



NOW MORE THAN EVER:
IT'S TIME TO HIRE FOR A GOOD
CULTURAL FIT

INTRODUCTION

As the U.S. economy recovers (even if slowly and unevenly), employers are starting to see a candidate landscape that is vastly different from the one they have witnessed over the past few years. The job pool continues to contain the skilled candidates who lost their jobs during the recession, of course. But it will soon also be flooded with candidates who survived the recession with their jobs intact and have become emboldened to seek new opportunities as the future looks brighter.

Whether an organization is expanding its business, rebuilding to its former size or ramping up in some lines of business while holding steady or even cutting back in others, now is the time to fully take advantage of hiring with an eye on building a stronger corporate culture.

The bottom line: Organizations that really want to take advantage of this new job market should be poised to base new hires on far more than skills and qualifications. Now is the time to hire candidates who are the right cultural fit as well as the most qualified for the job.

Whether an organization is expanding its business, rebuilding to its former size or ramping up in some lines of business while holding steady or even cutting back in others, now is the time to fully take advantage of hiring with an eye on

building a stronger corporate culture. It's crucial in the short term – to stay ahead of the pack coming out of the recession. Hiring for a strong cultural fit is even more important with an eye on a more distant business horizon, as companies look ahead one year, three years or more, now that business can start peering out from beyond the immediate fallout of the recession.

Lack of employee fit (based on such factors as attitude, work habits and approach to management) is one of the main reasons for failure among new hires and turnover among employees. On the other hand, research and experience by organizations such as Pinstripe have shown that innovation, bottom-line productivity and retention are all heightened when a workforce is aligned with the corporate culture and values of the organization.

This paper from Pinstripe defines the changing candidate marketplace and explains why cultural fit is particularly important in today's business market and how to hire for cultural fit in today's changing candidate landscape.

HIRING IS COMING BACK, AND THE CANDIDATE LANDSCAPE IS CHANGING

Despite unemployment hovering around 9 percent, the recession has officially been declared over.

The staffing firm Challenger, Gray & Christmas said in early January, for example, that layoffs across all industries fell in December to the lowest level since June 2000.¹ The report showed that the ebb in layoffs occurred across the entire employment spectrum; nearly every business sector saw job cuts decline in 2010, including the automobile industry, where layoffs tumbled by 91 percent.

¹ BloggingStocks.com, Jan. 5, 2010, Job Cuts in 2010 Tumble to Lowest Level in More Than a Decade, <http://www.bloggingstocks.com/2011/01/05/job-cuts-in-2010-tumble-to-lowest-level-in-more-than-a-decade/>.

The anticipated uptick in hiring will cut across company size, industry and even geography. A major survey from CareerBuilder found that more employers plan to add full-time, permanent employees in 2011 compared with last year, with a continued emphasis on hiring in technology and revenue-producing fields.²

The employment landscape will see great migration – another challenge for hiring efforts. The unemployed will start moving back into the workforce, and employees who survived the recession will feel safe to start job-hunting again. Consider these nuggets that bear out those predictions:

- Four out of 10 professionals are more inclined to look for new opportunities outside their firms as a result of the recession.³
- An estimated 84 percent of workers are planning to look for new jobs in 2011, up from 60 percent last year, according to a survey by national job placement firm Manpower Inc.⁴

WHY CULTURAL FIT IS CRUCIAL ... NOW MORE THAN EVER

Tony Hsieh, CEO of Zappos.com Inc., the online marketing pioneer, knows the power of building a company based on cultural fit among its employees. After launching in 1999 with almost no sales, Zappos did more than \$1 billion in gross merchandise sales in 2008, and it says the main drivers of its success have been repeat customers and word of mouth. The company has formalized the definition of its culture into 10 core values, and people are hired and fired based on those values.

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– Tony Hsieh, CEO of Zappos.com Inc.

"If you get the culture right," Hsieh said in an interview in early 2009, "then most of the other stuff, like great customer service or building a brand, will just happen naturally."⁵

"We've actually passed on a lot of really talented people that we know would make an impact to our top or bottom line," Hsieh said. "But if you know they're not a culture fit, we won't hire them." Similarly, he explains that if someone is bad for the culture of the company, they will be fired, even if they're doing their job perfectly.

As the economy strengthens and employment picks up, new hires will have a greater impact than hires in previous, more prosperous economic periods, for several reasons.

2 BusinessNewsExpress, Dec. 29, 2010, <http://businessnewsexpress.com/jobs-expected-to-grow-in-2011-new-details/8775242/>.

3 Seacoastonline.com, July 19, 2010, Post-recession, 40 Percent Looking To Switch Jobs, <http://www.seacoastonline.com/articles/20100719-BIZ-7190306>.

4 Danielson, Brittany, *The Boston Globe*, Jan. 9, 2011, http://www.boston.com/jobs/news/articles/2011/01/09/changing_jobs_in_a_still_tough_market_requires_extra_legwork/.

5 Davis, Lidija, Feb. 8, 2009, Zappos CEO Talks Culture Fit and the Importance of Creating a 'Wow' Experience, http://www.readwriteweb.com/archives/zappos_ceo_talks_culture_fit_a.php.

For an organization that has a strongly defined and deeply imbued culture, having a high percentage of new employees coming on board in a short time creates the risk of eroding that culture. The organization needs to be sure it doesn't take its cultural alignment for granted as it grows and instead continues to hire employees who will support the culture that's been developed.

But what about an organization whose culture is still evolving or even undergoing a strategic change? For this organization, a wave of new hires coming all at once can be a huge opportunity – if the situation is handled well. By thoughtfully hiring to evolve its culture, the organization will move faster toward the culture it wants.

THE NEW WORKFORCE DEMOGRAPHICS

Understanding the new workforce demographics can also be hugely beneficial to an organization that appreciates the power of matching the cultural attributes of candidates to the organization's culture. For example, with more than half of the workplace under age 50 for the first time ever, migration and lack of engagement is the name of the game; people come to a new job *expecting* not to stay long.

This means the traditional bulwarks of competitive capital – knowledge and skill sets – are becoming quickly redundant in today's fast-paced world. Corporate culture, however, is enduring and creates authentic engagement. Values and personality are there from the get-go and, unlike new skills or career training, cannot be developed.

As the economy recovers and the employee landscape shifts, it would also be a mistake to hire based only on skill and assuming that employees who kept their jobs are necessarily better candidates or have the desired cultural fit simply because they were retained during the recession.

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Deloitte's 2010 Worker Passion Survey revealed, for example, that only 23 percent of U.S. workers are passionate about their current jobs.⁶ When they decide to leave their current employers, based on factors such as personality and values, do you know where you can best use their skills to ensure that they succeed and don't simply fill a hole as you move forward?

The C-suite is also going to see more turnover as the economy recovers. Because of their high visibility, the morale and cultural fit of leadership is extremely crucial. Deloitte's 2010 Shift Index predicted that executive turnover may rise as executives seek new opportunities and companies are more willing to make leadership changes.⁷ In September, ExecuNet's Executive Job Creation Index (EJCI) pointed to a continued higher percentage of employers who expect to add executive jobs compared with those planning to eliminate or postpone filling top roles.

⁶ WorkCompWire.com, Nov. 4, 2010, Deloitte Survey: Worker Passion Is Key to True Economic Recovery, <http://www.workcompwire.com/2010/11/deloitte-survey-worker-passion-key-true-economic-recovery/>.

⁷ Ibid.

MAKING THE BUSINESS CASE FOR CULTURAL FIT TO STAY COMPETITIVE

Organizations that get and maintain buy-in for using assessments to increase cultural fit within their companies routinely leverage four key strategies for making the business case for cultural fit to stay competitive.

1. Compare the cost of cultural assessments and having employees who are a good cultural fit with the financial cost of turnover.

Lack of “fit” – not lack of skills – is the most common reason that new employees fail.

Lack of “fit” – not lack of skills – is the most common reason that new employees fail. One study found, for example, that 26 percent of new hires fail because they can’t accept feedback, 23 percent because they’re unable to understand and manage emotions, and 17 percent because they lack the necessary motivation to excel.⁸

These outcomes may seem to be the result of a new hire’s attitude or personality, but they also speak to the cultural fit between the candidate and the organization. The candidate’s attitude – or his or her personality, work ethic, etc. – was obviously not aligned with the way the organization expected the candidate to respond in various situations. It’s entirely possible that the candidate would have fared better with another organization whose culture was different.

Turnover can cost a company anywhere from one to two times the new hire’s annual salary, various reports show. Cultural assessments, on the other hand, can be a relatively inexpensive component of an integrated talent management system. Certainly the cost of cultural assessments will be far less than the candidate’s salary.

2. Compare the cost of lower morale due to disengaged employees and turnover with the ability of a good cultural fit to heighten engagement and reduce turnover.

Towers Perrin’s 2007 survey of nearly 90,000 employees worldwide and a database with input from over 2 million people found that in “virtually all of the countries represented ... the more engaged the workforce, the greater the percent of employees intending to remain with their current employer.” The study found that 51 percent of engaged employees had no plans to leave their employer and that only 4 percent were “actively looking for another job.” At the other extreme, 28 percent of disengaged employees were actively looking for another job and only 15 percent indicated that they have no plans to leave.⁹

3. Demonstrate that greater engagement and workplace satisfaction leads to better performance and productivity.

Towers Perrin’s survey further found that organizations with the highest percentage of engaged workers saw a 19 percent increase in operating income and a 28 percent increase in earnings per share. Organizations with the lowest percentage of engaged workers, however, experienced a 33 percent decline in operating income and an 11 percent decline in earnings per share.¹⁰

8 Whitney, Kellye, CLO Magazine, Oct. 28, 2006, New-Hire Failure Linked to Interpersonal Skills, CLO Magazine http://www.freshmindsgroup.com/resources/index.php?option=com_content&task=view&id=29&Itemid=2.

9 Towers Perrin, 2007, Towers Perrin 2007 Global Workforce Study.

10 Ibid.

"If someone doesn't align with the company's core beliefs and values, it will be very difficult for that person not only to develop effective relationships but to deliver your 'special blend of magic,' the personality stamp of your culture."

– Jeanne Bliss, author and consultant

What role does cultural fit play in engagement and workplace satisfaction? As author and consultant Jeanne Bliss writes: "Remember that studies show that the single greatest contributor to performance failure and job dissatisfaction is lack of fit with organizational culture. If someone doesn't align with the company's core beliefs and values, it will be very difficult for that person not only to develop effective relationships but to deliver your 'special blend of magic,' the personality stamp of your culture."¹¹

4. Use an integrated talent management strategy.

An integrated talent management strategy helps organizations align their goals and values through processes and technologies that apply throughout the entire employee life cycle – from selection and recruitment through rewarding, retention and career development. Bersin & Associates has found that companies in the "intermediate" or "advanced" stage of applying an integrated talent management strategy have lower turnover rates, experienced less downsizing through the recent recession and have higher revenue per employee than companies without an integrated talent management strategy.¹²

Companies at the "beginner" stage of integrated talent management have little connection – or no connection at all – between the strategies and processes for bringing talent into their organizations and the strategies and processes for developing, retaining and managing people.

An integrated talent management system ensures that all pieces work together and inform each other. For example, data and lessons learned through leadership and development training are used to determine what skills and personality attributes the organization should be hiring for. Similarly, what's learned in the development of current employees – which performance measures matter most and why, who gets promoted and why, who gets tapped for special developmental programs and why – can contribute insight into how to assess candidates for the most optimal cultural fit for your organization.

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¹¹ Bliss, Jeanne, 2009, *I Love You More Than My Dog*, Portfolio Hardcover.

¹² O'Leonard, Karen, Bersin & Associates, July 2009, 2009 Talent Management Factbook.

ASSESSING CULTURAL FIT

Don't be intimidated by the idea of establishing a rigorous process for assessing a candidate's cultural fit for your organization. Top-performing companies use one or more of the following best practices to help hire people who have a greater chance of success with them.

1. Assess the candidate's cultural preferences related to their work environment.

For example, you can prioritize questions about the candidate's preferred work environment, as well as include behavioral-based, open-ended interview questions that will specifically target the candidate's work ethic, personality on the job, work-style attitudes and workplace values.

Candidates who are a strong cultural fit will usually have a story to tell that directly reflects the underlying corporate value.

SSM Health Care – St. Louis, one of the largest Catholic healthcare systems in the country and a Pinstripe client, very consciously hires for cultural fit by assessing whether candidates have work ethics and personal values that align with the organization's mission and values. Recruiters screen candidates early in the hiring process by asking work-situation questions that incorporate each of the organization's five values. Over the phone, recruiters are able to gauge the level of candidates' passion and how they relate to the organization's values by their responses. Candidates who are a strong cultural fit will usually have a story to tell that directly reflects the underlying corporate value.

2. Conduct panel interviews.

For some types of jobs or roles within your organization, it can be extremely helpful to have the candidate's potential team members evaluate the cultural fit. You might consider widening this net to get input from the candidate's potential internal customers or people on whom he or she will rely for support or cooperation. Others to involve in the evaluation of candidate responses to cultural fit questions are the decision makers who will be relying on the candidate.

3. Assess the candidate "on the job."

Often thought to apply primarily to sales positions, the modern equivalent of a "ride-along" can be highly useful throughout an organization. Seeing a candidate in the field or "on the job" can give you a firsthand look at his or her performance, including presentation style, comfort with travel and interpersonal skills. Onsite visits have the added benefit of giving the candidate an understanding of what to expect from the position and the organization – warts and all.

4. Administer cultural fit surveys.

Special, customized assessments can ensure a perfect cultural fit. But having optimal assessments requires a sharp understanding of your organization's unique culture. This can further help ensure that you find the right person for a job, not just the most qualified person based on skills or job history.

Culture Scope helps clarify the key attributes that are not related to skills or training but that will make one candidate fit in and become engaged when another candidate might not.

To gain that understanding, Pinstripe, for example, has developed Culture Scope. It's a tight process and methodology to help clients clarify the key attributes that are not related to skills or training but that will make one candidate fit in and become engaged when another candidate might not. The output of our Culture Scope would be the tools for an organization to assess for its unique culture.

Responses to surveys to assess cultural fit can also reveal areas of alignment or potential mismatch between your organization and the candidates. This doesn't mean you throw the baby out with the bath water. If the candidate has the right skill set and is otherwise a potentially great hire, you can use information about where they may not align with your organization's culture to further the pre-hire conversation. You can get to a deeper understanding of the candidate, and at the same time, you give them a more honest and clearer picture of your organization's culture.

Candidates who are a good fit won't be ruffled if you share the challenges of what it takes to succeed in your culture, as well as its perceived shortcomings and what's great about your organization. In fact, this kind of openness into your true organizational culture will help weed out candidates who wouldn't have succeeded anyway.

CONCLUSION

Coming out of the recession, companies will need to employ cultural assessment tools as part of integrated talent management strategies if they want to stay ahead of the competition. This challenge is exacerbated by high turnover and migration that is expected not only among management and the lower ranks but among senior leadership as well.

Every member of your talent acquisition team, each person responsible for talent management and your entire HR department must understand and be stewards of your organization's culture to ensure a well-aligned team of top talent collaborating effectively and achieving your corporate vision. Regardless of whether the rest of the C-suite acknowledges it, this is where HR can step up and take a compelling, influential position in hiring to strengthen company culture; the hiring decisions they are making today count more than at any time since the recession hit.

Armed with a clear case that highlights the business need for assessing for cultural fit – and the return on investment – now is the time for HR and talent acquisition managers to review their organization's hiring practices and to step into the post-recession landscape with an eye on building a stronger organization than ever before.



ABOUT PINSTRIPE

Pinstripe is an experienced Recruitment Process Outsourcing firm (RPO) dedicated to hiring the best employees for your unique culture. We understand that fit is more than skills and qualifications. There is something indescribable about your perfect employee. To find, hire and engage the best talent for your organization, we go beyond simply understanding you – we become you. Your industry. Your company. Your culture. No other talent acquisition solution provider immerses themselves so completely in your business. Pinstripe is headquartered in Brookfield, Wis., and on the Web at pinstripetalent.com.