

# Red Flags in Hiring and Promotion (v.2)

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## The “Reverse Peter Principle”

The Peter Principle says that managers tend to get promoted to their level of incompetence. The Reverse Peter Principle says that no longer do managers need to get promoted to their level of incompetence because it will come to find them!

Today, customers are evermore demanding. Decisions are increasingly complex. Ambiguity is the rule. Managers must manage more than their jobs...they must manage a constant stream of initiatives to improve their business. Managers may top-out just by sitting still.

Performance requires more talent than in the past, for multitasking, prioritizing, judgment and execution. To maximize talent, personnel decisions must be made thoughtfully and skillfully.

All organizations make hiring or promotion mistakes. When mistakes are made, organizations must then cope with performance problems such as poor judgment, undisciplined work habits, poor follow-through, abrasive social skills or failure to delegate. Typically, success rates for personnel decisions are in the 60-70% range. Predicting human behavior is a high-risk game.

It is also a high-stakes game. Mistakes cost money, especially if the underperformer must be released. Here are some of the direct and indirect costs associated with bad personnel decisions:

- Salary, benefits and recruiting costs
- Compromised productivity and quality
- Turnover of de-motivated staff
- Damaged customer relations
- Opportunity cost

Imagine, for a moment, increasing your success rate for selecting a Vice President from 70% to 90%. Assume that the total compensation for the position is \$200k and you pay a recruiter \$40k. Raising your

success rate to 90% will save you an average of \$48k *per decision*. This number can more than *quadruple* if you consider opportunity cost, lost productivity, quality problems and customer impact.

This picture is even more compelling for a General Manager or CEO. A poorly performing GM, let's say in a \$100mm business, can cost the organization in excess of \$1mm annually.

### Estimated Cost Savings *per Decision* by Increasing Success Rate from 70% to 90%

Manager	\$10-30k
Director	\$20-60k
VP	\$40-150k
GM	\$100k – 1mm+

## Red Flags

To make good personnel decisions, you must assess candidates' competence. Some competencies are easy to assess, e.g., verbal skills, technical knowledge, listening skills and any behavior that can be directly observed in an interview. Other competencies are harder to assess, such as management style, character and core values.

Over the years we have identified certain behavior patterns that are linked to performance problems. These “red flags” are often evident, but go undetected. The chart on the next page summarizes behaviors we have found to be most problematic.

**RED FLAGS CHECKLIST**—Evidence of any of these behaviors during interviews, background checks or assessment exercises should be probed thoroughly. A good rule of thumb is that *one* of these red flags dictates caution, and two *or more* raise serious doubt as to a successful job match.

		Evidence?
<b>Limited Intelligence</b>	<ul style="list-style-type: none"> <li>tests below the 70%ile on analytic skills</li> <li>black-and-white thinking—gives simplistic answers to complex questions</li> <li>has difficulty discussing abstract ideas or long-term implications of decisions</li> </ul>	
<b>Extreme Intelligence</b>	<ul style="list-style-type: none"> <li>tests above the 99%ile on analytic skills</li> <li>thinks too quickly—hard to follow in interview— unable to give simple answers</li> <li>makes things too complex—bores quickly in job assignments</li> </ul>	
<b>Too Intellectual</b>	<ul style="list-style-type: none"> <li>gets excited by intellectual and theoretical ideas</li> <li>spends less time discussing practical, down-to-earth &amp; specific accomplishments</li> <li>shows eccentric social mannerisms—more cerebral than socially comfortable</li> </ul>	
<b>Hyperactive Obsessiveness</b>	<ul style="list-style-type: none"> <li>high-strung, talks fast, verbose</li> <li>spends too much time discussing fine distinctions and small details</li> <li>second-guesses past decisions—worries—overly self-critical</li> </ul>	
<b>Unfocused; Distractible</b>	<ul style="list-style-type: none"> <li>gets distracted on tangents during interview</li> <li>answers only 1 or 2 parts when asked complex 3-part questions</li> <li>admits undisciplined work habits or complains about chaotic work environments</li> </ul>	
<b>Highly Controlling; Autocratic</b>	<ul style="list-style-type: none"> <li>over-controls the interview—frustrates when schedules change</li> <li>poor listening—interrupts—dominates the conversation</li> <li>demands direct reporting of all information and problems</li> <li>focuses on own achievements rather than empowerment of others’</li> <li>gives orders and mandates—cannot articulate stories of empowerment of talented staff</li> </ul>	
<b>Disengaged Interpersonally</b>	<ul style="list-style-type: none"> <li>extreme introvert—falters with small talk—interviewer feels awkward</li> <li>prefers analysis and computer/office over communication and relationship-building</li> <li>shows more excitement over hobbies/avocation than past job accomplishments</li> </ul>	
<b>Overly Analytical; Linear; Rigid</b>	<ul style="list-style-type: none"> <li>stiff personality— speaks in an overly linear and calculating manner</li> <li>uncomfortable with ambiguous questions in the interview— needs a lot of structure (conversations, directions, assignments)</li> <li>intolerant of creative ideas and approaches—frustrates with others’ mistakes</li> <li>requires excessive data—risk-averse—lacks “out-of-the-box” thinking</li> </ul>	
<b>Arrogance; Condescension</b>	<ul style="list-style-type: none"> <li>“better-than-thou” or “smarter-than-thou”—has difficulty admitting shortcomings</li> <li>“tells” rather than “listens”—leaves people behind if they can’t keep up</li> <li>may be prone to vulgarity</li> <li>may play “victim” and blame others...or may suffer from over-confidence</li> </ul>	
<b>Low Interpersonal Confidence; Conflict Avoidant</b>	<ul style="list-style-type: none"> <li>overly nice, accommodating, self-conscious or apologetic in the interview</li> <li>avoids conflict—intimidated by higher-ups or strong personalities—cannot articulate stories of occasionally ruffling feathers or creating controversy</li> <li>has not “released” many non-performers</li> <li>may become over-committed or fail to hold staff accountable</li> </ul>	
<b>Guarded; Aloof</b>	<ul style="list-style-type: none"> <li>apprehensive to discuss personal shortcomings or personal history</li> <li>hard to read</li> </ul>	
<b>Posturing</b>	<ul style="list-style-type: none"> <li>interested in image, appearance, job title and job perks</li> <li>exaggerates personal knowledge/skill and past performance</li> <li>uses charm to impress others, especially upper management or the interviewer</li> </ul>	
<b>Self Absorbed</b>	<ul style="list-style-type: none"> <li>more focused on own performance than getting results through others</li> <li>shows more evidence of “taking” than “giving”—verbose—poor listening</li> <li>insensitive to others’ time</li> <li>over-focuses on personal interests rather than Company priorities</li> </ul>	
<b>Punishing; Emotionally Uncontrolled</b>	<ul style="list-style-type: none"> <li>degrades people when frustrated—prone to outbursts or inappropriate intensity</li> <li>uses job threats to get staff’s attention</li> </ul>	
<b>Tolerates Poor Performers</b>	<ul style="list-style-type: none"> <li>tries to develop limited people—cannot tell several stories of upgrading talent</li> <li>cannot articulate performance management principles (feedback, accountability)</li> <li>limited people reading skills—cannot describe nuances of other’s personalities</li> </ul>	
<b>Narrow Experience</b>	<ul style="list-style-type: none"> <li>lacks experience in organizations of similar size/culture, or in a similar role</li> <li>has disproportional experience at Corp. vs Division, public vs private, large vs small</li> <li>lacks experience leading similar spans of control</li> </ul>	
<b>Career Instability</b>	<ul style="list-style-type: none"> <li>shows bad judgment by repeatedly choosing bad companies or bad bosses</li> <li>restless—bored—overly ambitious</li> <li>positions have been downsized/eliminated multiple times</li> </ul>	

## A Formula To Optimize Talent

Red flags become visible in a well-designed selection process. The more sophisticated the selection tools, the easier it is to identify risky behavior that could jeopardize performance. Listed below is a formula to help you make better hiring and promotion decisions, and enhance your chances of catching a red flag.

- 1. Define Position Descriptions** - The job should be defined, including any “complex” aspects of the environment in which the person will be working. A good description will include responsibilities, accountabilities, decision authority and the possible “derailers” that can lead to failure.
- 2. Identify Competencies** - The essential competencies for the job and the environment should be listed, i.e., knowledge, skills, attitudes and abilities. This provides a recipe that can guide interviewers, recruiters and assessment psychologists. These competencies later provide a foundation for training and performance reviews.
- 3. Engage Recruiters** - Use recruiters for key positions that carry a high cost of failure. A talented recruiter brings a research team, deep experience and an objective perspective on the labor market.
- 4. Stay Involved** - Don’t rush recruiting. Make sure HR is appropriately staffed for the task. The supervising manager(s) should be involved in hiring, rather than abdicate it to HR.
- 5. Conduct Reference Checks** - For external hires, references should be checked thoroughly. Although references are notoriously unreliable, they occasionally bear fruit. If a previous employer or manager is willing to talk to you, don’t hang up until you cajole them into at least a small “rough edge”. Then amplify the negative impact of this trait by 2.
- 6. Use Multiple Interviews** - Multiple interviewers should be chosen carefully and briefed on the job description and competency profile. Ideally, they should be trained in interviewing techniques. When time is short, each interviewer can focus on

evaluating a subset of the desired competencies. Interviewers should compare notes and collaborate on a final decision.

- 7. Court Candidates As You Would a Customer** - It may be difficult to attract top candidates, especially if your competitors are doing a top-notch job of selling themselves. This is particularly true if your organization does not offer ideal geography, prestige or above-market pay. Special effort must be made to *sell* the candidate and family, discovering their likes and dislikes, being careful not to underestimate the voting power of the spouse. It is also important to present a *realistic* view of the job, including warts and pimples. Allow candidates to interview their future direct reports. You don’t want to lose a good candidate, or compromise your organization’s reputation, by surprising them with skeletons in the closet.
- 8. Use Professional Assessment** - We recommend using professional assessment for *all* finalists for Director level and above. Professional assessors, typically psychologists, have the expertise to identify red flags. When a candidate is sent to an assessment professional, the hiring manager should explain the assessment process to the candidate, emphasizing the value to both parties.
- 9. Evaluate Your Decisions** - Personnel decisions should be periodically audited to check effectiveness and make improvements to the selection process. Position/competency descriptions should be regularly updated. Designing your selection process to be as effective as other business processes will assure cost savings and improve performance.