



SO Why Is It So Hard To Get The Right People On Your Bus? Part Two: Controllers/CFOs, Quality Managers and Operations Managers

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If you read my prior blog relating to the same subject, but directed at Sales positions, you will no doubt recognize that a fair amount of what was said about getting the right sales people on your bus also applies to other positions. The sad fact is that most small business owners don't do a very good search job in looking for people, and that starts a process which often leads to unsatisfactory results.

Controllers/Chief Financial Officers

One firm I have advised over the years searched a full year for a Controller, interviewing sixteen (!) applicants before finding one who appeared to fit the organization's needs. He was promised a review and raise after 90 days. The owner quickly became unhappy with his work ethic. The saying around the office was "don't stand by the door at 5 PM; he'll knock you over as he bolts for the parking lot." One of the several things that most disturbed the CEO was the fact that he never quite completed tasks on schedule. He was almost always late, sometimes by an hour, and sometimes by days. She not only gave him the promised raise at 90 days in spite of her dissatisfaction, she didn't even fire him. She suffered through almost two years of his behavior before he finally resigned to become someone else's problem. Why did it take so long? The CEO admitted the search had taken so long and she was so uncomfortable with the financial/accounting side of the business, that she was willing to keep the "known devil", feeling her next choices would also result in sub-optimal behavior. Interestingly, the salary she had been paying him would have easily attracted an experienced CPA!

Another firm I have worked with wanted to hire a CFO. The owner found a candidate. He brought the candidate's resume to a Board of Directors' meeting. One of the outside Directors noticed that the applicant had three years experience working for an out of state CPA firm. That Director happened to know the Managing Partner of the CPA firm. He called him. The Managing Partner gave the candidate a less than glowing report. The CEO/owner hired the candidate anyway against the advice of the Board. [Side note: while this group was legally a Board of Directors, and therefore could have blocked the hire of a senior executive, in practice the Board functioned as a Board of Advisors because the CEO was the majority owner of the company and could override his Board's recommendations any time he wanted - as he frequently did.] It took over two years for the CEO to finally fire the CFO, much to everyone's relief.

Quality Managers

The emphasis on quality is increasing important in today's business environment. I recently reviewed the experience of an ISO certified firm that was faced with a significant problem with the scheduled review of its quality processes after the sudden resignation of its most skilled QC Manager. The firm hired, through a respected search firm, a new hire to take his place. By all background checks and interviews, this person was expected to be a solid replacement. In his first week, it was quickly determined that he had a substance abuse problem. Confronted, he promised to clean up his act. And he did, for almost two weeks. Luckily, he was sober enough to guide the quality audit. Shortly thereafter he arrived at work too drunk to walk a straight line. Rather than cut the losses, the firm chose to send him to rehab. A month later, the man again relapsed. He was terminated. And so a new search began. Another candidate, selected from a pool provided by another respected search firm, seemed to be the real deal. However, within three days of his hiring, he informed the CEO that he had lung cancer and needed some time off to deal with the medical problem. A week later he returned to work, only to ask for a half day off for "personal business". The half-day off was reluctantly granted. Two more days passed when he again asked for another half-day off for more "personal business". Again the request was granted. A week later he was AWOL for four days. He didn't inform his

employer during that period that he would be absent. On Friday of that AWOL week he arrived at the firm's headquarters dressed in a t-shirt and shorts. He said he had been in another city doing personal things. The story got even better when he told his supervisor that his first half-day off was spent buying his wife a Mercedes Benz car, and the second half-day was devoted to purchasing her some expensive jewelry. This man was hired in the mid-30K range. The man had been on the payroll for seven weeks and was absent for eight of the thirty-five work days. He was finally terminated. The search firm agreed to return the deposit on his hiring and credited the company with the other 50% of the fee towards another hire. The ultimate irony: this man recently filed for unemployment compensation. As incredible as this story seems, I did not have to make it up!: The company is still looking.

Operations Managers

One firm had a revolving door for Operations Managers. Over a ten year period there were at least seven of them. None satisfied the owner. Desperate for a solution, the owner finally brought the problem to his newly created Board of Advisors. They asked him some very pointed questions: (1) Do you have a job/position description of what you want your Operations Manager to do? (2) Have you recruited and screened potential candidates against Gino Wickman's Traction process of "Gets It, Wants It, and has the Capacity to Do it"? (3) Have you defined the Core Values of your firm to look at "fit" of the candidate for the job?

The answers to those questions were mostly "no". He had done some systematic recruiting, but he mostly relied on word of mouth, friend referrals, and admitted he was batting well under 300 for a decade. He wondered how he would ever make it to the Big Leagues. The Board recommended he change his process. He took the rest of his management team through the Traction Core Values exercise, developed a cohesive set of standards to measure candidate fit, first by resume, next by background check, then personal interviews with key members of his management team, and finally a provisional offer of potential employment to the four candidates that got through a much more systematic and rigorous screening process than had ever been done before in his company.

Each of the four candidates were invited to become paid two day consultants to the firm. Those two days were disguised as "outside consultants" to do what consultants do - walk the floor, ask questions, observe, evaluate and write a report to top management with recommendations on what they felt were areas of Strengths and Weaknesses and potential actions to ameliorate weaknesses and enhance strengths. Compensation of \$1500 was offered for the two days + the report. Three of the four accepted the offer. What happened? One candidate was superior in his observations and recommendations. However, in the two days, his behavior clashed significantly with the company's desired culture. Candidates two and three were virtually tied in their performance on this assignment, with one appearing to fit much better than the other one. The better fit man got the job. The company got some great recommendations on changes that needed to be made. Luckily, the new hire worked out well. In part due to implementation of the series of recommendations suggested by the first candidate, cost of materials and labor as a percentage of sales decreased 7% over the first two years of his employment, on-time delivery to customers rose from 91% to 97.5%, and rework/returns decreased by 50%.

It's nice to win once in a while!

Some Analysis

Employee selection is not an exact science. The human factors all too frequently override common sense. We hire people we like. We limit the scope of the search because we have found what looks like a good candidate rather than search for the best candidate. Settling for the good hire is counter to best practices. In the case above in hiring the Controller, the CEO was clearly out of her comfort zone. The whole three year fiasco (remember, it took a year to hire him and two more years of being unhappy with him) could have been avoided or at least minimized by following some simple rules, detailed below. In the Controller situation, the problem could have been minimized had she sought help from others with more experience and comfort in hiring for the position.

Entrepreneurs can often be their own worst enemies. I frequently conduct SWOT (Strengths, Weaknesses, Opportunities & Threats) analyses with company management teams. It is not unusual to see the CEO listed as a major Strength and as a major Weakness of the firm. The CFO example happens all too frequently when the CEO is also the major shareholder and believes he doesn't have to answer to anyone.

The Quality position problems noted above are probably exceptions to the norm, but these stories are real.

The happy ending of the Operations Manager story is heartwarming but also disturbing. The owner had to wander in his personal desert for a decade before he sought the help that made the company experience real progress.

Takeaways

1. Effective hiring is a process, not an event.
2. You must define your company's Core Values before you begin any significant hiring effort. This will shape and guide assessment of candidates for "fit" with your firm.
3. Once you have defined the Core Values, any position you need to fill must have a definite job/position description against which you can measure candidates' talents and capabilities.
4. If you do your homework properly, you will screen first on the resume, next on validation of the claims on the resume, and then by an appropriate background check. While we all know that people are unlikely to list references who will say bad things about them, there's a lot to be gained in seeking out contacts who know the candidate.
5. Candidates who pass the resume and background checks get moved into the interview stage. A future blog in this series will examine some of the more egregious errors people make in interviewing, but for now, focus the interview on lots of listening, structuring the interview so that what the candidate "Can Do, Will Do, and has the Capacity to Do" can come through. There's a lot to be said for having more than one interviewer in the room with the candidate.
6. Hire people provisionally with specific, measurable goals to be accomplished by specified dates clearly enumerated and documented. And, review progress towards those goals. Keep score.
7. Even with all of those guidelines, you are still going to make hiring mistakes. Everybody makes hiring mistakes. The key is to admit the mistake sooner rather than later. Don't "put up" with someone who clearly isn't working out just because you are afraid you won't do better next time.
8. Hire Slowly, Fire Quickly.

These are the kinds of issues we routinely discuss and dialog about in the COSE Strategic Planning Course. If you would like to learn more about the course, consider attending one of our information sessions (the next one is August 16, 2016) and/or look in the material about the course at cose.org/spc.

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