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Hiring

How to Hire

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Summary. Most companies approach hiring with faulty assumptions and poor practices. They believe talent is fixed rather than contextual. They fail to create real partnerships between internal recruiters and hiring managers. And they rely too much on salary surveys and… **more**

I really dislike the term "A player." It implies a grading system that can determine who will be best for a position. HR people always ask how Netflix, where I served as chief talent officer from 1998 to 2012, managed to hire only A players. I say, "There's an island populated exclusively by A players, but only some of us know where it is."

In truth, one company's A player may be a B player for another firm. There is no formula for what makes people successful. Many of the people we let go from Netflix because they were not excelling at what we were doing went on to excel in other jobs.

Finding the right people is also not a matter of "culture fit." What most people really mean when they say someone is a good fit culturally is that he or she is someone they'd like to have a beer with. But people with all sorts of personalities can be great at the job you need done. This misguided hiring strategy can also contribute to a company's lack of diversity, since very often the people we enjoy hanging out with have backgrounds much like our own.

Making great hires is about recognizing great matches—and often they're not what you'd expect. Take Anthony Park. On paper he wasn't a slam dunk for a Silicon Valley company. He was working at an Arizona bank, where he was a "programmer," not a "software developer." And he was a pretty buttoned up guy. We called Anthony because in his spare time he'd created a Netflix-enhancing app, which he had posted on his website. He came in for a day of interviews, and everyone loved him. When he got to me, late in the day, I told him he would be getting an offer. He seemed overwhelmed, so I asked if he was all right. He said, "You're going to pay me a lot of money to do what I love!" I did wonder how he'd fit in with the high-powered team he was joining; I hoped it wouldn't burn him out.

A few months later I sat in on a meeting of his team. Everyone was arguing until Anthony suddenly said, "Can I speak now?" The room went silent, because Anthony didn't say much, but when he did speak, it was something really smart—something that would make us all wonder, *Damn it, why didn't I think of that?* Now Anthony is a vice president. He's proof that organizations can adapt to many people's styles.

In this article I'll describe what I've learned about making great hires during my 14 years at Netflix and in subsequent consulting on culture and leadership. The process requires probing beneath the surface of

people and their résumés; engaging managers in every aspect of hiring; treating your in-house recruiters as true business partners; adopting a mindset in which you're always recruiting; and coming up with compensation that suits the performance you need and the future you aspire to. My observations may be especially relevant to fast-growing tech-based firms, whose rapid innovation means a continual need for new talent. But organizations of all types can benefit from taking a fresh look at their hiring and compensation practices.

Probe Beneath the Surface

At Netflix we had to be creative about where we searched for talent, because we often needed people with rarefied technical skills. When we began looking for big data experts, for example, no one even really knew what "big" meant. We couldn't just search résumés and do keyword matching. We had to think about all the different kinds of companies—many were insurance or credit card companies—that handled masses of data. What's more, our recruiting team lacked the in-depth knowledge to assess people's technical skills.

Our best recruiter of technical people was Bethany Brodsky. She knew virtually nothing about technology before coming to Netflix, but she was great at understanding our business and the root problems we had to solve. She also understood that a candidate's approach to problem solving was more important than previous experience.

One of Bethany's best interviews was with someone working at Lawrence Livermore—a government research center focused on nuclear science. This was when Netflix was beginning to stream on Xbox, Roku, and TiVo. When interviewing candidates, Bethany would tell them we had signed up a million subscribers in just 30 days on one of those devices and ask which one they thought it was. TiVo was taking off then, so most people said, "TiVo, for sure." But this candidate asked whether any conditions were attached to getting a Netflix subscription on any of the devices. She told him that Xbox

subscribers needed a gold membership. He reasoned that it must be Xbox, because its users were already willing to pay a premium. He was right, and she knew he was our guy.

Making great hires is about recognizing great matches.

I had a similar "aha" moment when I interviewed Christian Kaiser, who was managing a group of 25 programmers at AOL. I had tried to hire quite a few people from his group, because they were doing the kind of technical work we needed. But they all wanted to stay at AOL. Netflix was a much sexier place to work, so I was perplexed. When I asked them about it, they would say, "I have the most amazing boss! He's the best communicator I've ever known. I can't bear the thought of leaving him." I told my recruiters, "Go get that guy."

Christian wasn't what I'd expected. He had a thick German accent, and he stuttered. This was the great communicator? On top of that, he was clearly nervous. Our conversation was painful for him and for me. But when I asked him to explain, in simple terms, the technical work he was doing, he was transformed. He still stuttered, but he gave me a riveting explanation, and I realized, *That's it! He's great at making really complicated things understandable.* We hired him, and he's been an amazing team builder.

We always tried to be creative about probing people and their résumés. Bethany once decided to analyze the résumés of our best data-science people for common features. She found that those people shared an avid interest in music. From then on she and her team looked for that quality. She recalls, "We'd get really excited and call out, 'Hey, I found a guy who plays piano!'" She concluded that such people can easily toggle between their left and right brains—a great skill for data analysis.

Engage Managers Fully

Many companies rely on outside recruiters. Netflix was growing so quickly that we opted for a different strategy: We formed an internal team of experienced recruiters. The sad truth is that most companies treat recruitment as a separate, nonbusiness, even non-HR function, and many young companies outsource it. Building a talented team of internal recruiters was a substantial investment, but I could make an irrefutable business case for doing so: I could clearly show what the return would be from eliminating headhunter fees. We saved bundles of money over time.

The technical nature of our business meant that managers needed to be highly engaged in the hiring process. But that should be required at all companies. Every hiring manager should understand the company's approach to hiring and how to execute on it, down to the smallest detail.

Your HR chief should understand the details of your business.

Our recruiters' job involved coaching our hiring managers. The recruiters created a slide deck to use with each manager, one-on-one. They would ask, "What does your interview process look like? What does your interview team look like? What is your process for having candidates come in?" People don't have to approach interviewing or recruiting in the same way, but we insisted that they have a plan and not just improvise.

In the end, the manager would make the hiring decision. Team members provided input, and my team and I also weighed in. But the ultimate responsibility was the manager's, as was the performance of the team he or she was building.

All this should be modeled from the top. Bethany once worked with our CEO, Reed Hastings, to fill a director-level position. They met on a Thursday morning to discuss what type of candidate they needed.

Friday afternoon Reed e-mailed her to say he had sent messages to 20 prospects he'd found on LinkedIn and had gotten three responses. He'd interviewed one via Skype, really liked him, and wanted him to come in on Monday.

When hiring managers are as engaged as Reed was, recruiters up their game even more. After getting Reed's e-mail, Bethany was determined to find someone even better. (We ended up hiring Reed's guy, and Reed gloated about it for years.)

Treat Recruiters as Business Partners

For the approach I'm describing to work, recruiters must be considered vital contributors to building the business. They need to deeply understand the needs of the business, and hiring managers need to treat them as business partners.

Getting the two groups to work together optimally may require holding hiring managers' feet to the fire. One day I heard one of my best recruiters complain about a new executive: "He doesn't return my calls or e-mails. I send him résumés, but he doesn't respond. I'm frustrated, because we really need to build him a great team." I walked up to her and said, "I think you need to work with someone else. I'll take care of this." Then I sent him an e-mail saying I had reassigned his recruiter: "I've put her on another project, because you appear to have a methodology for hiring and don't seem to need her help. Let us know when we can step in and assist. Love, Patty."

Within minutes he was at my desk, fuming. "What the hell?" he demanded. I asked him, "Is it true that she set up two meetings with you and you canceled?" He snapped, "I'm a busy guy. I'm doing the work of 10 people." I asked, "Is it true that she sent you a number of qualified candidates and you didn't respond? It's your job to build the team, not hers. By the way, there are three people who are delighted that she's not spending time on you. She's a great partner; she could really make this work for you. But if you don't need her, that's cool." Realizing that he did need the recruiter to help grow his team, he changed his tune and began treating her with respect.

It infuriates me when hiring managers dismiss the value of good HR people. Usually when I asked managers why they weren't engaging more with recruiters, they'd say, "Well, they're not that smart, and they don't really understand what's going on in my business or how the technology works." My response would be "Then start expecting —and demanding—that they do!" If you hire smart people; insist that they be businesspeople; and include them in running the business, they'll act like businesspeople.

On occasion I even advise companies to hire a businessperson, not an HR specialist, to run HR. Just like any other department or division head, your HR chief should understand the details of your business, how you earn your revenue, who your customers are, and your strategy for the future.

Always Be Recruiting

At Netflix we had a saying: "Always be recruiting!" Candidates came from everywhere—from professional conferences, from the sidelines of a kids' soccer game, from conversations on airplanes. But certain fundamentals were strictly enforced. The interview and hiring process gives a powerful first impression about how your company operates, for good or bad. So I had an ironclad rule that if people saw a stranger sitting alone at headquarters waiting for an interview, they should stop and say, "Hi, I'm _____. Are you here for an interview? Let's look at your schedule, and I'll help you find the next person." If I was late coming to meet with a candidate and said, "Sorry—I hope someone talked to you," he or she would say, "Six people talked to me."

Recruiting was so important that interviews trumped any meeting a hiring manager was scheduled for, and they were the only reason people could miss our executive staff meetings. Candidates are evaluating you, just as you're evaluating them. People forget that. Our goal was to have every person who came for an interview walk away wanting the job. Even if we hated candidates, we wanted them to think, *Wow, that was an incredible experience. It was efficient, it was*

effective, it was on time, the questions were relevant, everyone was smart, and I was treated with dignity. I would tell people, "Even if this person isn't the right fit, we might love his next-door neighbor."

We acted as quickly as possible once the decision was made: no running the hire by two levels of management, the compensation department, and HR. My team worked directly with hiring managers to determine compensation, title, and other details. Recruiters laid the groundwork; managers made the offers. Speed and efficiency often meant we could land candidates who were interviewing with other great companies.

Set Compensation That Makes Sense For You

Competitive salaries are obviously needed to lure top talent. Every business would like to mark its salaries to the market, but that can be challenging. There are amazingly sophisticated resources to tap for salary information; industry surveys cover every domain and give elaborate breakdowns by level. But jobs are not widgets, and neither are people. Roles are specialized in ways that survey descriptions cannot account for, and a candidate may have skills, such as good judgment and collaborative prowess, that can't be measured by surveys.

Say you need a software engineer. Do you want a senior programmer fluent in the best new techniques in search engine development? And this person will be managing a staff of five? Oh, and this person also needs to understand online advertising systems well enough to work with marketing on an online advertising strategy? A survey is not going to tell you how much such a person is paid currently—or should be paid *by you.*

Compensation departments spend gobs of time comparing descriptions and adjusting for other factors. However, that process gives you only a baseline understanding of the market landscape. How many people with those qualifications are available? To get the person you want, you often need to throw your calculations away and respond to actual market demand.

But market demand may not in itself be an adequate guide, because it reflects the present moment, and hiring should be about the future. The prevailing compensation system is often behind the times; it's based on the historical value of what employees have produced rather than on their potential to add value in the future.

Imagine that your recruiter manages to find a software engineer with all the credentials you need, and your team loves her, but she has an offer from your main competitor that's $35,000 more than what you were prepared to pay. In determining what to offer, consider the difference it might make to the future of your business if you bring her in rather than settle for your second choice—who may be a distant second, and whom it will take three months to hire because you'll keep looking for someone with the skills and talent of your first choice. How much added revenue might that great first choice produce? Might she ensure that you beat your competitor on the launch of a fabulous new search system—especially if she gets started now rather than three months down the road? How much ad revenue might she bring in by improving your targeting? What about the value of her management experience—might a key member of her team who gets an offer from another firm decide to stay because she's a great leader? And what about the value to you of her not working for your competitor, particularly if your domain is undergoing rapid innovation?

Current market demand and salary surveys can't help you calculate these future gains. I'm not saying there's *no* value to benchmarking, but I advise forgoing elaborate calculations based on what other companies are paying right now; that's comparing apples and oranges. It's better to focus on what you can afford to pay for the performance you want and the future you're heading toward.

A candidate may have skills that can't be measured by salary surveys.

Once you've made an offer and hired someone, you need to keep assessing compensation. I learned this during a period when Netflix was losing people because of exorbitant offers from our competitors. One day I heard that Google had offered one of our folks almost twice his current pay, and I hit the roof. He was a really important guy, so his manager wanted to counter. I got into a heated e-mail exchange with his manager and a couple of VPs. I wrote, "Google shouldn't decide the salaries for everybody just because they have more money than God!" We bickered for days. They kept telling me, "You don't understand how good he is!" I was having none of it.

But I woke up one morning and thought, *Oh, of course! No wonder Google wants him. They're right!* He had been working on some incredibly valuable personalization technology, and very few people in the world had his expertise. I realized that his work with us had given him a whole new market value. I fired off another e-mail: "I was wrong, and by the way, I went through the P&L, and we can double the salaries of everybody on this team." That experience changed how we thought about compensation. We realized that for some jobs we were creating expertise and scarcity, and rigidly adhering to internal salary ranges could harm our best contributors, who could make more elsewhere. We decided we didn't want a system in which people had to leave to be paid what they were worth. We also encouraged our employees to interview elsewhere regularly. That was the most reliable and efficient way to learn how competitive our pay was.

People often tell me, "We can't pay top dollar. That was great for Netflix, because the company was booming. But we're not growing that way, and we don't have the margin." Fair enough. Maybe it's not possible to pay top of market for every position. In that case I suggest identifying the positions with the greatest potential to boost your performance and paying top dollar to fill them with the very best people you can get. Think about it this way: What if by paying top of market you could bring in one supremely talented person who could do the job of two people or add even more value than that? Consider

the 80/20 rule about sales teams: that 20% of your salespeople will generate 80% of your revenue. It may apply to other employees. I've seen a similar effect on team after team.

Another objection I often hear to hiring star performers at top pay is that their salaries will be much higher than those of their teammates. Managers at Netflix used to complain about that. Say we wanted to bring in someone whose salary would be twice that of everybody else on the team. Department heads would sometimes ask, "Does that mean I'm paying people half of what they're worth?" I'd say, "Well, is this new person going to be able to move us faster, maybe even twice as fast? And when we hire him, who on your team could take his place at his former company?" The answers were usually "Yeah, we'll be able to move much faster" and "None of them could replace him, because they don't have his experience."

This focus on the value-add of an individual star is especially important when a company is scaling up. I recently got a call from a CEO whose company employs 150 people. He said it would be growing to 300 and asked my advice on getting there. I said, "That's a precise number of people. What's it based on?"

He said his company would need to do twice as much work. I asked would the new people be doing the same kinds of work as the current staff, or would there be new things? Would the company be launching a product line? And if teams were getting bigger, might he need more-experienced managers? Did twice as much work mean reaching twice as many customers? If so, he would have to ramp up customer service. But that might not mean hiring twice as many reps; maybe outsourcing would be better. Then I asked the question I've found to be the most thought-provoking in these consultations: "Instead of 150 new people, are you sure you don't want 75 people whom you pay twice as much because they have twice as much experience and can be higher performers?"

I've found that if you focus intently on hiring the best people you can find and pay them top dollar, chances are your business growth will more than make up for what you spend on compensation.

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Patty McCord was the chief talent officer at Netflix from 1998 to 2012 and now advises start-ups and entrepreneurs. She is the author of *Powerful: Building a Culture of Freedom and Responsibility* (Silicon Guild, 2018).