

# The art of the hire

## Good employees are hard to find, but this roadmap can help.

By [Elise Reinemann](#)

Last Updated: July 3, 2008: 1:48 PM EDT

(Fortune Small Business) -- Anne Messenger's hair stood on end as she read her former administrative assistant's [Facebook](#) profile. The picture showed the woman in a sultry pose, smoking a cigarette. Her main interests? Men and drinking. Yet in her interview, the candidate had seemed personable and energetic. The position included bookkeeping and her math skills were a little subpar, but she could brush them up on the job, right?

Wrong. Soon after Messenger hired her, the new assistant started making serious mistakes. The company books were a mess and bills were going unpaid, says Messenger, CEO of [Messenger Associates](#), a career and human resources consulting firm based in Binghamton, N.Y. The nightmare assistant didn't stick around for long, but if she had, the company's revenues might have suffered significantly. And that was all before Messenger discovered her appalling Facebook profile.

Almost 50% of entrepreneurs make serious mistakes when hiring, says management consultant Geoff Smart, CEO of [ghSMART](#) and co-author of the hiring guide *Who*. The lethal combination of time pressure and inexperience leads many owners to make mistakes that can be very costly for a new or growing small business. So where do you start?

### How to find good candidates

First, leverage your professional network. Bob Wendover, managing director for the [Center for Generational Studies](#) in Denver and the author of several books on hiring, starts by asking his current employees to suggest suitable candidates.

"Like people tend to attract each other," Wendover says. "A good worker might know other talented people who are looking for a job."

Smart recommends compensating your employees for recommending job candidates who get hired, a technique that Wendover also uses. You can also try job search engines such as [Monster.com](#) or [CareerBuilder.com](#), but Wendover cautions that they aren't always the best option for busy owners who don't have much time to sift through piles of resumes. After posting a recent position on Monster ([MNST](#)), Wendover received 40 resumes in a space of four hours.

"Of those 40, there were maybe four that I was actually interested in," he said.

You can certainly hire a reputable recruiting firm to do the work for you, but many small firms can't afford to pay the stiff fees that headhunters typically charge. "I don't think it's worth it," Bob Wessel, vice president at [Payroll Control Systems](#) in Minneapolis said. "I don't see spending 30% to 35% of a new employee's starting annual salary as a value to a small business."

Whatever method you use to identify candidates, it's vital to understand exactly what you're looking for. At the start of every recruiting effort, Wendover uses a whiteboard to list necessary skills, such as service demeanor, organizational ability, written communications, and design chops. He then ranks the skills from most important to least important.

"When I start looking, the successful person will have at least the top three. The next six are somewhat negotiable,"

he says.

Smart recommends that you compile what he calls a Score Card, a list of things that you want the person to actually accomplish: bring in new clients, build revenues, improve customer service, or what have you. "If you don't write it down, you'll end up hiring the wrong person," he said.

### How to interview

Once you've identified a few worthy candidates, then comes the next daunting task: interviewing and reference checking. Entrepreneurs wear many hats and especially at a growing business, they often need to fill vacant positions yesterday, if not sooner. But patience is an important virtue in hiring.

"If you're going to pay them \$30,000 a year plus benefits and workers compensation, you're talking at least a \$100,000 investment," says Wendover. "Would you only spend two or three hours making a \$100,000 investment if you were buying a computer or some other large piece of equipment? No, but that's what we tend to do."

During the interviewing process, Smart recommends avoiding hypothetical questions, such as "How would you deal with an office conflict?" It's easy to lie or exaggerate when answering a hypothetical. So instead of asking how the candidate would deal with conflict, ask her to explain how she resolved an actual conflict at her previous job. At least in some cases, you can verify the answer by calling her references.

Other red flags to watch out for in a job interview, according to Smart: Candidates who tend to blame others for mishaps, candidates who can't explain job moves, and candidates who speak badly of their former bosses.

"The more you know about a candidate, the better your chances are of putting the right guy in the right place," says Paul Lattanzio, a venture capitalist at Bear Growth Capital Partners in New York City who also sits on several small company boards.

Lattanzio recommends that you ask all candidates this question: "Who was your last boss and what would he say about you?" The answer is often verifiable. And asking the candidate's former boss to comment will give the boss a chance to speak on a topic that she might not otherwise bring up during a reference check conversation.

### How to check references

Of course, some employers are so fearful of getting drawn into wrongful termination suits that they will only give out titles and dates of employment of a former employee. And not even a thorough reference check will reveal everything you need to know about the candidate. It's often a good idea to pay for a thorough background investigation, especially when you're hiring someone who will be dealing with money, says Carol Fletcher, CEO of [C.R. Fletcher Associates](#) in Syracuse, N.Y.

By [Elise Reinemann](#)

Last Updated: July 3, 2008: 1:48 PM EDT

Don't be afraid to look outside the box when you're trying to choose the right candidate. It's all too easy to be blinded by an impressive [resumé](#) filled with superior education and long lists of skills.

"Small businesses sometimes feel they can't afford to not have all the skill sets and will be too rigid," Fletcher said. But a finding a person whose personality fits the culture of the company can be just as important as finding a person with the right background.

Wessel admits to making a serious hiring mistake once because he was blinded by the candidate's gilded [resumé](#).

"I assumed that because she had worked with a well-known, large competitor, that I could just insert her in and she'd be off running," he says. The new employee never fit into the team and eventually stopped showing up for work. "I completely did not see the signals during the interviewing process that she might not be dependable and might have other issues," says Wessel.

"It's not always about hiring the most trained, the best educated person," Wessel adds. "It's about hiring someone who is going to conform and fit with the company's cultures and ideals and values. That's a difficult thing to determine during the hiring phase. I've learned to be more cautious and listen to instincts when it comes to personality and cultural fit."

### **How to make an offer she can't refuse**

So now you think you've found the perfect candidate for your growing small business. But now you have to make sure your candidate is on board. As a small business owner you have some advantages when it comes to negotiating terms of employment.

You may not be able to offer all the bells and whistles in terms of stock options and benefits, but small businesses can often provide other valuable benefits, such as flexibility in work scheduling. Fletcher was able to accommodate one employee who needed time to care for her sick mother living at home. She worked part time at the office and part time at home, something that a big company can't always offer a new employee.

"It's paid back in loyalty," Fletcher says. "That person has been with me for 12 years now."

You can also promote loyalty by signaling that you're hiring the employee because you think they have potential for a leadership position down the road, Hockenberg says. Over the next few years, as baby boomers begin to retire, managerial and executive positions at small businesses will begin to open up for workers who are being hired at entry-level positions today.

"Signaling that a person may have potential for a leadership position later on will help create more loyalty and dedication and will help get a better value for the person," Hockenberg adds.

When negotiating compensation, Wendover said he doesn't like to spend too much time chasing a candidate because it puts them in the drivers seat in terms of negotiations. Instead, he offers what he can, competitively, and waits to see if the person will come on board.

Smart recommends not being shy about telling the candidate how much money she can expect to make in salary, bonus and equity, especially at a new or growing business. But money isn't everything. It's vital to understand that workers take family and many other factors into account when deciding whether or not to join a company.

Smart thought he had found the right guy for a position at ghSMART, his Chicago-based management consulting firm. Smart made him an offer, he signed an agreement, and they started celebrating. "He was getting married the next week so we sent him a bottle of champagne to congratulate him," Smart recalls.

A few weeks later, the new employee backed out of the job on the grounds that his wife didn't want him joining an entrepreneurial company with only 27 employees.

"He basically drank our champagne and then called and said he's not going to come after all," Smart says ruefully. "Shame on me for not asking if his new wife was on board with him making this career move."

Don't be in the category of small business owners and entrepreneurs who make costly hiring mistakes. As Smart says, it's not about the what in business, it's about the who. ■

First Published: July 3, 2008: 1:21 PM EDT