

# HOW TO HIRE TO *WIN* BY USING KEY PERFORMANCE INDICATORS (KPIs)

By

**Skip Freeman**

President, The HTW Group - Executive Search

**T**here are many myths about The Business World, and one of the most persistent is that businesses are in the business of *hiring* people. While, indirectly, that may ultimately prove to be the case, it also gets the “cart” well ahead of the “horse.”

The *principal* goal, the *principal* reason for the existence of a business—any business—is to make money! While that statement may, at first, sound wholly craven, it comes into very clear perspective when one considers this: Unless a company *does* make money it ceases to exist, and then it certainly won't be hiring *anybody*. So, in order to *be* in a position to hire people, the company must be economically sound *and* profitable—and have the momentum and wherewithal to remain that way.

Of course a company's employees are a significant driving force behind its ability to be profitable and *stay* profitable. But always lurking in the background is the company's *raison d'être*, its “reason for being,” and that is to make money! Sometimes that is accomplished by reducing the number of employees. Sometimes it is accomplished by purchasing a new piece of equipment and other times it is accomplished by hiring people.

Generally, when a piece of equipment is purchased, the decision-makers know *exactly* what they want that item to do. For example, a pump may be needed to move a given volume of liquid with a certain viscosity over a defined distance in a required amount of time. The company knows exactly what it wants that pump to accomplish, and unless it can, the pump won't be purchased.

What the company has done, then, is to define the “**Key Performance Indicators (KPIs)**,” i.e., what the pump is intended to do. From that, the “specs” of the pump can then be defined and various pumps compared for purchase, etc.

Unfortunately, this same methodical, logical approach is NOT always applied when it comes to hiring new employees. Let me provide an example. Below is an actual job description for hiring a **chemical sales representative** for a Fortune 500 chemical company.

## **JOB DESCRIPTION - CHEMICAL SALES REPRESENTATIVE**

### Required Qualifications:

- BS Degree
- Consultative selling skills
- Must be able to handle objections
- Have good decision making skills
- Ability to influence a broad array of personalities
- Work well within a team
- Good communication skills
- Strong planning and organizational skills

### Desired Qualifications:

- 3-5 years selling experience
- Chemical sales experience
- Technical knowledge of the chemical industry

### The successful candidate will:

- Drive end-user conversion and expanded usage within customer base
- Partner with distributors to ensure end user education is provided to customers as required
- Work closely with sales management and marketing to determine territory coverage plan
- Attend local trade shows and association meetings as appropriate

## HOW TO 'HIRE TO WIN'

The “specs” of the *candidate* are laid out in the job description, but what is it that the chemical sales representative is actually supposed to do, to accomplish? In a typical “job description” the “person” is generally defined but not the “position,” and that is the beginning of most hiring mistakes—the failure to establish KPIs for the position up front.

So, how does a company today “hire to win”? There is no one, all-encompassing answer to that question, of course, but certainly there are guideposts along the way to point a company in the right direction.

At The HTW Group (“Hire to Win”), we have worked with hundreds of companies and hiring managers over the years, and we have yet to hear someone tell us that they actually *want* to hire a mediocre person. Yet, all too often that is precisely what happens! How? Why? What does it take to “hire to win” in today’s competitive global economy, which is always fraught with sudden change and volatile uncertainty?

The search process we have used at The HTW Group to complete over 300 successful searches in seven years consists of the following **FOUR phases**:

- Identify
- Qualify
- Attract
- Land

The root cause of most hiring mistakes begins in Phase I, the “identification” of talent. In order to properly identify top performers, everyone must know what it is, specifically, that a person will be expected to do in the position being filled. In other words, what does “success” on the job look like? But, as already indicated, all too often a set of “specs” is developed that describes the person and *not* the job. To “hire to win,” everyone must know what it is the person in the position is actually going to do. Then and only then can it be reasonably determined if the company is potentially hiring the right person for the job.

Using the job description provided above, we can indeed find a 3-5 year chemical salesperson who has increased sales and seems to be good at consultative selling, sounds good, i.e., communicates well, states they can work well with others, etc., **but can they really do the job?** We honestly don’t know . . . *unless* we know what the hiring manager wants them to do. So, to answer this, as well as other pertinent questions, we called the hiring manager.

### **Our first question was:**

“You hire this person and one year from now you sit down to do his/her performance review. What is it that he/she would have had to have done, and to have accomplished, over the year that would enable you to give the highest ranking possible on his/her performance review?”

The rest of the conversation went something like this.

**Hiring Manager (HM):** Well, we definitely want them to grow the business?

**The HTW Group (HTW):** Understand. By how much?

**HM:** Our division has achieved double-digit growth every year since 2003, including last year.

**HTW:** Is this person being able to achieve double-digit growth in the first year a realistic expectation?

**HM:** Given the new product line we are rolling out and the strength of their customer base, yes, it is. We expect the division to hit 15% growth.

We continued the dialogue and it was decided that, during the first year, a top performing person in this role, given the need for training, learning the new product line, establishing relationships with current customers and starting to call on new customers should be able to achieve a double-digit revenue growth of 10% but that 15% might be too much of a stretch. However, anything less than 10% would suggest a mediocre person was hired, not a star.

#### **Next we asked:**

“The job description states the following: ‘Partner with distributors to ensure end-user education is provided to customers as required.’ What does this mean, exactly?”

We learned that there were five distributors in the geographic locale representing the company’s products. The company was satisfied with three of them but not with the other two. Thus, working with the hiring manager, a KPI was established as follows:

“Establish and build relationships with the five distributors in the territory during the first three months. In the second three months, understand the distributors’ business plans and evaluate their performance against the plans. In the third three-month period, work closely with any distributors not achieving their growth targets. In the final quarter, replace, if necessary, any distributors that are not able to deliver against the plan.”

Notice that there was *nothing* under “desired qualifications” or “required qualifications” that mentioned *anything* about the importance of managing distributors, and yet this turned out to be a **key performance indicator** for this role!

## **THE KEY ROLE PLAYED BY ‘KEY PERFORMANCE INDICATORS’**

“Key performance indicators” (KPIs) are *quantifiable* measures of success. Most companies we work with use KPIs to routinely evaluate their progress toward their vision and long-term goals. **What many companies often fail to do, however, is equate how the objectives of the business unit logically link to each position that they are trying to fill.**

Through many of the types of conversations described above, we have found that there are generally four to six KPIs for any given position.

#### **The SIX KPIs for the Chemical Sales Representative’s position, for example, became:**

- Achieve 10% revenue growth in year one.
- Assess and ensure each of the five distributors achieves their currently established sales growth plan or are replaced as distributors.
- Analyze the customer base. Increase prices or change the product mix with any customer having a margin of  $\leq 10\%$  to get it above 13%.
- Fully analyze the market potential within the territory. By month four, be calling on a minimum of four new prospects per week, i.e., accounts where there is no current business.
- A minimum of 30% of the revenue growth is to be from *new* customers.
- Increase the overall territory margin by 2.5%.

Armed with these six KPIs, we were then able to **identify** candidates capable of meeting these *clearly defined expectations* regarding what is needed from the new hire during the first year. In turn, the new hire won't be surprised regarding expectations. They won't be able to say, "This job is not anything like I thought it was going to be." And the probability is greatly reduced that the hiring manager will be saying, "We made a hiring mistake."

Clearly defining the KPIs sets the stage for effectively implementing the next three phases of the hiring process:

- **Qualify** (A company now knows what to measure against and this **helps ensure a consistent interview process**, not one based on "gut feel" and/or emotion.)
- **Attract** (Once a company has identified a top candidate, it, in turn, has to sell them on the position, i.e., what is the company going to offer to attract the best candidates?)
- **Land** (A company should not drag out the hiring process. It should make an offer and then begin building the employment relationship *before* the start date, in order to head off any counteroffer the candidate may receive from his/her current employer.)

Every company, of course, wants to "hire to win," but unless key performance indicators are defined up front, the probability of hiring the right person decreases dramatically. Defining the KPIs takes some time, and of course it is work, but well worth the time and effort in the long run, if a company is really serious about "hiring to win." To be sure, such an approach is far, far superior to that which one hiring manager recently described to me when asked how he determines who the *right* candidate is for any particular position: "I'll know them when I see them."

One final note: The criticality of developing the KPIs for a position cannot be overemphasized. However, they must remain in a confidential document for use by the hiring team in **identifying** and **qualifying** candidates. We are not recommending that KPIs be revealed in a document such as a job posting.

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## ABOUT THE AUTHOR

**Skip Freeman**, President and CEO, The HTW Group (Hire to Win) Executive Search, and author of "**Headhunter**" *Hiring Secrets: The Rules of the Hiring Game Have Changed . . . Forever!* (<http://www.headhunterhiringsecrets.com>) has successfully completed more than 300 executive search assignments in just seven years. Specializing in the placement of sales, engineering, manufacturing and R&D professionals in industry, he has developed powerful techniques that help companies hire the best and help the best get hired.

A distinguished graduate of the United States Military Academy, West Point, he is a lifelong student of leadership, people and the principles of success. While serving in the U.S. Army Corps of Engineers and Chemical Corps, he also earned a Master of Science degree in Organic Chemistry from The Georgia Institute of Technology and a Master of Business Administration degree in Marketing from Long Island University.