

Executive recruiting: If you lie down with dogs ...

The recent Al Dunlap episode underscores how badly broken is our system of recruiting and qualifying middle and top managers. Reference checks by professional recruiters had failed to turn up two prior terminations of the man known affectionately as Chainsaw Al. I would argue that the multiple costs of making



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such poor hiring decisions are the greatest drain on U.S. business resources. As all managers know, there is no greater and more productive outcome in business than to hire the right person for a key leadership post. Conversely, though, there is no more costly blunder than hiring the wrong person for the job. The hard costs, such as recruiting expenses, moving expenses and severance are actually the least of it. It's the lost opportunity costs, the broken customer trust or the dispirited morale left behind that are the greatest costs. Faulty recruiting practices and resultant poor hiring decisions simply cost American businesses billions of dollars every year.

We all know the standard drill. The head of marketing slot has been open for six weeks and you need someone now. You've hired a headhunter who's turned up some warm bodies, but no one has clicked.

Then, finally, someone turns up who "looks pretty good." Sure, you have some doubts, but the skills line up pretty well, you're swamped and you want to move. The story on their last job change is a little

odd so you know the reference checks are important. What do you do?

You're buried on other seemingly more important matters so you get the person's four-name reference list, make one call yourself and ask the recruiter to make the other three. At this point, have you improved your chances of hiring the right person? No. In fact, you've turned the filling of a crucial slot into little more than a random process. If you hire the wrong person for this \$150,000-a-year job, it will take you three months to figure it out, three more months to make a change, lots of china will be broken, and your all-in cost for the mistake will be on the order of \$1 million or more. How can you increase the odds of success?

■ **Get a real reference list.** Require that the reference list has at least two people from every prior job, including the person's direct boss in every case. You'll find most lists have one former boss, a college pal and a co-worker or two. That's just not good enough.

■ **Go way beyond the reference list.** Folks, the names on the reference list are there for a reason: They'll say good things! They'll give you nearly no useful data. We already know what everyone on the list will say. Weaknesses? The only one is that the person works too hard. So think of the reference list as only a start. Our firm requires 10 references not on the list. You find these names by researching past jobs and by asking every reference you speak with "Who else can I talk to about this person?" You'll get other names, and now you're off to the races with real and useful references.

■ **Listen carefully, not selectively.** Often when doing reference checks, you

want so badly for the person to work out that you only listen for the good things. You're only shorting yourself and your organization. Be tough and direct. Even better, ask someone who has no vested interest in the hire to make several calls, like someone from another department. It's a headache, but no work is more important for the company.

■ **Don't rely on recruiter references.** I'm not trying to impugn recruiters, but don't rely entirely on their reference calls. What's their motivation? They want this candidate to work out so they can move on to the next hire. It's just human nature.

■ **Do background checks.** Hire a background firm to check the candidate's financial and litigation history. It's all publicly available and it's standard practice to check it out. You may find the candidate is very litigious or over-leveraged on credit cards. This is very useful data.

■ **Professional assessment.** For high-level managers, it's worth asking them to submit to professional assessment, which is conducted by a special unit of major recruiting firms. Here the executive submits to three hours of written exams and four hours of interviews with industry pros and an industrial psychologist. They may not like it but the report is always illuminating and ultimately the exec finds it valuable. If they don't want to do the test, you should pass on the person.

The reference-checking process simply needs to be disciplined and professionalized. People make business happen, period. But human capital mistakes are, by far, the most costly, and all efforts must be made to avoid them. That way, perhaps you'll avoid hiring the next Chainsaw Al.