

The Perils of Hiring Stars

Beware the sparkling resume: New research shows that "superstar" employees often do real harm.

By: Alison Stein Wellner

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For Michael Carlisle, it seemed like the hiring coup of a lifetime. The Wildflower Group, his New York City licensing firm, was a scant three years old and had just 10 employees. But the company had just snatched a highly regarded salesperson from one of the industry's largest and most prestigious companies. The new employee was a bona fide superstar, with a blue-chip resume, a Rolodex brimming with contacts, and a track record of landing big-dollar sales. Carlisle was thrilled. "She could do a lot for us," he remembers thinking.

She did, albeit not in any way Carlisle expected. For one thing, the new employee was accustomed to the comforts and pleasures of a large corporation. She became testy and unpleasant when asked, say, to troubleshoot her own computer issues or alter her travel arrangements to take advantage of cheaper airfares. She tried to fob off administrative chores -- like sending faxes -- on other employees. To make matters worse, the superstar salesperson wasn't bringing in the sales. Nor did she take direction particularly well: Carlisle would lay out Wildflower's sales plan, and she'd argue about it.

Carlisle and his partner, Fred Paprin, spent many anxious hours in consultation trying to figure out how to salvage the situation. But as the complaints mounted, Carlisle began to worry about losing other employees. The final straw came when Carlisle noticed that several younger employees had begun emulating the star's bad behavior. It was time to cut his losses. Wildflower's big hiring coup lasted less than 10 months.

After several years of keeping payrolls lean, entrepreneurs are poised to plunge back into the hiring game. Sixteen percent of small companies added new employees in May 2004, and another 14% plan to hire in the months ahead, according to a recent survey by the National Federation of Independent Business. Many managers will no doubt be on the hunt for that one stellar employee who can catapult the organization to the next level. Unfortunately, as Carlisle found, bulletproof credentials are far from a "happily ever after" guarantee. In fact, the exact opposite might be true.

According to new research from Harvard Business School, so-called star performers rarely do well when they leave one company for another. What's more, their mere presence can actually hurt their new employers. Harvard professors Boris Groysberg, Ashish Nanda, and Nitin Nohria studied 1,052 leading stock analysts who worked for 78 investment banks between 1988 and 1996. They found that nearly half (46%) of research analysts did poorly in the

year after they switched companies, and even five years later, their performance had not recovered.

The survey found that stars' past performance depended at least as much on their former employer's resources and infrastructure as it did on their own individual talent. **Stephen Fairley, president of Today's Leadership Coaching, a consulting firm in Chicago, discovered the same thing when he hired a star sales rep away from a larger company earlier this year. After a few months, he was shocked to discover that his new employee was failing to make as many sales calls -- not to mention sales -- as he'd anticipated. "We started talking and I found out that he was used to having three levels of telemarketers beneath him who would qualify leads," Fairley says. "He was essentially just walking in the door and signing the contract." Fairley decided to let the star go shortly after the conversation.**

It's not just a matter of the star failing to perform once he parks his coffee mug at your office, though. A star often drags down your other employees. After all, there are only so many positions at the top of any organization. By filling them from outside, you're signaling to your own potential stars that their hard work may not necessarily pay off. What's more, star employees are often richly compensated in terms of money and perks -- something that can spark resentment at all levels of an organization. "Hiring a star can be very disruptive," says Groysberg.

Of course, it certainly doesn't make sense to hire someone with lousy credentials just to avoid the star-sickness. So what to do? The first task is to resist the seduction of that golden resume. Those multimillion-dollar accounts and that Ivy League education may be impressive. But don't let a candidate's credentials keep you from asking the right questions.

First, is this candidate really a star or did she just work at a starlike company? Pointed questions about expectations regarding resources and support staff might help determine this. Groysberg recommends extra caution if you're hiring someone from a company that's known for excellence in a particular area. If a design engineer comes from a company with a strong reputation for R&D, for example, chances are he benefited greatly from that environment and may not be able to transfer his skills to your shop. At the very least, you'll have to think about making a plan for helping your new star cope without resources that he or she might take for granted.

Will the star's personality and style mesh with your organization and help you move toward your goals? "A lot of time is spent on figuring out how much money a star is worth," Groysberg says. "Very few hours are allocated to how to integrate this person into the organization, and integration is the part that breaks or makes them."

It's best to start this process early. John Ninkovich, president of Performix Group, a 35-employee consultancy in Southfield, Mich., has found that involving his entire staff in hiring helps to minimize resentment. Everyone has a chance to talk to job candidates, and all it takes is one objection to send the applicant packing. "When everyone feels that they have input on bringing people in, it breaks down any concerns," he says.

Ninkovich, who has hired three stars successfully over the past eight years, also credits his success to understanding what kind of people thrive at his company. "It's important to understand what makes people successful at your own firm," agrees Groyberg. To that end, Ninkovich asked his current staffers to take a battery of assessment tests in behavior, goal orientation, and so forth. He then compares a star candidate's results against his "successful staff" profile.

All of this may sound like overkill, but Ninkovich believes it's best to err on the side of caution. After all, you and your staff are going to have to live with your star every day. Make a mistake, and the day will feel very long indeed.