do to measure the effectiveness of hiring managers—and what potential stumbling blocks they might encounter on the way:

Start with retention metrics. At the very least, measuring early turnover is a useful indicator of hiring success, says Jack Phillips, chairman of the ROI Institute in Birmingham, Ala., which offers consulting and training in measurement. "Track the percentage of people hired by each manager who leave in the first 90 days," he suggests. "If you make an improper decision, they usually leave early on. If you had 15 percent to 20 percent of the people leaving in the first 90 days, that would say you have an ineffective manager."

Phillips, who is also the author of *Proving the Value of HR: How and Why to Measure ROI* (SHRM, 2005), says more-sophisticated metrics may turn out to be time-consuming busywork. "You make a lot of work for yourself if you look for more-complicated ways to measure."

Retention metrics should be your foundation measures, agrees Jay Conger, research chair in leadership studies at Claremont McKenna College in Claremont, Calif., and author of *Building Leaders: How Successful Companies Develop the Next Generation* (Jossey-Bass, 1999). But Conger suggests that further digging may be necessary to discover what is causing turnover.

"You'll know your average tenure for people under a marketing director is three years, but that some directors are losing people earlier. What's going on?" Conger asks. "Is it because the director is a crazy micromanager? Do people feel they can't move up the ladder? Or do you have a manager who has a higher-than-average retention rate but who historically hires a lot of C players when you're looking for more A's and B's?"

To get to the bottom of these questions, add a longitudinal marker or field that links the hiring manager to the hire, suggests Warren Cinnick, director of leadership and succession planning services at PWC-Saratoga, a Chicago-based consultancy that provides benchmarking metrics. Cinnick recommends doing it for each manager by yearly cohort. For example, look at everyone hired in 2000 and see where they are in 2006. Four metrics should do it:

- What percentage left voluntarily or involuntarily?
- How many have consistently scored in the top bands of your performance evaluation system?
- What is the evidence that people have been promoted up the ladder over time?
- How many people hired at the entry level have moved into leadership positions?

Cinnick says this kind of assessment zeros in on managers who foster a mentoring culture. "In a normal talent review, these managers may not come up as 'high potentials,' but they may be good coaches that can be instrumental in helping others move ahead."

Focus on key jobs and desired outcomes. John Boudreau, professor and research director at the Center for Effective Organizations at the University of Southern California, Los Angeles, says it's not necessary or cost-effective to track every hiring decision. He suggests the following strategy:

- *Identify pivotal jobs.* Divide your jobs into three categories: where high performance is pivotal, where it has modest impact and where it matters less. Focus on the jobs where the managers' decisions will have the biggest impact on your bottom line. Generally, these jobs will be high-level managerial slots. However, there are other positions, often with customer-service implications, where the manager's judgment may be just as critical.
- *Segment for variability.* Separate out positions in which, even after upfront HR vetting, managerial discretion is essential to the selection process. These are the jobs for which managers' decisions will be critical and that should be tracked.
- *Determine what to measure.* Limit metrics to the role the managerial position plays in your business strategy. For example, you may want to measure how effective a manager is at selecting people who can hit the ground running. Or you may want to measure who excels at developing talent over time, or who selects the most A or B performers.
- *Measure over time.* Track in rolling time frames of three to five years to determine how the managers' selections fare throughout their tenure. Compare results among managers.

Use self-assessments. Allow managers to self-assess their performance using data such as sales goals, employee promotion and performance reviews.

Ramstad says asking managers to self-assess emphasizes to them the value you place on talent selection. He recommends managers complete a self-assessment immediately after a candidate has been hired, grading the quality of the talent pool, how good they were at picking people out of the applicant pool, and how good they were at landing the talent. Giving them a task they must do at the time of their decision encourages them to focus on the long-term aspects of their choices. (See "A Self-Assessment Tool" on page 94.)

And why not also assess HR's qualitative acuity at picking winners? "Have HR recruiters predict success on a five-point scale and then see who is more accurate over time—HR or the hiring manager," Dattner says. Alternatively, Dattner advises that hiring managers and HR managers put this practice into place informally to give themselves feedback, even if they don't share it.

Countering Manager Reluctance

HR executives may be wary of selling outcome metrics to their hiring managers who are not enthusiastic about the prospect of having their talent-selection acumen become a subject for

HR as Partner

For some jobs, especially when the manager has collaborated with HR to identify accurate criteria and characteristics, HR can take most of the guesswork out of the hiring decision. "By the time we get to the manager interviews, they will have three great candidates. It really doesn't matter which one they select," says Sarah George, senior vice president of recruiting at Wachovia Corp. in Charlotte, N.C.

Yet hiring managers have the final word. Handed a list of eligible candidates by HR, they interview finalists individually or with a supporting team. Then they make their selection, and everyone moves on. "The bosses assume hiring managers know what they're doing and leave it to them," says John Boudreau, professor and research director at the Center for Effective Organizations at the University of Southern California, Los Angeles.

But HR recruiters are not convinced. "They'll tell you too often they find the ideal person and the hiring manager says no," says Scott Erker, senior vice president of selection solutions at global consulting firm Development Dimensions International. "At best, we know [a typical hiring manager's] performance is uneven."

Still, when a recruit falters and the finger-pointing begins, HR is blamed, says Pete Ramstad, executive vice president of strategy and finance at Personnel Decisions International, a global consulting firm that specializes in talent management.

"Even if you don't have control of the process, most likely you'll be called on the carpet," he says. "So, recognizing that the loop cannot be closed without assessing the hiring manager's choices over time at least allows HR and its client-manager to share the glory as well as the blame."

Limit metrics to the role the managerial position plays in your business strategy.

Of course, some experts question whether it's practical or necessary to track hiring-outcome metrics. Sarah George, senior vice president of recruiting at Wachovia Corp. in Charlotte, N.C., says 41 percent of the positions filled by the banking and financial services provider last year were filled with internal candidates. She says her managers make thousands of hiring decisions annually, many at entry-level supervisor.

"We know how our managers do from experience," George says. "Many of us can tell you, 'Yes, we know managers XYZ; they hire great people.' Individual performance probably wouldn't be worth tracking. By the time you got your answer, something would have changed and the data wouldn't be accurate. Corporate legend is probably just as effective."

George may be right, but Conger isn't sure. "They may discover their beliefs are mythology," he cautions, recommending tracking data instead.

their annual reviews. The answer, Phillips says, is to assure managers that the data will not be used for this purpose. "These kinds of metrics should be used for coaching or counseling, not to remove or penalize the manager, unless the pattern continues over time."

Others say if your organization values talent selection, eventually you'll have to incorporate it in performance evaluations. How? Ease them in and build acceptance for the metrics. "Use them for two years for development, where you don't make a formal assessment," Conger says. "Then transition to an accountability mode. You'll be asking them to spend more time on coaching and development."

Notes of Caution

A concern cited by some experts is what might be called a moral hazard: If a manager's own performance review includes a measure of success of his "progeny," he's more likely to give them good reviews. The halo effect may carry over to promotion recommendations as well.

To counter such "gaming," metrics should be built with checks and balances. How? Conger recommends including a team-performance metric, requiring managers to demonstrate that subordinates' outstanding performance was consistent with their team's accomplishments.

In addition, a rigorous review by HR of performance appraisals looking for concrete examples to support managers' ratings should take out some of the subjectivity of the process.

The Costs of Action vs. Inaction

Even with the benefits of identifying successful hiring managers and sharing best practices, there are obstacles to the process. Some executives cite lack of technical capability, saying they don't have sufficient automated systems to track the data. Others say they know it's a good idea but other priorities come first. Still others claim it's too costly for the return it will deliver.

Ramstad disagrees: "It's not about money, but cultural change. In fact, it's really too costly not to do it."

There's also a residue of doubt among executives about the integrity of HR metrics, Del Rosario says, on the basis of what he says he is told by those with whom he works and whom he has as clients. "Why add more reports?" he says. "A lot of HR reports go unread now because executives don't see why they need the data."

Finally, top management may be wary about confronting people who are not good at selection. "What mucks it up is niceness—fear of conflict," Conger says. "When criticized, the manager looks to pass the blame along to HR for not doing a rigorous job on the front end. Fingers start pointing; emotions flare. Still, after you see what effectiveness metrics can do to help your business, obviously it's worth the trouble." HR

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