A CEO, Economist & A Gambler Walk Into A Casino…

WHY UNIQUE STATISTICAL DATA IMPROVES TALENT ACQUISITION STRATEGIES

By Russell Riendeau, Ph.D., & Timothy J. Tolan

Did you hear this one?

They're all sitting at the big stakes blackjack table --$10,000 a hand. Serious coin. The gambler is dealt a queen of diamonds and 4 of spades--14. The economist holds a 10 of hearts and 8 of clubs—18. The CEO draws a 5 and 3 of hearts –8.

"Hit me!" says the gambler to the dealer, "I'm feeling lucky."

But before the dealer can push a card to the gambler, the economist says, "My friend, I don't mean to intrude, but I'm an economist. I deal in numbers, probabilities and historical data to predict trends. I know for certain that the odds are over 61.5% that you will go bust. Luck is not a logical strategy in my world if you want to win."

The gambler motions to the dealer to give him his additional card. He politely smiles at the economist, while taking a sip from his scotch, neat. "You are right, my friend. Luck is not a strategy, but strategy is part luck. That's why I own this casino. I believe in strategy and my customers believe in luck. They don't blame me if they lose, and they love me when they win. It's a failsafe business model. And even you, my economist friend, want to believe-- just for one night-- that luck will prevail over odds. 'Luck,' is simply a more optimistic word than 'odds.'"

The gambler then turns over his new card: 7 of diamonds. 21—and $10,000 is now in his pocket. "Well, well. Seven is my lucky number!" the gambler says to no one in particular and walks away.

The CEO folds his hand, tips the dealer, and leaves. He steps outside and makes a call to his private equity company: "We need to diversity our portfolio--more casinos."

Who are you in this story?

1. The gambler? He needs to win. It's what his identity is about. Beating the odds, tempering his hunches, and being in the present. He can only influence the here and now. Single-minded, few distractions. His business model is build for a short term approach.

2. The economist? Convinced big data rules all. Calculated risks are the only way. He draws satisfaction from seeing the data align, or from predicting what could or did happen, or may happen again. Human emotion can be measured, he believes. Luck is unpredictable and unexplainable to a degree. His business models are built for a longer term approach.

3. The CEO? Carefully collects information. Watches the patterns of behavior and the goals of others. He plays the odds while tempering his decisions with input from his team. Relies on a calculated approach to making the decision and committing, even though the outcome may not be clear or predictable. He is willing to cut his losses and walk away, but knows the clock is ticking for him to show positive results. His business model is built to show profitable results for the shareholders during a CEO average four-year term approach.

As you guessed, most business leaders see themselves as the CEO in this amusing vignette. It makes sense and confirms the right person is in the right job. Phew! Glad we got it right.

In business, CEOs are asked to play the odds and take risks on decision-making that will impact their business success, revenue, employees and shareholders. CEOs know this. They're paid a lot of money to take the heat. CEOs are numbers oriented. They have to be. Ambiguity doesn't hold up to pressure and only what gets measured gets done. That's why they signed up for the job. They like the table, the stakes, the odds, and the game.

And even though they fatigue and even get sick from the high stress and long hours, CEOs still stay at the table. They are not yet ready to leave the place. Why? Because they believe there could be something larger to win. Whatever that "something" is, that's what keeps them in their CEO chair. This is their psychology. That's why we, as share holders and employees, want them at the wheel. We need their drive and commitment as much as they need us to champion the company, do the work, and make it thrive. We're taking our own gamble . . . calculating our own odds and weighing our own risks . . . when we stay in our job and stick with the CEO's vision.

What Statistics Suggest About Talent Acquisition

Numbers don't lie…or do they?

Here is where it gets interesting. When it comes to recruiting top talent, to evaluating and determining best-in-show candidates for specific roles, field data (including both current data and historical trends) suggest CEOs *don't* play the odds as often as we might think.

While these CEOs are well-educated, well-intended, well-seasoned hiring managers, relying on well-honed (though sometimes over-used) instincts, they often appear to behave much like the gambler archetype. (The majority of hiring mangers also fall into this profile.) The CEO depends on luck (although it's not intended or labeled to be "luck"), initial impressions, rules-of thumb, "gut feel," simplistic evaluations, and unchecked referrals. In addition, these CEOs will allow this same candidate evaluation approach to trickle down to the hiring managers at all levels of an organization. Gamblers are in the house! So then, what are the implications of this approach? Even with successful, profitable companies, we see failures at different phases of the hiring process, increased turnover, job dissatisfaction, etc.

In the old economy (2003-2007) "profits hid sins." These sins were around dysfunction in accountability, tolerance of poor performance and lack of good hiring procedures. However, due to that strong economy and profits, the dysfunction didn't overshadow the profits, these sins continued until the recession revealed the sins and all came to a grinding halt. Resetting the systems then came into vogue.

Freakonomics, a bestselling book in 2005, written by an economist, ironically, Dr. Steve Levitt, and co-author Stephen Dubner, argued that "conventional wisdom" is neither conventional nor wise. With convincing case studies, they delivered evidence that conventional wisdom may ignore the facts and the truth. The book suggests that we believe what we believe because we want to make sense of something. We are even willing to manipulate our internal compass of right and wrong, fair and unfair, fact and fiction, or judgment and reason to conform with an answer that allows us to accept someone, some fact, or some event. But their findings were so counter-intuitive, so antithetical to pragmatic logic, that many readers objected to them vehemently.

We are emotional creatures and human connections are as much about emotion as they are about logic and pragmatism. It is difficult to separate emotions from logic or even from proven facts. You and I will more often make a decision favoring our emotional construct without regard to the logic or facts of the situation. Stubbornness can be labeled as: Don't confuse me with facts, my mind's make up.

In defense of CEOs, it's not that hiring executives ignore, rebuff, or don't believe the data regarding better hiring decisions. Evidence suggests executives simply don't believe they have the time to use the data and tools available, or they are unable to interpret the research correctly to help their team make better hiring decisions.

Today, one over-arching theme for business leaders experiencing a successful period of business growth would suggest, given their status and success as a leader, that *surely they must be doing a great job to this point—even without following the data as judiciously as possible. So why change?* American business leaders wouldn't label this phenomenon as arrogance. They might label it "reality" or "logical consequences of success."

Imagine, for a moment, how much more successful a hiring manager could be by integrating more data and processes into hiring practices. Imagine how much more effective, non-CEO hiring managers and new managers would become if they were better educated in effective interviewing techniques, and the use of statistics to make better informed decisions. Imagine how you personally, would experience more success and wealth by becoming a more effective, insightful CEO or executive.

As we now approach another new, mid-decade benchmark, technology allows any person in America to gain access to big data/small data/micro data that can immediately impact better hiring decisions and evaluations of talent. LinkedIn, Facebook, and other business social media sites are only a few of the many other sources for data on:

- human behavior patterns
- persuasive psychology elements
- decision-making
- negotiation strategies
- thought processes of different
- cultures
- ethnic groups
- religions
- genders
- races
- endorsements by former supervisors or peers (LinkedIn)
- income brackets
- consistency in chronological job history compared to their resume
- education levels
- stress-related behaviors

Any data on these topics is a click or two away with a Google search.

For example, consider these findings related to education available, but not utilized:

- Only 25% of sales professionals spend at least 15 minutes preparing for/doing research to customize a sales call or presentation. The other 75% do little or no preparation.
- Successful sales professionals carefully and thoroughly do pre-call homework and pre-call planning for every sales call on a decision maker. They spend at least three hours planning a 15-minute sales call according to writer Jeffrey Fox (Secret of Great Rainmakers). Rainmakers never "wing it".
- Less than 20% of executives have received professional interview training in the past 5 years (East Wing Group survey, 1988, 2000, 2012 and survey of 30 Vistage member CEOs).

- The American Management Association (AMA), the largest training organization of its kind on the planet, with over 140 courses offered, does not offer a business course solely dedicated to teaching in-depth interviewing skills to hiring managers. The AMA's syllabus for its Human Resource Manager course states it will cover "basic interview questions" (AMA, www. http://www.amanet.org/training/seminars/Recruiting-Interviewing-and-Selecting-Employees.aspx#how_will_you_benefit).
- The Society of Human Resources Managers (SHRM), the largest HR professional membership organization in the world, shows no specific courses available for keyword phrase "interview training skills," or similar phrasing. http://shrmstore.shrm.org/seminars/catalogsearch/result/?q=Interview+skills+training. The course description mentions interview techniques with little more than question templates and some theory.
- In another empirical survey, conducted by these authors in 2012, suggests over 65% of HR Managers in publically-traded companies were reluctant to allow search partners (agencies, retained and contingent search firms that the HR manager had agreed to work with) to actually meet or speak with the hiring manager who ordered the search. This phenomenon may happen because the hiring manager doesn't want to be bothered, is too busy, or is not engaged. Or it may happen because the HR Manager is afraid of losing control of the search. Both are viable hypotheses. In any case, the successful outcome of the search diminishes rapidly when the interviewer has no relationship or understanding of the hiring manager's expectations.
- Fewer than 20% of managers and sales professionals have read or listened to a business bestseller on new leadership concepts in the past 36 months.
- Average job tenure at companies is approximately 3 years for private companies and 5 years for publically-traded companies (Bureau of Labor & Statistics). Most vesting programs and job promotion planning is built to extend beyond 5 years, thereby creating frustration and turnover by higher-functioning employees.

The above statistics have barely moved since 2008. Tolan and Riendeau, along with Ginni Garner, addressed these same challenges and data at the beginning of the recession in the book , *The CEO's Guide To Talent Acquisition* (Eyecatcher Press).

"So What?" we say.

Let's invite the devil's advocate to dinner for a moment.

What if you and I are skeptical of the above facts? What if, for example, all the above research is skewed 50% to the negative side? That is, what if the *real* conditions are 50% better than the above figures show? The adjusted results are still lower than one would expect in a capitalist marketplace.

Even with a 50% improvement, there is still an imbalance in proactive professional development and on-going skills training amongst the business community at large. The reality of business today is this: Not enough time and monies are being committed to managerial training and to the intelligent use of data to remain competitive.

Can we imagine the added success of any company, any leader, any sales professional, if they were to increase the level of their skills, training, and preparation? How would turnover be reduced? How would workplace stress decrease? How would incomes move higher up the chain? How would customer/employee satisfaction improve? How would shareholders react? What would Wall Street say?

What Proven Approaches Can be Added To Talent Evaluation?

Potential employees are interviewed--and hired--by the CEOs and their executives down the line.

1. Are they using performance data, evaluation templates, or psychometric testing?

2. Are they comparing age/income ratios?

3. What about an earnings history? Is a W2 demanded to prove prior income before extending an offer?

4. Are finalists required to make strategic planning presentations or demonstrations? A 30-60-90 day plan is always a good exercise for future recruits to present to the hiring team. It gives you a real sense of their writing style and their presentation skills to a live audience.

5. Are they using multiple interviews to vet candidate more thoroughly? Rarely are behavioral-based questions injected into the interview to glean more insights to inner motivation and drivers of success. A survey in 2013 by East Wing Group of over 100 companies, $10-$90 million in revenue, revealed only 25% had up-to-date job descriptions when beginning a search. Over 50% did not have a formal, written description to work from when comparing skills, traits and experience.

6. Are hiring managers required to take interviewer training?

7. For critical hires we suggest that the CEO (or hiring executive) actually participate in calling one or two of the finalist's references. It demonstrates the importance of the position and that the executive is fully engaged and places a high value on making those calls. Often when contacted by another executive, a reference will share more candid responses to provide you with additional information help assess the candidate prior to making an offer.

What Happens When Measurable Hiring Processes Are Implemented?

- When CEOs demand that all hiring practices include reviewing empirical data for the demographics involved, along with personal interview impressions that either support or deny consistencies with other examples, turnover reduces, success rates increase.
- When CEOs champion a consistent new hire interview approach, document all interview actions and materials for comparison/contrast, more consistent success follows.
- When CEOs empower and hold accountable every hiring manager to make the final call on who ultimately is hired, workplace morale, commitment and success follow.
- When CEOs reduce/remove consensus-based interviewing cultures to allow the hiring manager to make the final decision, CEOs are allowed more time to focus on the bigger picture and produce more promotable employees.
- When CEOs introduce these hiring methods and criteria, overall performance is enhanced in every department.
- When CEOs act swiftly to resolve issues with troublesome workers and dismiss unproductive workers who show little proactive behavior to improve, all productivity rises.
- When CEO's take a top down approach to on-boarding a candidate the results can be quite compelling. New hires need a very specific road map to get them up to speed on their new role and this has to be a top down initiative by the CEO.

It takes all types of leaders to create a balanced, viable business community. Be it a combination of CEO, economist or gambler —all have qualities that, blended with intelligence and strong resources, will always thrive. It takes courage to make changes and implement systems and processes around hiring the best talent. Luck is not a strategy, yet strategy has luck built into the odds.

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