How to Prevent the Three Biggest Mistakes in Early Recovery

As the recession shifts modes from "*Oh, no, we're all going to die*" to "*a long trudge back*," I see many businesses stabilizing.

The majority of my clients are not in manufacturing, construction, or retail, so their dips were not as low, and they are in a much better position to forecast than they were even a few months ago.

If this describes your business, you are probably starting to feel the pinch of lean staffing and if you're strategic, you're also thinking ahead to how to position your firm or company for recovery. It may be the right time to begin leveraging the high jobless rate to your advantage, but don't shoot yourself in the foot doing it, as so many companies did after the dot com bubble burst.

Whether you're just dipping your toe in the water by hiring consultants and contractors, or taking advantage of the incredible talent available for full-time employment, it pays to know the biggest mistakes business owners and leaders make over and over again, so you can play smarter than everyone else.

Here are the three biggest staffing mistakes I see businesspeople make when the jobless rate is high, and how to prevent them:

1. *Sloppy interview practices.* This is the lowest of the low-hanging fruit. The philosophy of many businesses seems to be, "Well, interviewing is a crap shoot at best, and we're all pretty bad at it, so let's have all of us do it and that way we'll land the best candidate through sheer volume!" Uh, nope. Ain't gonna happen.

   What a colossal waste of time to have 15 people interview a candidate through five rounds of interviews. Try training folks on effective interviewing instead. The opportunity cost of having so many of your employees involved in an overhead activity that adds no value to your customers – oh, yikes, I don't even want to think about it.

   The April 2009 issue of the Harvard business review backs up what so many managers instinctively know but fail to do – extensive studies revealed that in fact, *there is no correlation between the number of people who interview a candidate and the quality of the hire*.

   If you and your team don't know how to interview effectively, throwing everyone on the task won't improve the outcome. The most wasteful situations I see are those involving consulting contracts (not consulting like I do, but "consulting" as in "this would be a full time permanent position if we could fund it"). To have 15 people interview someone whose contract lasts only three months is a colossal waste of limited resources.

Train your people to get the most leverage out of the interview process with the least investment. Minor investment, major return.

2. *Lowballing.* Let HR do their job of scouting out the going rate for each position be it temporary, contract, or permanent. In a number of fields and industries, salaries, fees, and wages are going down. In others, they're still going up, and in many professions, we see mixed directions.

   For example, CIO pay is way down due to an unprecedented supply of CIO's but the rank-and-file of IT remains stable due to a more balanced supply/demand ratio.

   Warning: after the 2001 bubble, we saw many employers lowball across the board. The end result: they got their talent on the cheap, the talent resented their employers, and they bolted for more money at the first sign of a recovery. Can you blame them?

   There's a sensibly frugal approach, and then there's the resentment-producing cheapskate approach – be careful to draw the boundary. No matter how grateful a talented person is for a job right now, a year from now things will look different, and two years from now they'll look very different. Those talented employees will be back in demand, and they'll start looking for a job that equals or tops their previous salary or wages. You'll train the best new people for your competition to snatch away.

3. *Imbalanced criteria*. The best consultant or employee will map well to your organization in three key areas: skills for the job, enthusiasm to do the job, and ability to work extremely well on your team, in your culture, and in the organization (warts and all). From my perspective, unless you are hiring a specialist who is extremely difficult to find, all three criteria should be afforded equal weight.

   For a minimum of 20% of your permanent hires, you should also be looking at their potential to move up in your organization or broaden their responsibilities. You may even radically want to consider that standard in your consulting and contract hires, since this often becomes a key pipeline for internal hires as a recovery marches on.

   Why? Despite the market setback, we are still going to see an increase in the number of retirements over the coming two decades. The baby boomers are an enormous generation in the developed nations. Even with boomers stringing out their retirements, they're not going to work forever, and now is the time to hire and grow their replacements.

The recession has actually given you an advantage here, in that they won't all call it quits on their 65th birthdays. Some will work into their 70's, but most won't. Prepare now, while you have a little breathing room, and you'll be rewarded with a competitive edge later.

Remember too that at the senior leadership level, imported talent fails at four times the rate of home-grown talent so the more you can create and sustain an internal pipeline, the less you will have to go to extraordinary lengths to integrate an external senior leader into your organization.

Care to talk more about a smart approach to hiring consultants and permanent employees? Call us at 415-595-3800 or email info@selbygroup.com.