"Recruiting is Changing"

The Impact of the
The Internet and The Economy

Roelf Woldring
www.wecrut4u.com
416-427-1567
roelf.woldring@wecrut4u.com

Contents

2013 Labor Day Commentary on the Radio

Breakfast radio this morning was full of items about Labor Day. One caught my attention. A commentator was talking about how Linked In and the Internet has changed the nature of work. She quoted the leader of a US based outplacement firm who claimed that 1/3 of all of the labor used by North American companies in the last year was contingent – contract, consultant, temporary – anything BUT employee. This expert also claimed that resumes were no longer of any use. They had been replaced by Linked In profiles and Facebook pages.

1/3 of all labor – that is a big number. The expert went on to predict that this was just the beginning. The use of contingent labor will continue to grow. Full time, and certainly, life long, employment will become a thing of the past.

I had two immediate reactions.

My first reaction was to the word "LABOR"

The whole way of thinking that is associated with the word "Labor", and indeed, with the phrase "Labor Day", is backward looking, industrial age thinking. It celebrates the past and what has been. It does not look to the future and what we can do. We live in the Internet Age. Industry will always have a place in it. But industrial age ways of thinking about people do not.

Think Talent and Your Mindset Changes

In contrast, I think about TALENT. If you do the same, your whole mind set changes. As a hiring decision maker:

1. You ask "How will this person perform in my organization? How will this person fit into our culture and environment?"

2. You start to look at a person's past as a guide to what that person can do for you in future.

3. You stop thinking about job descriptions and start thinking about performance profiles – the 5 to 7 things that the person must do well in order to contribute to your organization's future.

4. You stop thinking about competencies and start thinking about performance metrics – the ways by which you will know that the person is doing what you need.

5. You ask the people you are considering for a role to tell you about how they will behave in the future in your organization, not about what they did in the past in some other enterprise.

It is a major mindset change. Behaving it, as opposed to talking it, means changing the way you reach out to and evaluate people for your positions – whether as employee or contractor.

Many of today's recruiters, in-house and out-house, talk "talent". But the minute you begin to work with them, you find yourself answering questions about job descriptions and dealing with what appears on resumes. When you do so, you know that the recruiter is behaving "labor", not "talent". The question that you have to ask yourself as a hiring decision maker in today's world is "Is this the right approach for finding the talent that I need for this role?" It may be. It may not be. We are going to explore that a little later.

My second reaction was that recruiting is changing

For example, recruiting for employees and recruiting for contractors is NOW really the same thing. Recruiting is dramatically different in the Internet Age. But not for the reasons that the expert quoted above is claiming.

Recruiting is changing because of the growing importance of small to medium sized businesses in the economy. As well, recruiting procedures are changing because we now communicate over the Internet.

Like all such changes, parts of the old way of doing things are still in place, while the new way is spreading. That is causing a lot of confusion about the nature of recruiting. But things are really quite clear.

In Future - Four Kinds of Recruiting, Not One

Recruiting is no longer a single uniform body of professional skill and expertise. Instead, there are 4 different kinds of recruiting happening today. Each has its place.

Recruiting For Well Established Roles

1. **Recruiting for good enough people to fill well structured roles in well established organizations.**

    Job descriptions and resumes are still relevant here. Somewhere between 60% and 80% of all recruiting today, whether for employees or contractors, still falls into this category. The nature of the roles may be changing – more and more contractors, and fewer full time employees. But the underlying recruiting principles have not.

The main contribution of the Internet to this kind of recruiting is getting the word out about the position, and getting the applications back in. In fact, the tools currently available on the Internet are so good at this, that the Internet has created the problem of "resume glut" . Many of the recruiting practices we see today (e.g. "only selected candidates will be contacted") are a response to this problem.

Recruiters handle the preliminary candidate sorting and selecting role when recruiting for well established roles. They do all or most of the administrative work. The biggest decision they make is about which candidates to present to hiring decision makers. The final candidate selection decision rests with that individual.

Since the roles are well established, people with past experience in the same or similar roles make the best candidates. The qualitative component of the recruiter's decision making is relatively small. It amounts to selecting "good enough" candidates who have had previous experience in this or similar roles.

Recruiters largely do this "candidates to be presented" selection work on the basis of resume review. Word based "key word resume processing algorithms" have developed to deal with the large volume of resumes received over the Internet. They present a "relevant subset" to the recruiter, on which he or she applies further "fit" judgment. The closer a candidate's past history is to the well established role for which the recruiting is being done, the easier the decision for the recruiter.

Recruiters interview the candidates they select for presentation to make sure that the individual represented on the resume is the person that they pass on to the hiring decision makers. The growth of professional resume writers has made this a little bit more difficult for recruiters, but not overwhelmingly so. Recruiters often talk as if they do more in these interviews. Some may do so. But "resume = person check" is still the main purpose of their interviews.

Recruiters need little direct personal experience with the roles for which they are recruiting to do this work. The decision they is make is based on comparing "words on paper" to "words said in the interview". As a result, recruiters can be relatively junior in work experience, especially compared to hiring decision makers. This has obvious lower "average cost per hire" implications for well established organizations. It is also one of the main reasons that "average cost per hire" has become such a wide spread metric for measuring the performance of recruiting groups in these organizations.

Transaction based organizations (e.g. banks, government service agencies) and repetitive process organizations (e.g. manufacturing companies, customer service organizations) all have well established roles. Even their management roles are well defined. So, recruiting for well established roles will continue to be an important part of recruiting practice for many years to come.

Because of its prevalence, much of the "common" business talk and understanding about recruiting is based on this kind of recruiting. That does lead to confusion.

Recruiting for Future Performance

2. **Finding talented people who are right for an organization when good enough performance is not enough, but where "doing the best you can" is critically important to the organization doing well.**

Performance profiles, performance metrics and "what would you do when faced with this situation or problem" interview probes are the key recruiting tools for this type of recruiting. The best candidates are people who are going to perform at higher than average levels in these roles.

The roles often shift over time, as the organization grows or responds to changes in its environment. A candidate's relevant past experience is useful but not as important as:

1. personal flexibility,
2. an ability to learn rapidly,
3. a willingness to change personally,
4. and a desire to deliver at higher than average levels.

The Internet has created "resume glut" in the response to these kinds of recruitments as well. But it is not as easy to sort through resumes and pick relevant candidates as it is in recruiting for well established roles. Words on paper do a relatively poor job of accurately presenting things like "a desire to deliver at higher than average levels". Every candidate has learned to say words that imply these things. The Internet is full of "advice" about what to say in recruiting interviews. But what recruiters who recruit for future performance need is a way to making sure that a candidate's current verbal behavior matches what this person will do in future on the job.

The qualitative component of the recruiter's decision – present this candidate but not that one – is far higher in this kind of recruiting. Unfortunately, not every organization understands this. Often organizations needing to recruit for future performance implement the same recruiting processes and metrics as organizations who recruit for well established roles. They also use recruiters who have relatively little direct business experience in the roles for which they are hiring. The most important effectiveness metric for recruiting for future performance in " hired candidate performance rating at 3 months, 6 months ….and so on into the future".

Small businesses, start ups, enterprises facing strong economic competition or dramatic environmental pressures, and organizations undergoing dramatic changes

6

in their industry sector all need to recruit these kinds of people. Recruiting mistakes can have dramatic, even survival threatening, consequences for these enterprises.

The Internet can help get the word about opportunities out for these enterprises. But the resulting resume glut means that it takes such organizations major energy to find the few people who are in fact motivated and capable. Often these organizations simply don't do so, usually because the hiring decision makers in them don't understand that they need a different kind of recruiting. Instead, they fall back on the same processes used in recruiting for well established roles. Their enterprises pay an organizational performance price when they do so.

New Internet based tools are beginning to come on line (e.g. web cam based performance response simulations and Internet based survey techniques) that will help make this kind of recruiting more efficient. But these tools take skill and experience to use well - skill that exceeds the current capability of the majority of today's recruiters, who have been trained in recruiting for well-established positions.

Recruiting for Future Performance requires far more qualitative capability on the part of recruiters than recruiting for well established positions. Recruiters who recruit for future performance must be able to work with hiring decision makers to craft, or adapt existing performance profiles. These performance profiles lay out the 5 to 7 most important things that need to be done in this role in the next 3 to 12 months. Performance profiles are future oriented, specific to the current context of the role, and very concrete. Abstract or general descriptions of work are of little value in them. The following example illustrates the difference.

> Taken from a traditional job description: Lead the sales team.

> Taken from a specific performance profile: Direct 6 sales people in 4 Ontario sales territories, making sure that they increase the size of the average sale to existing customers and the number of sales to new customers in each territory in the coming 12 months.

Recruiters who hire for future performance must be able to work with hiring decision makers to craft such performance profiles. They need to be able to write clearly and concisely, using concrete, specific, behavior based business language. They need enough business experience to understand, and often come up with, the strong performance metrics that are part of performance profiles.

These recruiters must also be able to translate the information in such performance profiles into effective "what will you do in this situation" interview interactions with candidates. They must be able to:

1. "put aside their instinctive first reactions to candidates",
2. accurately evaluate a candidate's performance during an interview,

3. and predict how that will translate into the candidate's actual performance on the job.

As a result, recruiters who are effective at recruiting for effective performance tend to have more than a few years of experience at being a manager of others. They tend to have been above average personal performers in a variety of businesses, including well established ones as well as small to medium sized ones.

Recruiting When the Talent Needed is Scarce

3. **Finding and persuading talented people who are already well engaged as employees or contractors to move to a new organization, especially when they have talents that are not currently readily available in the market place.**

This is the world of "talent scarcity". Being a well established enterprise, or a new one, or a small to medium sized organization is not the most important dynamic underlying these recruitments. Each of these enterprises can face this problem. The "relative lack" of available talent of the needed kind in the marketplace dominates these recruitments.

Recruiters dong these kinds of recruitments face two critical issues.

1. First they must FIND the people with the needed talent.
2. Then they must PERSUADE them to move.

Often, these people are currently working for a competitor or business partner of the enterprise with the need. If the organization with the need approaches such people directly, it can lead to "unpleasantness" between the organizations (e.g. concerns about raiding talent).

Organizations with such needs often turn to "head hunters" – independent recruiters who can approach and attempt to persuade such people to consider the opportunity. Head hunters charge a premium price for the services – whether they work on a retained (fixed fee to do the work, in increments, payable even if the final candidate comes from some source other than the head hunter) or contingency (pay me only if I supply the final candidate) basis. Fees run from 1/5 to 1/3 of the anticipated first year's compensation (salary or contract income plus potential bonuses, and sometimes estimated value of the associated benefits and perks).

Recruiters who recruit for scarce talent successfully have solid one on one sales skills. They need "to persuade" the individual with the scarce talent to first consider the opportunity and then to move, if that person is the final candidate. Often these individuals are already well employed or contracted, and not actively looking to move (known as passive candidates).

In order to do this, these recruiters need "an opportunity" to sell. Not every enterprise who needs these kinds of people recognizes that such an opportunity

must be much more than a current role. The opportunity must involve the future. Final candidates will be as concerned about their career progression and personal development possibilities as they will be about the scope and the income associated with the currently offered role. The recruiters often need to "sell" the enterprise on the fact that they must have such a full "opportunity package" to attract high quality candidates.

Because of the nature of these roles, these opportunities are generally still offered as jobs – employment with associated perks and benefits. Even with offered on a contract basis, they generally involve customized, longer term "management or employment contracts".

Recruiters and executive search professionals who do this work are first and foremost effective one on one sales people. They need to sell their services to clients. They need to sell their clients on the need to an "opportunity package". They need to sell candidates on the opportunity.

Often, the individuals who do this recruiting work do not have recruiting backgrounds. They come from executive or sales positions and have wide personal networks that allow them to find both clients and candidates. When the role for which they are recruiting is well established, they largely do the same thing as recruiters for well established roles –find candidates with experience in similar or close roles.

When the role for which these recruiters or executive search professionals are recruiting require future performance, the individuals doing the recruiting work need to understand the performance requirements of the role, or be able to craft an appropriate senior level performance profile. Not all of the recruiters who do this work have this skill. The extreme importance of the sales component of their overall skill set often overrides this. As a result, many "scarce talent" recruiters tend to develop an "industry focus". By focusing on a particular industry or professional area (e.g. finance or information technology or the mining industry), they, over time, build up a sense of what is required in these roles. This allows them to have enough understanding of the performance needs in these roles that they can satisfy the "Future Performance" component of their client's needs.

Today, many "passive" candidates maintain an up to date Linked In profile, or are active in some other way on the Internet. As a result, the best recruiters who do "recruit for scarce talent" work are also on the cutting edge of using tools like Linked In to find candidates.

Recruiting for Creative and Disciplined Organizational Builders

4. **Finding and persuading people "who can build from scratch" to move to an organization to take on a new role in which they will create new ways of doing things, not just for themselves, but also for other folks who work there.**

Often the first task in this kind of recruiting is to help the hiring decision maker get a clear picture on the nature of the new role. This is especially difficult when the role has never existed before. The skill needed to do this work is related to and based on the skill needed to craft the performance profiler required when hiring for future performance. However, it goes beyond it. Doing it effectively requires deep consulting and interpersonal skills. It also takes exceptional communication skill.

Helping hiring decision makers form a clear picture of something which is not yet in place is a form of organizational design consulting. The individuals who do it best have wide management experience as well as personal creativity and strategic imagination. They are also likely to be able to do exactly what they are helping other people get a clear sense of – create an organization from scratch by translating their vision of what could be into concrete processes and tools (work flows) that are used by the people they select to do the day to day work of the new organization.

If the role for which the recruiting is being done is focused on creating change in part or all of an established organization, creating a clear picture of the future is even more difficult. Change in well established organizations always happens within an existing context. Creating something new which fits in well with an existing context requires an ability to both move beyond the accepted norms in the part that is new, and create interfaces between what is new and the parts of the organization that remain established.

Evaluating potential candidates for such roles takes skill that is the exception rather than the norm among recruiters. Not every candidate for such a role is capable of creating new order. Many people can improve existing ways of doing things. However, they fail dramatically when it comes to creating new ways of doing things where nothing yet exists.

Most clever candidates who have some work experience and solid business education have learned to talk the language of organization change and process improvement. They may have even succeeded at changing parts of existing organizations or improving existing processes. Few have actually combined people, process and tools in new ways that lead to effective ways of building an organization or of dramatically transforming an existing organization to new levels of performance and delivery. Often, the individuals who can do this have never done it before. It is not until the first chance to do it that they demonstrate that they can do it. Evaluating such candidates therefore involves evaluating the "potential to do" as much as it does evaluating "having done in the past".

The individuals who do this type of recruiting well are relatively few, as are these type of assignments. Finding potential candidates is not an easy process. Neither is evaluating them. The process feels and looks more like senior level consulting than it does recruiting.

How Much of Each

Recruiting For Well Established Roles – 60% to 80%

We at Wecrut4U believe that Recruiting For Well Established Roles does and will account for 60% to 80% of the recruitments that are done in the current talent marketplace. There are some procedural differences in the way that this kind of recruiting is done for employees and for contractors. But in essence, they are the same kind of recruiting.

The Internet and all the recruiting aids that now exist on it (job boards, Facebook, Linked In, Kijiji / Craig's List, Twitter and so on) make "finding people" for these roles so much easier. As a result, in-house recruiters (either employees or contractors) put out a call, pick the first respondents that "fit" and ignore the rest of the respondents. This is now the norm in Recruiting For Well Established Roles. The requirement in this kind of recruiting is "sorting, at the least cost, through the many who respond" and presenting a few people who actually fit the role.

The other 40% to 20%

The other three kinds of recruiting make up the remainder. It is hard to be numerically specific about their relative proportions.

1. Recruiting for Future Performance is the most numerous, since each hire for a small to medium sized business, especially one that is growing or changing in response to environmental conditions, is a hire for future performance.

2. Recruiting When The Talent Needed is Scarce is a function of the talent that is required. Talent that may be scarce in one geographical area may be readily available in another. Talent that is scarce at one point in time may be readily available at another.

3. Recruiting For Organizational Builders will always be the smallest of these three categories, since a few successful organizational builders leverage a great many other people.

Recruiting for Future Performance and The Growth of Small / Medium Sized Businesses

We at Wecrut4U believe that as a greater and greater percentage of the new roles in the economy are created by small to medium sized business, Recruiting for Future Performance will become more and more important. However, there are some major problems that will need to be addressed.

The Problem of Cost

1. Small to medium sized businesses are usually cash strapped. They often do not have the critical size needed to have a full time recruiting staff. Often recruiting is just one of the responsibilities of an employed or contracted human resource generalist.

   Because of the prevalence of Recruiting for Well Established Roles, these people will have most likely been trained in Recruiting For Well Established Roles techniques, not in recruiting for future performance. As a result, small to medium size businesses experience a disproportionate share of "recruiting under performance and disappointment" at the same time as they try to keep the cost of recruiting to the minimum possible.

   Recruiters need to come up with alternatives to the standard % of first year's compensation formulas. Fixed cost for defined work is one possible alternative. Time based professional fees, capped at some reasonable amount, is another.

The Problem of Understanding

2. There is little understanding in the market place of the difference between Recruiting For Well Established Roles and Recruiting for Future Performance. As a result, many professional recruiting companies handle recruiting assignments for small to medium sized business as if they were "Recruiting for Well Established Roles" assignments. Sometimes, this makes sense. Certain roles are so generic (e.g. receptionist, accounting clerk) that looking for a person who had done this role in a similar small to medium sized business results in reasonable candidates.

   For other roles, this is simply not the case. Small to medium sized businesses often ask individuals working for them to "flex" across one or more roles. They also often have specific performance targets that must be met in defined time frames (e.g. increase sales in Territory X by 100% in three months). Clarifying these requirements in a performance profile, and then recruiting for a specific individual who is inspired by and can meet these targets, is a much more effective way to hire.

   Owners of these businesses need to understand the different kinds of recruiting and get sound expert advice from recruiters on which type makes sense for each of their hires.

   There are many recruiting service organizations, increasingly including Internet based ones, who offer "silver bullets" which they suggest will eliminate recruiting disappointment as a result of some "testing" or "job posting" technique. They often also feature "low cost of hire" as a feature of their service. They know what small to medium sized businesses need. Unfortunately, these techniques do not

address the critical issue in recruiting for future performance – getting candidates to demonstrate what they will do in the specific role for which they are being recruited once they are on the job. This always takes understanding the 5 to 7 critical items in the performance **profile for this role in this organization**. It also takes understanding the specific ways in which performance on these critical items will be measured in **THIS ORGANIZATION in the next 3 to 12 months.**

3. Small to medium sized businesses need greater degrees of flexibility than large established ones to survive in response to changing conditions in their environment. As a result, they are going to favor "shorter time" commitments. Contracting for talent, as opposed to employing it, is therefore a logical approach for them. Recruiting for Future Performance is particularly well suited for hiring contractors. Crafting a performance profile, and adding the associated metrics, makes clear what needs to be done and how it will be measured. It is the "contract". Unfortunately, small to medium sized business owners do not always see this, or value the fact that a recruiter who does this well is in fact acting as a "contract talent agent" for them. Consequently, owners are often reluctant to pay the recruiter the fees involved, which are usually a small percentage of the value of the overall contract.

The Changes in the Ways that Enterprises Hire "Talent" Need Changes in the Law

The growing move to contracted talent on the part of small, medium sized, and well established businesses has deep implications for politicians and government policy makers, ones of which they seem largely unaware. The current retirement savings and benefits access systems are based on a 20th Century model which assumes full time, long time employment. If this is coming to an end for an ever growing number of people in society, then new ways in which people can access these needs must be created and become the norm. Legal frameworks which recognize these new ways must be put in place by legislators.

Employment for income tax purposes must be redefined as well. Greater variability in year to year income must be recognized by the tax system as being the norm, not the exception. The current tax and tax shelter retirement savings models assume that income will grow progressively over the years of employment as experience and seniority increase. This is not the case for contract workers. Their incomes are much more likely to be highly variable over the course of their careers. Income averaging for tax purposes will become a normal need, not a nice to have. Sheltered retirement savings limits will need to become a function of the amount saved to date, not a percentage of annual income.

There is little critical discourse, never mind a call for creative discourse, on these issues on the part of politicians and senior government based policy formulators. Their concern about and investment in "new job creation" will be wasted if they do not also address the

kinds of new roles the economy is creating – temporary, contract based or short term employment based ones.

Recruiting Changes and Professional Recruiters

Be Clear on Where Your Recruiting Expertise Lies

Recruiters, and professional / expert commentators on recruiting on Linked In and in other venues, continue to talk as if recruiting is one professional practice. It is not. Every profession and industry segments as it matures. Recruiting, driven by the Internet and changes in the structure of our economy, is doing so as well. It is time for professional recruiters to self identify themselves as working in one or more of the 4 types of recruiting, whether they work in house or as contract recruiters. They also need to take steps to educate their clients about the strengths and weakness of the type of recruiting they practice, and its "fit" to their client needs.

Recruiting for Future Performance and Recruiting for Organizational Builders is Actually Consulting

Small to medium sized businesses cannot afford the "20% to 33%" of the first year's compensation that has become the norm in the retained executive search industry. Yet given their contribution to the economy, and the critical role that talent plays in these organizations, they have a deep need for this kind of recruiting expertise. Recruiters seeking to serve those organizations may serve their clients better by shifting to an hourly based consulting business model. To eliminate the "open ended" nature of such a model, they could include a "billing cap" related to a percentage of the first year's compensation.

Recruiting for Future Performance and Recruiting for Organizational Builders also requires skills and experience that are different in kind and depth from Recruiting For Well Established Roles. Far too many executive search professionals are either good salesmen or former executives who have put up their shingle as recruiters. Sales skills are an important component of their service, but they also need to understand the recruiting side of their business more adequately, if they want to retain the label "professional". Among other things, this means clearly educating their clients about the different kinds of recruiting that exist today, and indicating which approach they are using on particular assignments.

Finally, recruiters who do provide "recruit for performance" or "recruit for organization building" services do not have to live with the consequences of poor hiring decisions. If performance profiling, with their associated performance metrics were standard tools in this kind of recruiting, recruiting failures would become far more evident at the 3, 6 and 12 month points after hiring. That might put some real teeth into the "recruiting" guarantees that fee based retained search firms offer today. If would also incent professional recruiters doing this kind of work to pay more attention to presenting candidates who will be truly great in the future role, as opposed to candidates who are

14

good enough to do the work and most likely to rehire the recruiter for future search work. The history of such "rehire work" on the part of recruiters suggests that this is an important factor in their "candidates to be presented" selection process.

Conclusion – Recruiting Is Changing as the Economy Changes

It is Labor Day, both in Canada and the United States. Despite the fact that Canadian individuals spell Labour with an extra "U", North America is in many ways a single talent market place. The Internet has made this even clearer. The dynamics of recruiting and hiring are the same on both sides of the border.

Small to medium sized businesses are now the major creators of new sources of income for individuals in both economies. A great deal of that income has changed in form – from salary with benefits to contract income without benefits.

As the structure of work changes, so must the structure of recruiting. Proactive recognition of these facts, and the ongoing education of clients about these changes by recruiters, is the best way to respond to this change.

WeCrut4U.com

Who are we?
What do we do?

Our focus is small to medium sized organizations.
Among other things, we provide Recruiting For Future Performance™ services to our clients.

We also provide search services for Organizational Builders and Turnaround Leaders.

At WeCrut4U, we are talent management specialists. Our value system stems from the fact that we believe that talent is owned by individuals and engaged by organizations.

We strongly believe that you must have managed in order to recruit well for future performance. Our recruiting experts are all former leaders who have had to live with the consequences of their hiring decisions, good or bad. As a result, we are uniquely qualified to help find the future performers who fit into your organization. Our approach is flexible. We can coach you or members of your staff through the hire for future performance process, transferring our skills to your staff. Or we can do the whole recruitment for you, applying our expertise and experience to speed the process. We work on a hourly consulting basis.

Our senior partners also do retained search for Organizational Builders and Turnaround Leaders. We will find you turnaround leaders or individuals who can build an organization from scratch. We believe that you must have been one to understand how to identify folks with this unique talent.

We use the Internet extensively in our work for clients, and have innovative ideas (but alas not the capital) about creating new forms of recruiting networks for finding scarce talent. We know that we need to educate our clients about the dramatic changes in the recruiting landscape. That is one of the reasons we are distributing this paper on the Internet.

Call Roelf Woldring
at 416-427-1567
to find out more.
Or visit our website
www.wecrut4u.com.