

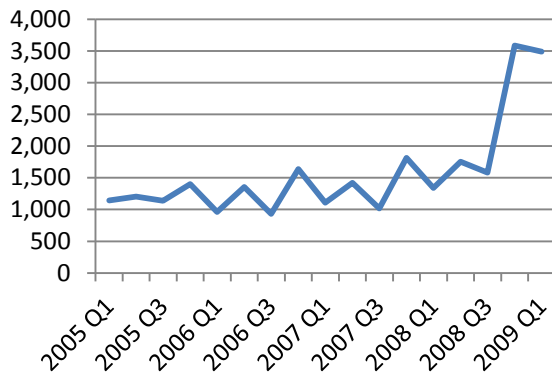
Executive Briefing



5 Lessons for Upgrading Talent with Outside Superstars

Leadership Results, Inc.

Mass Layoff Events



“Talent has never been so plentiful or affordable.”

Thinking of upgrading talent by hiring a Superstar?

The current economic downturn seems to spell doom and gloom for businesses, but the truth is that today's economy actually gives smart companies a chance to upgrade their talent.

The U.S. Bureau of Labor Statistics (BLS) recently reported that job losses associated with mass layoff events (those that involve at least 50 initial claims for unemployment insurance) in the first quarter of 2009 were up 160 % from the previous year. So far this year, layoffs deeply impacted more industries and companies than ever before. Microsoft, Starbucks, and even Caterpillar, the world's largest manufacturer of construction equipment, recently announced such layoffs.

The supply of talented individuals, many of whom were cultivated and trained by some of the world's most innovative and productive companies, has never been so plentiful or affordable. A number of our clients are seizing this opportunity to bring superstars on board. Throughout the last 20 years we have learned from our clients' experiences, and we have summarized five key lessons to help optimize the upgrading process:

1. Identify your current and future internal stars first.
2. Align your hiring decisions with your need for current and future talent.
3. Temper your expectations; high performance isn't always portable.
4. Don't let eagerness short circuit your selection process.
5. Underpromise and overdeliver.

This report drills deeper into each lesson to guide you through the talent upgrade process and help you avoid common mistakes.

Five Lessons for Upgrading Talent with Outside Superstars

1. Identify your current and future internal stars first

The answer to your needs could be right under your nose

Promoting from within is usually less expensive and a lot less risky than hiring from the outside. According to University of Michigan Professor Dave Ulrich, external hires cost about 20-30% more than internal hires.

External hires for management positions also present a greater risk of failure in the new role than internal promotions. The higher the organizational level of the positions that are filled from the outside, the greater the risk of failure. There are three reasons for this:

1. They don't fit the culture of their new organization;
2. They lack the relationships and internal networks to get things done;
3. They don't fit the job they've been hired to do.

Internal hiring reduces these risks and enables promotions from within to have greater chances of success than external hires.

So, before committing to hiring outside superstars, organizations should use their performance-management processes to identify strong employees. Future potential is based on accumulated skills and experience as evidenced by past achievement, ability to learn new skills and willingness to tackle larger and more complex assignments.

Know your people; make informed decisions

Companies that conduct disciplined, meritocratic assessments of performance and potential are better prepared to make good personnel decisions. Selectively promoting from within sends a motivating message to others in the company that by doing the right things and getting the right results, they can build a prosperous career in the organization.



Five Lessons for Upgrading Talent with Outside Superstars

2. Align your hiring decisions with your need for current and future talent

Beware of that “star struck” feeling!

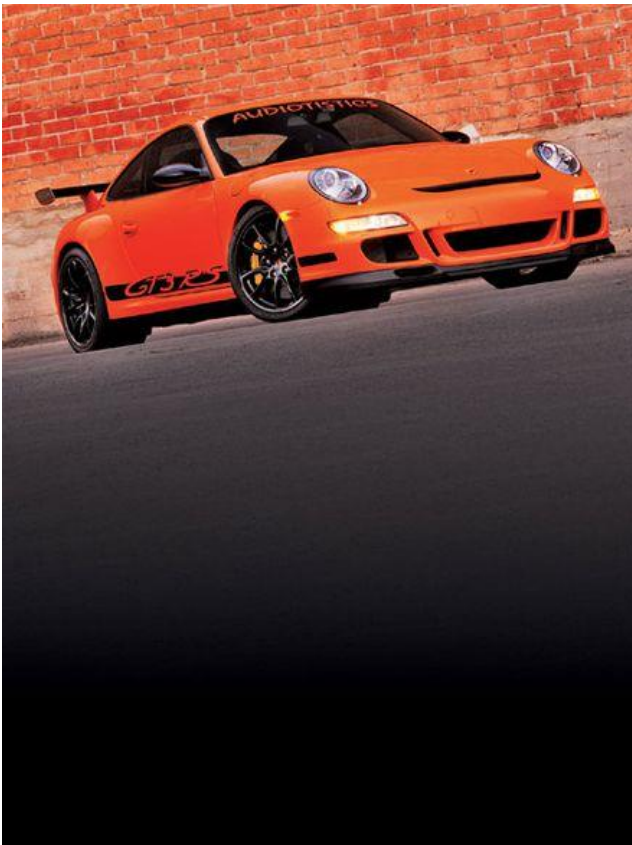
Don't buy a Porsche when you only need a Camry, and don't buy a Porsche when you need a minivan. Just as it is easy to get enamored with a high-performance automobile, it is easy to get enamored with a superstar because of his reputation or employment history.

The bottom line is that you need to understand your current and future needs and then fill those roles with the right people at the right pay level.

Don't forget basic supply and demand

Start by assessing the types of talent that drive business value today and those that will drive it three years from now, as well as those talent segments that are currently available and those that will be available in the future. Keep in mind, for example, that groups such as new MBAs will be just as available in two years as they are now. Also consider the type of talent that takes years to either replace or develop. This might include, for instance, skilled electric utility engineers in an environment in which retirements are dramatically reducing supply.

Performance management that is informed by key strategic questions can minimize the negative cultural impact of downsizing, improve the bottom line and help identify talented people whom the company should try to retain. It also allows the company to determine which positions should be filled with outside superstars.



Five Lessons for Upgrading Talent with Outside Superstars

3. Temper your expectations; high performance isn't always portable

When star power doesn't transfer

Harvard Professor Boris Groysberg recently investigated factors affecting a star performer's chances of replicating her successes in a new environment.

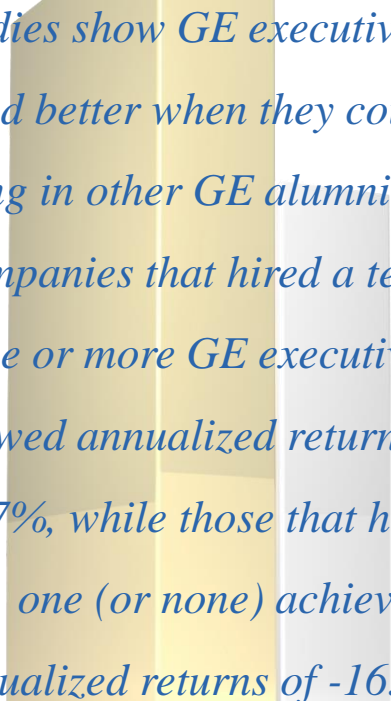
His team discovered that portability of high performance occurs in some instances but not in others. Stars whose positions require consistent cooperation and collaboration with others have a tough time maintaining their high performance in a new organization.

If a company chooses to hire such individuals, management must provide sufficient time for them to develop relationships, and management should ensure that the new hires are mentored as they adapt to new circumstances. The more a position depends on organizational systems, process knowledge and internal relationships, the more likely it is that an internal employee will outperform an outside star.

Star performers require high-quality support

Groysberg also discovered that top performers rely on high-quality colleagues in their organizations to improve the quality of their own work.

It is imperative that hiring organizations understand that stars are not self-contained silos. Producing top-quality results requires collaboration and flows of information among a network of top performers. That means any one decision on hiring and retention can have a real impact on the performance of top employees in an entirely different part of the firm. It also means that it is not enough to have a few star performers here and there within the organization. If these stars lack high-quality support and information-sharing with other star colleagues, they will have a harder time maintaining their star performance.



Studies show GE executives fared better when they could bring in other GE alumni. Companies that hired a team of three or more GE executives showed annualized returns of 15.7%, while those that hired just one (or none) achieved annualized returns of -16.5%.

Source: Harvard Business Review

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4. Don't let eagerness short circuit your selection process



“Nearly one-third of resumes contain false or exaggerated information.”

Avoid Ready, Fire, Aim...

It can be tempting to go in for the kill when a potential superstar gives the impression that he or she is interested in joining your organization. Take heed! When you're about to make a big investment, it is more important than ever to maintain the integrity of your selection process.

If you normally include co-workers in the interview process, then making exceptions to this protocol might insult them. The same goes for assessments. These can help you uncover important information about the candidate that is much less likely to surface during an interview, especially if the interviewer is “star struck.” If the superstar tests differently than other top performers in the job, or if he doesn't fit with his team or managers, then strongly consider saying “no”.

Consistency helps reduce legal risk

Leaders might view reference and/or background checks as a bother when they “know” someone is right for a position. But employment experts estimate that nearly one-third of all resumes contain false or exaggerated information. You're about to make a big investment—don't shortcut this step.

Not only is utilizing a fair and consistent process the right thing to do, but legal challenges to employee selection standards are expensive and can create considerable negative PR for an organization. Remember when WalMart was the poster child for unfair employment practices? To their credit, they did a masterful job of cleaning up their act.

The best employee selection process ensures that selection standards are job related, validated and standardized. An ounce of prevention will definitely be worth a pound of cure in the future.

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5. Under promise and over deliver



Don't create "package envy"

If you land a big fish, don't expect everyone to be thrilled. Some people will not only be unenthused, but they might even go out of their way to sabotage the star just to prove a point.

When you gloat about hiring the next savior, it won't be long before you hear the first rumors about the compensation package, and the special perks and concessions that were made to woo the star to join the team. We see this all the time in professional sports; when the superstar signs for superdollars, the rest of the team decides that it's time to renegotiate contracts, hold out of training camp or demand a trade.

Nobody needs these distractions. Temper your enthusiasm, encourage the superstar to be humble and keep all details of the deal strictly confidential.

Get some quick wins to build credibility and trust

Once the new star hire and members of her team come aboard, she must be willing to re-earn credibility regardless of her prior accomplishments and no matter how hard the organization courted her. Expect her to prove her value and gain the trust of her colleagues, and always communicate that expectation.

There's a saying that money talks and BS walks. It is crucial that your new superstar deliver successful results and contribute to the organization in order to build credibility. Expect everyone to earn credibility in a new organization, regardless of their past accomplishments or reputation. If you can help them build momentum with some quick wins, then consider this to be a part of the on-boarding effort.

Summary of Lessons Learned: **Upgrading Talent with Outside Superstars**

1. Identify your current and future internal stars first.
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