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RECESSION

The Definitive Guide to Recruiting in Good Times and Bad

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When economic crisis hits and companies focus on cutting costs—or on their very survival—they slash hiring. But if history is any guide, in the first few months after the upheaval subsides, hiring quickly becomes a front-burner issue.

Consider the period following the terrorist attacks of September 11, 2001, when the economic outlook appeared dire. In rapid succession, the U.S. initiated the war in Afghanistan, Enron's house of cards fell, other corporate scandals ensued, the SARS scare struck Asia, and the Iraq War began. The economy was in recession, and struggling firms retained only their strongest people. But even before things turned a corner in 2003, the smarter and abler companies—having cleaned house and discovered what was missing from their talent pools—took advantage of the buyer's market and began staffing for the future. By June 2003, the war for talent was on again in full force, and companies hired aggressively until the economy went into a tailspin in 2008.

History will again repeat itself. Even now, before the recession lifts, our research suggests that most global companies are running into staffing problems in emerging markets, and they are also having a difficult time finding talented younger managers to replace baby boom retirees.

These problems will be made all the worse because, we've found, current hiring practices are haphazard at best and ineffective at worst. And even when companies find the right people, they have difficulty retaining them.

This article offers our best thinking about the most effective way to hire top-level managers, based on a combination of our own and established research about the relationship between recruiting and long-term corporate performance (see the research sidebar). The following is, to our knowledge, the first time that an end-to-end set of best practices has been put forward in one place. Our compendium comprises seven steps, which cover the full recruitment spectrum: anticipating the need for new hires, specifying the job, developing a pool of candidates, assessing the candidates, closing the deal, integrating the newcomer, and reviewing the effectiveness of the hiring process.

Our Research

Our research is based on two major studies. The first, conducted throughout 2007, included interviews with 50 CEOs of major global companies, followed by interviews with their HR managers and a quantitative survey of their current HR practices. Participating companies collectively employed about 3 million people, earned more than $1 trillion in yearly revenues, and had a market cap of about $2 trillion. All major sectors were represented, including industrial, high-technology, life sciences, financial services, consumer products, and service businesses. Likewise, all relevant geographic regions were covered, including North America; Latin America; the UK, Germany, and France; the Middle East; India and China; and Australia.

The second study was a survey of executive-search consultants, conducted in the summer and fall of 2008. Respondents rated the talent-management practices of about 500 companies. Sixty-seven percent of those who responded had over 10 years of experience in

The focus of our research was on recruiting at the top three levels of organizations—C-level executives, their direct reports, and the layer below that. We call this the "top-*x* group," where *x* is the number of senior executives constituting the critical leadership pool in the company. The size of this pool can vary from 20 to 50 people in a midsized organization to as many as 1,000 in a large multinational. We are primarily concerned with external recruiting, although our findings can be applied to internal hiring efforts as well.

Of course, any leader currently faced with the unhappy prospect of downsizing may find it difficult to think about staffing right now. But recruitment, and 59% had specialized in a given industry for 10 years or more. The survey was designed to create a broad-based view of the state of the art in selection, hiring, integration, and talent management practices.

The article is also built on the research conducted by Claudio Fernández-Aráoz for the book, *Great People Decisions* (Wiley 2007) and by Boris Groysberg, Andrew N. McLean, and Nitin Nohria for the May 2006 HBR article “Are Leaders Portable?” Finally, we conducted a major review of academic articles about selection and hiring.

whatever the future brings, firms that learn to hire talent and retain it successfully will have a distinct advantage in the years ahead.

Hiring Gets a Failing Grade

Most companies react to hiring situations as emergencies; that might explain why so many do it so poorly. When we surveyed 50 CEOs of global companies, along with a pool of executive search consultants who rated about 500 firms, we found hiring practices to be disturbingly vague: Respondents relied heavily on subjective personal preferences or on largely unquestioned organizational traditions, often based on false assumptions.

The executives we surveyed held widely differing views regarding the desirable attributes of new hires. They emphatically disagreed on whether it was best to hire insiders or outsiders, on who should be involved in the recruiting process, on what assessment tools were most suitable, and on what the keys were to successful hiring and retention.

Furthermore, 43% of the executive search consultants reported that their client companies considered the number of years of relevant work experience to be one of the top reasons for hiring a particular candidate, whereas only 24% gave similar weight to the ability to collaborate in teams—and an alarmingly small 11% factored in a candidate’s readiness to learn new things. In today’s increasingly turbulent business and economic landscape, in which, as one of us likes to put it, “even the past has become unpredictable,” we find this neglect of a potential candidate’s adaptability mystifying.

Assessment practices were equally variable (even within the same company). On one end of the scale, in 32% of companies, candidates for senior positions went through only one to five interviews; at the other end, 12% of firms subjected candidates to 21 or more. Shockingly, only half of the top-*x* managers recruited were interviewed by anyone in the C-suite. Fully half the companies relied primarily on the hiring manager's gut feel, selecting a candidate believed to have "what it took" to be successful in any job. What's more, we found that companies based their hiring decisions mainly on interview performance, paying relatively little attention to careful reference checks.

Given the ad hoc quality, lack of specified criteria, and inconsistency of practices among the companies we studied, it's no wonder that usually about a third of promising new hires depart within three years of being recruited.

It's one thing to take a poor approach to hiring. But what really stuns us is that many CEOs do not recognize their recruiting situation for what it is; some are even ignorant of their company's own demographic projections mandating aggressive hiring to replace soon-to-be-retiring managers. Even those who recognize the looming shortage of talent are ill-prepared to fill it.

So what it comes down to is this: Despite a universal acknowledgment that hiring good people is a key source of competitive advantage, we could find only a few companies that excel at one or more aspects of the hiring process and just a handful—most notably Southwest Airlines, McKinsey, Intuit, TCS, and ServiceMaster—that come anywhere close to a hiring "gold standard." On the whole, there is neither a generally accepted code of best practices for hiring for senior-level positions nor a single company that demonstrates true best practices along each step of the process.

Hiring Top Executives: A Comprehensive End-to-End Process

	POOR PRACTICES	BEST PRACTICES	IMPLEMENTATION CHALLENGES
1 Anticipate the Need	■ Hiring only when you have an opening ■ Having an ad hoc succession plan ■ Overlooking the skills your organization will need in the future ■ Indulging in irrational optimism about attrition, succession depth, and recruiting yields	■ Conducting ongoing, proactive analysis of future needs ■ Continually evaluating the pool of potential talent ■ Developing rigorous periodic forecasts of the company's talent needs	■ Linking your talent plan to your strategic plan ■ Incorporating input from HR professionals into the strategic-planning process
2 Specify the Job	■ Relying on generic competency models ■ Looking primarily for charisma, general ability, and track record	■ Defining the specific demands of the job ■ Specifying which skills and experience are relevant ■ Identifying the team the candidate will need to work with or recruit ■ Considering how company culture and context affect the role	■ Ensuring a close dialogue between HR and top management ■ Building up-front consensus among key decision makers about job requirements
3 Develop the Pool	■ Taking a scattershot, ad hoc approach to finding candidates ■ Limiting the pool ■ Looking for only external candidates or only internal candidates	■ Developing a large pool ■ Including insiders, outsiders, inside-outsiders, and outside-insiders ■ Considering people on the periphery of the organization (employees in remote offices, consultants, suppliers, customers) ■ Tapping your networks and involving the right external partners ■ Asking candidates' peers for nominations	■ Transcending organizational silos ■ Encouraging open discussion at the top about when and how to conduct external talent searches
4 Assess the Candidates	■ Settling on the first adequate choice ■ Looking endlessly for the perfect choice ■ Going with your gut only ■ Using the wrong interviewers ■ Including too many unreliable filters and bureaucratic steps ■ Employing unstructured or generic interviews ■ Conducting inadequate (or no) reference checks	■ Using a small number of high-caliber, well-trained, properly motivated interviewers ■ Employing rigorous behavioral event interviews ■ Conducting detailed reference checks ■ Including top stakeholders in candidate assessment	■ Educating and training senior line managers in interview techniques ■ Ensuring the right level of involvement of both HR and the relevant line managers
5 Close the Deal	■ Assuming money is everything ■ Showing too little commitment to the candidate's success ■ Discussing only the positives of the job ■ Failing to involve C-level in discussions	■ Demonstrating active support for the candidate's interests ■ Describing the job realistically ■ Involving the hiring manager personally, not just HR, in closing the deal ■ Ensuring that compensation is fair to other employees ■ Involving C-level for top positions	■ Ensuring commitment of top managers to closing the deal ■ Ensuring compensation equity
6 Integrate the Newcomer	■ Assuming the new hire is "plug and play" ■ Providing inadequate support and mentoring	■ Using veteran top performers as mentors ■ Making sure the newcomer checks in regularly with boss, mentor, and HR, even when no problems have arisen	■ Providing adequate ramp-up time ■ Rewarding mentors
7 Audit and Review	■ Hanging on to bad hires ■ Failing to review hiring practices and institutionalize the best ones	■ Removing bad hires within the first year ■ Regularly reviewing recruiting practices ■ Identifying and rewarding excellent interviewers ■ Holding all assessors accountable for the quality of their evaluations	■ Institutionalizing audit and review ■ Being willing to admit mistakes, learn, and move on

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Clearly, organizations need to take a serious look at the challenges facing them. They need to stop treating recruitment as a big surprise. They have to approach hiring from a rigorous, strategic, and objective point of view. They must develop best practices, which in many cases will mean drastically revamping their hiring processes. They need to educate their line managers so they can hire effectively. And they have to ensure that their HR managers provide the right support. Let's walk through each step of the process, with challenges and best practices in mind.

Step 1: Anticipate the Need

When we asked the CEOs in the 50 major global companies to forecast their revenues for the next three years, most had little trouble. Some even broke down projected revenues from as-yet-undeveloped products and services by geographic region. But these same executives had difficulty making similar predictions for the size and composition of their top-*x* groups, even with the help of their HR heads. Although most reported that they'd like to see a broader diversity of nationality, gender, and entrepreneurial experience in their senior managers, few had translated these aspirations into a concrete and proactive hiring plan. In fact, few had any strategic talent plan to complement their admirably detailed business plan.

The first step in establishing a sound recruitment process is to recognize that your firm's existing top-*x* pool is probably inadequate. Despite your best efforts, some top talent will leave to pursue other opportunities. And certain kinds of talent—like experienced executives in emerging markets—may not be available, so you may need to hire and then develop promising people.

Organizations should, at the very least, review their high-level leadership requirements every two to three years and develop a plan that can answer the following questions: How many people will we need, in what positions, in the next few years? What qualities are we looking for in those people, and how will we know when we find them? What will the organizational structure look like? What does our pipeline need to contain today to ensure that we can find, develop, and support the leaders of tomorrow?

One firm that excels in this area is Intuit—the software company best known for products like QuickBooks and TurboTax. Taking a page from the best analytics practices of Harrah's (see "Diamonds in the Data Mine," HBR May 2003), Intuit has built a proprietary database that combines information from various hiring pipelines (such as internal-mobility figures, employee-referral programs, and external-recruiting yields) with additional data on anticipated attrition and business unit budgets to predict how many people, including top executives, will be needed annually throughout the organization. In this way, Intuit has been able to correctly predict more than 90% of its talent needs, which has greatly reduced its recruiting costs and smoothed its employee transitions.

Step 2: Specify the Job

Most companies rely on a leadership competency model to help define the attributes they want in their managers. These models typically emphasize generic leadership skills, such as strategic thinking and articulating a vision, as well as abstract character traits like courage, humility, and drive. Combine these ideals with industry experience and a proven track record, so the thinking goes, and you have a perfect leader.

The problem, of course, is that there's no such thing. If a new high-level executive is to be more than a flash in the pan, a company must define the particular job skills it needs, and recruit and judge candidates accordingly. The May 2006 HBR article "Are Leaders Portable?" laid out a systematic way to consider the full range of skills that a high-level job would require, called the "portfolio model of human capital." Our research suggests that hiring is greatly improved if companies employ the model's basic tenets as a template:

Job-based competencies.

What specific capabilities will this job require over the next few years? Will the focus be on growth or on engineering a turnaround? Does it require someone who is fundamentally an entrepreneur, a manager, or a leader? If this is a stretch opportunity, can the candidate grow into the job? What are the next jobs he or she is likely to move into, and what capabilities may be required for those positions?

Team-based competencies.

Does the candidate have the skills to lead his or her prospective team, and how do they overlap with other members' skills? How will the applicant manage resistance or political dynamics? Will the individual need to hire additional people to build out the team? If so, can he or she bring in other talented executives?

Firm-based competencies.

How well will the candidate fit into the organizational culture? Will this person flourish with the resources (supporting talent, technology, organizational reputation, and so on) the organization can provide? If the person comes from a more resource-rich environment, can equivalent support be provided, or at least can the candidate be helped to adapt to less?

Step 3: Develop the Pool

You'd think it would be obvious that the wider you cast your net, the greater the likelihood of finding the right person for the job. But in fact, research from the Center for Creative Leadership has shown, nearly a quarter of the time (one in four cases!) the executive selected was the only candidate considered. That's a pity, for in talking to many prospects companies gain valuable information about ways different people would tackle the job, and they benefit from thinking afresh in each case about which skills the job truly calls for.

In casting that net, it's important to include a group that Joseph Bower in a November 2007 HBR article called "inside-outsiders." These are internal candidates who are nevertheless not bound by corporate tradition and ideology and so may have a more objective view of the organization. A likely prospect might come from an international branch or may manage a line outside the company's main field. The CEO of a multinational bank told us that he was particularly proud of having promoted some expatriates who had been "forgotten" by the organization.

By extension, another category of candidate to include is the "outside-insider"—that is, a former employee; a customer, supplier, or adviser to the firm; or someone who has worked closely with a trusted insider. Any top-*x* search, then, needs to contain a mix of insiders, inside-outsiders, outside-insiders, and true outsiders.

The most effective strategy for sourcing is to think not only about candidates themselves but also about people who may know the best ones. Rather than waste your time calling too many irrelevant prospects, talk to individuals who are likely to suggest several high-quality candidates right off the bat. The best leads will come from suppliers, customers, board members, professional service providers, and the like. Amgen CEO Kevin Sharer puts out an "all points bulletin" whenever he's looking for senior talent—reaching out to recruiting firms, consultants he has used, industry associates, and board members. This strategy helps him identify great candidates and also find further contacts who can connect him with new prospects. As effective as this approach is, we've found few CEOs and senior executives who get as systematically and personally involved as Sharer does in the generation of candidates.

This network-sourcing strategy is equally powerful for internal candidates. Research studying the career paths of middle-management executives at one *Fortune* 100 firm, for instance, found that 14% of the people ranked by their peers as being in the top 30% (in terms of potential) rose to become corporate officers. Conversely, only 2% of those ranked in the bottom 70% did so. In other words, those ranked as high potentials by their peers were seven times more likely to make it to the top.

Additionally, we have observed that organizations are often extremely poor at promoting high-potential candidates across divisions, so it's important to make a special effort to break through silos to identify promising inside-outsiders working in other units.

How do you know when to stop looking for candidates? Surprising as this may sound, it has been demonstrated both empirically and theoretically—whether one is searching for CFO or a mate—that the simple decision rule of "meeting a dozen" will work well, even when you are sampling candidates from a very large population. Once you have 10 to 12 carefully generated, high-quality candidates, you should move to the next step.

Step 4: Assess the Candidates

A few decades ago, a number of consumer goods companies applied mathematical models to quantify the expected value of their advertising investments. These same models can be applied to assess the effectiveness of the recruiting process. They allow you to quantify the expected profitability of investing in generating more candidates, improving your assessments, reducing the compensation of hired candidates, and reducing the operating costs of your recruiting practices.

The most important finding from the application of these models is that improving the quality of assessments is three times more profitable than increasing the size of the candidate pool—and six times more profitable than getting the chosen candidate to accept a lower compensation package. A good assessment yields more than a good candidate—it can actually improve the company's bottom line and market value in a very significant way. Specifically, a company can increase its yearly profits and market value by about a third through the disciplined generation and assessment of candidates for a CEO position. The typical cost of a search (with or without professional external recruiters) is negligible when compared with the expected return on investment in candidate assessment. Even for a small company—say, one with a market value of $100 million—a 10% improvement in the quality of candidate assessments would have an expected return of almost $2 million in additional profits per year and mean an increase in market value of $30 million to $40 million.

Of course, if judging people accurately were an easy task, there would be no need for executive search consultants (or, perhaps, divorce lawyers). Assessing people for complex positions is inherently difficult for several reasons, including the unique and changing characteristics of many jobs, the challenge of assessing intangible traits, and the time constraints of many candidates.

To complicate things even further, what is usually called the "assessment process" is in reality three separate practices, with three different objectives. One goal is to evaluate the candidates. A second is to sell the position and the organization to highly attractive candidates, especially those who may be wary. A third is to build organizational consensus on the suitability of the new candidate, particularly if he or she is external.

Each of these objectives can conflict with the other two. Too stringent a focus on assessment can leave a candidate feeling judged and unenthusiastic about the firm. Too great an emphasis on selling may make candidates feel that you are desperate and that they are in a position to drive a tough bargain. Too hard a push toward consensus by involving layers and layers of people and many interview stages invites internal politicking—and may also drive away attractive candidates whose schedules, or need for confidentiality, won't allow for a lengthy decision process. Avoiding these pitfalls requires the following four elements:

The right interviewers.

A robust assessment process follows a sequence of steps. We believe that the first is to select a small number of individuals—typically the hire's prospective boss, the boss's boss, and the top HR manager—to conduct the interviews and check references. It's critical to note that *it's more important to choose the right assessors than to focus on the assessment technique*. Getting the wrong people involved in your hiring process increases the risk not only of hiring an unsuitable candidate but also of rejecting a good candidate. The worst interviewers actually have a slightly *negative* effect—that is, following their recommendations will lead to a worse decision than simply hiring a candidate from the pool at random.

> The worst interviewers may very well recommend a candidate who's less qualified than one hired at random.

There are a host of reasons why this might be so. Interviewers may enter into the process with the wrong motives: Some people, for example, don't like to surround themselves with strong, high-potential colleagues. Interviewers may also be subject to a whole series of unconscious psychological biases, including a bias toward people like themselves. Interviewers who are themselves weak managers, for instance, may rate highly candidates who are weak in the same way they are and, worse, rate strong managers as poor simply because they are different.

The best interviewers are deeply familiar with the range of experience and skills the position requires and are sufficiently self-confident to look for the best possible candidates, even those they may deem more talented than themselves. They possess a high level of emotional intelligence and the ability to decode nonverbal behavior. They are masters of self-control—and great listeners. Of course, it's difficult to find individuals who can fit this bill, so companies have a choice. They can "empower the knowledgeable"—those who already demonstrate some of these skills and have been educated and trained in assessment (possibly because they work in HR). Or they can follow an even more promising strategy, which is to "educate the powerful"—that is, make sure senior managers and executives are properly educated in making great people decisions.

The right number of interviewers.

Given the importance and difficulty of assessments, you may naturally be tempted to involve a large number of interviewers. That, however, would be the wrong strategy in today's world, where exceptional talent has become scarce. The greater the number of filters you include in an interview process (in which, for example, each successive interviewer can eliminate a candidate), the more you reduce your risk of hiring the wrong person—but also the more you increase your risk of rejecting the right one. Probabilistic analysis shows that three independent top-caliber interviewers are enough. With the right skills and motivation, they will help you reach a high level of accuracy in your assessments while still maintaining a low probability of losing exceptional talents.

The right techniques.

Properly structured interviews and reference checks will help you achieve reliable assessments. We recommend a particular type of structured interview, called a "behavioral event interview," followed by thorough reference checks that fill out the picture.

Behavioral event interviews are far more effective than unstructured interviews or those in which standard and general questions are asked about a candidate's strengths or weaknesses. With some training and practice, even an intelligent novice can master the basics. The interviewer should ask candidates to describe specific experiences they've had that are similar to situations they'll be facing in your organization. For example, you might say, "Describe a time when you needed to work under an intense deadline," or "Tell me about a situation in which you managed conflicting interests among your colleagues," or "Explain how you saw a new product through to completion." The assessor should probe for details of the candidate's exact actions and reasoning at the time. The candidate should not be allowed to discuss hypothetical scenarios or make vague statements about what "we" did. The objective is to find out whether the individual's past reveals the specific competencies you're looking for.

After the assessments have been completed, it's important for the interviewers to come together and have a rigorous, disciplined conversation about the evidence. This conversation should not be allowed to veer off into vague discussions of overall impressions or of how well everyone hit it off with the candidate. Some companies that excel at recruiting require all interviewers to score candidates on a matrix of specific attributes. They then tabulate the data and gather to review their combined ratings, explore differences in their judgments, and arrive at a consensus on which candidates should be finalists. This process naturally results in a bias against including any candidate about whom a strong consensus cannot be reached.

Given the fallibility of memory and the human tendency to overestimate one's own ability and achievements while being interviewed, it's important to balance interviews with formal reference checks once the initial pool has been reduced to a few strong finalists. In general you will want a broad spectrum of references. A boss in a former job can attest to how well a candidate can think strategically or get results. Former peers can discuss the candidate's ability to influence and collaborate. And former direct reports can reveal leadership traits. Again, ask about specific things the candidate did, particular tactics chosen, and actual results achieved, so you can put his or her attributes and achievements into a day-to-day context. You should go out of your way to get permission from the finalists to speak with truly relevant people, not just their friends. At this later stage, a candidate risks less and has more to gain in giving permission for such assessments.

There is an art to getting referees—who may be loath to say disparaging things about their colleagues—to speak frankly. Asking specific questions is one safeguard. In addition, you should point out that it does no one any good if the candidate gets hired but then fails. You could also add that of course no one is perfect, and honest replies will help in integrating the successful candidate into the job. Finally, if the position is senior and the reference is critical, a top executive should meet in person with the referee.

The right organizational support.

Once you are convinced that you have one to three highly qualified candidates, it's time to start exposing the finalists to a few key stakeholders who have been properly briefed about the position's requirements. It's important here to ensure that these people hold no conflicts of interest and can evaluate the candidates objectively. They should review each prospect's relevant skills, as well as the detailed assessments, to avoid rejecting the right candidates for the wrong reasons.

How does that happen? First of all, people commonly assume that an impressive educational background or years of experience in senior positions at a great company are almost a guarantee for success on the job. GE alumni, for instance, are usually thought to do very well as CEOs elsewhere. They all have great academic credentials, and of course GE is a factory of senior talent. But when they didn't have the right mix of competencies needed for the specific jobs they were hired to do, a number have actually destroyed significant value when becoming CEOs of other companies.

Second, many people fall into the first-impression bias and very rapidly (in a matter of minutes, or even seconds) reach a conclusion, pro or con, about the candidate, based on snap judgments. As a result, during most of the interview they just seek selective confirmatory information from the candidate's background rather than keeping an open mind. And, third, it's possible that an interviewer does not conduct the search in good faith for political reasons.

Ideally, once they're satisfied that the finalists have been selected for the right reasons, the three principals (the boss, the boss's boss, and the HR executive) should reach a consensus on who is the best of the finalists. Ultimately though, the direct boss is the one who should make the final decision. Every manager should have the right to hire and fire—and of course be accountable for his or her decisions.

Step 5: Close the Deal

Having found the candidate of their dreams, too many companies fail to close the deal. If you are ambitious enough to try to attract the best candidates, at least one out of five will be likely to turn down your offer. And the situation is even more intense in the most attractive growth markets, such as China and India, where the talent pools are extremely limited for their size and growth rates. There, candidates are blessed with options; we frequently hear of individuals receiving three, and even four, job offers.

What factors determine whether or not the top candidate will accept your offer?

The organization's commitment.

Many executives in our survey think financial compensation is the linchpin in recruiting. But closing the deal is not just about money; it's also about demonstrating to candidates that the organization is committed to their success. No high performer wants to take a new job only to be demoted, downsized, or left to flounder in organizational quagmires. A personal show of commitment by the CEO is essential: By taking the time to share his or her passion about the company and the position with the candidate, by expressing a sincere interest in the project and the person, and by genuinely understanding the candidate's motivation, concerns, and long-term fit with the organization, the CEO can send a powerful message that the company cares.

The job.

In their desire to close the deal, many managers present only the positive aspects of the job. This is a mistake, for research shows that a realistic presentation of both the opportunities and the challenges of a prospective position results in higher offer-acceptance rates, better post-employment job satisfaction, and lower turnover. Candidates want to decide for themselves whether they will be able to cope with the challenges they may face. This doesn't mean dwelling on the downside. To communicate the positives, a successful hiring manager could borrow a page from John F. Kennedy's playbook and ask not only what the candidate can do for the job but what the job can do for the candidate—and then take whatever steps are necessary to make sure the job holds that potential. Managers should also clearly differentiate the opportunities at their firm from those of competitors. The value proposition might range from flexible job design and job rotation to nonfinancial benefits, advantages in the culture, and growth and development opportunities.

The boss.

It's well known that employees do not leave jobs; they leave their managers. Inept managers not only do their own jobs badly, they also destroy the performance (and potential) of the people around them. In their book *Hard Facts, Dangerous Half-Truths & Total Nonsense*, Jeffrey Pfeffer and Robert Sutton review the research on organizational climate over the past half century. They found that "60% to 75% of the employees in any organization—no matter when or where the survey was completed and no matter what occupational group was involved—report that the worst or most stressful aspect of their job is their immediate supervisor."

"Abusive and incompetent management," Pfeffer and Sutton continue, "create billions of dollars of lost productivity each year." And study after study, they conclude, "demonstrates that bad leaders destroy the health, happiness, loyalty, and productivity of their subordinates." Because of this, the hiring manager must demonstrate commitment by being heavily involved in the closing stage of the hiring process, rather than delegating this last, critical step to HR.

Compensation.

How much should you pay to get the best candidate? Aside from considering the comparable market rate for the position and the prospect's past salary, there is another important benchmark—the current state of compensation within the company. If you break the bank on an outside person and the amount is discovered, existing staff can feel devalued and demotivated. It’s also important to structure the new employee’s compensation with an eye not only to immediate effort but also to sustained performance. This goal usually calls, of course, for striking a creative balance among salary, bonus, and long-term incentives, such as restricted shares.

Step 6: Integrate the Newcomer

The recruitment process doesn’t end after the deal has been closed, although most companies think it does. Our research shows that many firms take no steps at all to ensure that new employees are integrated into the company’s culture. Many hire experienced professionals, expecting them to be “plug and play.” Typically, the entire integration “strategy” consists essentially of signing up the promising candidate, making the necessary introductions, and hoping for the best.

But talented new hires should not be given the freedom to sink or swim; more often than not, they sink. We found that 40% of new C-level hires who departed within two years did so because of integration difficulties. Turnover was highest in positions requiring the greatest level of integration. (The COO, for example, is far more dependent on establishing relationships throughout the company than is either the CTO or the CFO.) Similarly, a fall 2007 survey of 2,000 HR and training executives conducted by Novations Group found that a third of employers lost between 10% and 25% of all new employees within the first year. The main reasons respondents gave for employees’ departures were (in order of importance): the company’s unrealistic expectations, failure to grasp how things get done around the organization, poor communication with immediate supervisors, failure to develop a sense of belonging and purpose, inadequate technical skills, not understanding the link between their job and the organization, and failure to connect with key employees.

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In general, organizations that systematically integrate new employees enjoy lower turnover, and the recruits report greater commitment and job satisfaction. The most successful firms move quickly on several fronts to orient newcomers to their own departments and to other parts of the firm. Such companies begin integrating new hires during the interview stage, before they ever come to work. In the first few months, these organizations make sure the boss and HR manager check in regularly with each new recruit, just to see if everything is going well. In some organizations, detailed integration plans are developed similar to those used for acquisitions, complete with specific milestones and backed up by regular progress reports.

The best firms assign each new top-*x* a mentor, usually an established star in the organization. A veteran of the company's culture can serve as a valuable reality check until the newcomer becomes fully culturally literate. We recommend that companies identify and secure commitment from strong potential mentors before a new hire is brought on board. The mentor's role should be understood to be ongoing, not just a quick "buddy" fix to make the newcomer feel at home. Organizations should mandate that new leaders formally check in quarterly with their mentors, their bosses, and HR for the first year or so, no matter how well they're performing. They should analyze progress against expectations by asking four basic questions: Is the new hire getting adequate support? Is he or she developing the right relationships within the organization? Does the new manager understand the business model? Is there evidence of progress? In the absence of regularly scheduled check-ins, a new hire might be reluctant to ask for help, for fear of losing face. It's important that mentors be trained to give feedback and handle difficult conversations appropriately—that is, to be coaches rather than cheerleaders.

Step 7: Audit and Review

A great recruiting and integration process will minimize, but can never eliminate, the chances of making a hiring mistake. When that happens, best-practice firms act quickly to remove bad hires—that is, within the first year. One year may not be enough time for a new executive hire to forge any great successes—but it's plenty of time to demonstrate ineptitude.

To improve what might be called your “hiring batting average,” it’s important to regularly audit and review your recruiting practices. Some of the best IT-software companies—including the Indian firms Infosys, TCS, and Wipro—take auditing and review of all their recruiting practices as seriously as they do oversight of their financial systems.

In addition to evaluating your new hires, try to find out what happened to the other internal and external finalists. Though it’s hard to tell how the candidates who were not hired might have fared had they come on board, it’s still instructive to see how well they’re performing in their current roles relative to the candidate who got the job. Does this comparison give you confidence in your decision—or give you pause?

Periodic reviews can also help identify those in your organization who are particularly adept at assessing talent. In fact, rewarding your assessors (and, conversely, holding them accountable) for the quality of their evaluations will motivate them to improve next time.• • •

Companies can and must do better at filling top executive positions than they have up to now. Our hope is that, by following the recommendations we’ve laid out in these pages, organizations will be able to set the bar higher, reevaluate their recruiting processes, and make “talent management” a reality rather than an empty phrase.

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