



# Fact Finder

HRA Services, Inc.

May 2006

“ . . . helping organizations find solutions to people-related problems”

## **IMPROVING YOUR ORGANIZATION'S HIRING PRACTICES**

Mark Murphy's "Hiring IQ" in *Leadership Excellence* recently underscored some interesting statistics:

"We studied 5,247 managers who hired more than 20,000 people, and found that 46 percent of newly-hired employees will fail within 18 months, while only 19 percent will achieve unequivocal success.

Technical skills are not the primary reason why new hires fail; instead, poor interpersonal skills dominate the list. Some 26 percent of new hires fail because they can't accept feedback, 23 percent because they are unable to understand and manage emotions, 17 percent because they lack the motivation to excel, 15 percent because they have the wrong temperament for the job, and only 10 percent because they lack the necessary technical skills.

The failure rate for new hires should not be surprising: 82 percent of managers report that in hindsight, their interviews with these employees elicit subtle clues that they would be headed for trouble. But managers lack the training to diagnose and probe these warning signs."

While these observations would seem surprising to many managers, empirical and anecdotal evidence support the fact that many managers confess discomfort with their interviewing skills and their confidence in being able to identify applicants suited to the job and likely be successful in meeting position requirements.

As Mark's experience illustrates, one dominant factor is the failure of the manager to clearly identify the non-technical job specifications—that is, the emotional intelligence specifications for the position. All too often, these

are somehow relegated to just "subjective personality" issues, when we know they are a major predictor of performance success. Experience suggests that a significant portion of the 54 percent who are not identified as failing in the first 18 months fail during the subsequent 2 to 10 years. It's quite common when these latter-day separations occur that the manager when asked when performance began to decline will observe that it never was very good.

Initiated about five years ago, HRA Recruiting Support Services is designed specifically to address the issues identified above by building the skills and processes organizations need to optimize hiring at any level. It begins with a strong emphasis on getting the recipe right at the outset and then putting in place the disciplines and skills needed to rigorously examine applicants against the requirements, technical and non-technical.

If your managers are not skilled and confident with their current "hiring IQ," call us so that we can tell you more about how to optimize your organization's chances of hiring success and minimize your opportunities for longer-term employment relations problems.

## **EMPLOYER RESPONSIBILITIES: INTERNET AND EMAIL**

A recent New Jersey case continues to introduce questions regarding employer obligations to monitor and police employee use of Internet and email and protect against associated legal liabilities. While this area of employer responsibility is still evolving, it is essential that your employee handbook clearly outline your organization's policies and procedures regarding how employees are to use the Internet and email as well as the company's obligation to monitor and police their use. Employees should also be aware that misuse of

these resources can also violate other company policies such as sexual harassment, discrimination, etc., and can result in disciplinary action including termination.

## GETTING COMPENSATION RIGHT

In conversations with clients over the past few weeks, base and variable compensation issues have been topics generating plenty of heat and some light. “How can we get, keep, and motivate good branch managers when some bank is building a new branch every time you turn around?” “The availability of financial institution talent is an even greater problem now that the merger-acquisition mania has subsided.” “How do we keep our sales force motivated to sell while building the management, team, and leadership skills needed to promote organizational integration and develop the kind of talent we need to ensure future business and leadership success?”

These are tough questions and are often compounded by demographic and generational considerations over which you have limited or no control. In designing compensation programs, creativity is always challenging and rarely without potential risks. At HRA, it is our continuing mission to help you and your organization succeed and prosper in the midst of rapid and unpredictable change. Like most management and leadership systems, compensation programs must fit your organizational history, culture, and current challenges, and it is usually a mistake to try to superimpose a plan that may have worked for a competitor. Organizations like individuals are unique and reflect unique combinations of puzzle parts that must be taken into account in designing effective organizational solutions.

HRA Compensation Services included:

- Developing new tailored exempt and non-exempt salary administration programs that focus on internal equity and external competitiveness

- Designing variable pay programs linking pay to performance
- Reviewing and updating your organization’s existing programs to ensure you remain competitive and in compliance with legal and regulatory guidelines
- Analyzing and evaluating suspected organizational trouble spots and developing innovative solutions

## TOP EXEC PAY PARALLELS COMPANY PERFORMANCE--SURPRISE, SURPRISE

WorldatWork published the results of recent study showing that last year’s top executive compensation closely correlates with corporate performance. The survey of 350 large public corporations was published in the April 10 *Wall Street Journal*. It includes observations that indicate that compensation committees are taking a more rigorous approach in granting executive increases in light of organizational results. Nearly one-third of the CEO’s surveyed received no increases last year. Total compensation, including base and incentives, rose 7.1%. The median annual increase in net income for companies in the study was 13%. Pay-for-performance initiatives are clearly in place and have become the standard for most corporate cultures.

As organizations continue to respond to pressures to promote transparency and sound governance practices at the top, boards and compensation committees are exercising greater control and oversight and making tough decisions that should begin to restore confidence in the principles of pay-for-performance and general corporate responsibility.

The *HRA Fact Finder* is published by HRA Services, Inc., to keep clients and business associates abreast of developments and trends in human resources and personnel management and is not intended to serve as professional advice on specific personnel and organizational issues.

## Specialist in Human Resource Management Consulting

Leadership Development  
Compensation Planning  
Board Development & Evaluation

Employee & Manager Handbooks  
Outplacement Services  
Succession Planning

Organizational Development  
Executive Coaching  
Recruiting Support

If you have questions or further interest in any of these subjects, please call.