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# HOW THE FASTEST GROWING FIRMS DRIVE GROWTH AND INNOVATION THROUGH HR ACTIONS

**Creating disruption With HR Tools**

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## 4 Topics for today



1. **Why HR must change**
2. **Why everyone must know the contribution that innovation and disruption plays in growth**
3. **How to increase the amount of innovation**
4. **How to hire, retain and manage those that create growth**

# Let's start with... why HR must change

What is the... #1 global business challenge facing CEO's? 2017

- ➔ 1. **Human Capital** #1 challenge for 5 years in a row!
2. Customer Relationships / Corporate Brand
3. Operational Excellence
4. Innovation and Digitalization
5. Regulation and Risk
6. Sustainability

**After 5 years with little improvement...**

**it's time for *bold* changes in HR**

**Why everyone must know...**

**of Innovators**

**the value**

# Does innovation make your firm more valuable in the stock market?

## **Global innovative firms (BCG)**

1. Apple
2. Google
3. Tesla
4. Microsoft
5. Amazon
6. Netflix
7. Samsung
8. Toyota 1937
9. Facebook 2004

# Does innovation make your firm more valuable in the stock market?

## Global innovative firms (BCG)

1. **Apple**
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3. Tesla
4. **Microsoft**
5. **Amazon**
6. Netflix
7. Samsung
8. Toyota 1937
9. **Facebook 2004**

## Top global market cap firms

1. **Apple**
2. **Google**
3. **Microsoft**
4. **Amazon**
5. **Facebook**

The common denominator is...  
**Continuous industry disruption  
created by serial innovation**

# Do the benchmark innovation firms also produce more revenue? (Per employee)

**Expectation:** Serial innovation firms will have a much higher revenue per employee #

**Average** in this industry **\$211,000**

**IBM** \$189,000 (Nearly **14%** below average)

**Amazon** \$472,000 (Over **2** times the average)

**Microsoft** \$754,000 (Nearly **3½** times the average)

**Google** \$1,450,000 (Nearly **6¾** times the average)

**Apple** \$1,920,000 (Nearly **9** times the average)

**Facebook** \$1,950,000 (Nearly **9¼ times** the average)

**Key learning – Facebook’s serial innovation** can produce the same revenue as **IBM**  
with **8 X fewer workers**

Source: MarketWatch.com 10/30/17

## Make sure everyone knows the value of individual innovators

- What is **the performance differential** between an innovator and an average worker?
- CEO quote - **"The secret of my success is that we have gone to exceptional lengths to hire the best people in the world."** **"And when you're in a field where the dynamic range is 25 to 1, boy, does it pay off"**
- **Google – a top technologist is worth "300 times more"** than the average employee (Alan Eustace) **WOW**



The most important job is... recruiting



**What can HR do...**

**to increase serial innovation?**

# What is required to increase innovation?

You must know the key factors for increasing innovation

(Use this Google algorithm as an example)

**Innovation = Discovery + Collaboration + Fun!**

i.e. self-directed learning

## Assess their learning ability / agility / intellectual curiosity

Learning is the # 1 competency in a fast changing world

- Learning ability **is the key determiner** in deciding among candidates at Google (along with technical capabilities)
- Learning agility... is **a top hiring quality sought by Tesla**
- Learning ability is the # 1 most desirable trait **in college hires** (Futurestep)

# Assessing the learning ability of your candidates

## Ways to assess self-directed rapid learning ability during hiring

1. Show us the **learning steps you would take** to solve a problem
2. Ask them a leading edge **technical question**
3. Give them a difficult **learning problem in advance**
4. Ask for the best **learning sources** for this job & why
5. Ask for their **learning targets over the next few years**
6. Show us **your 90 day plan** and look for learning components
7. Ask their **references to force rank** their capabilities / skills

# Ex. - A data-driven approach for increasing collaboration

## How long to wait in a lunch line?



Google researchers found that the ideal lunch line should be about **three or four** minutes long

# A scientific approach to a collaborative work environment

**Why does Google do this?**



# Fun also increases collaboration at Google



# Time to think is an important part of innovation



The decompression ball or thinking time



The aquarium room for thinking

- Google also offers **20% time** and “**a nap room**”
- Facebook offers **maker’s time** (no meeting Wednesday)

# HR's role in increasing serial innovation

## More HR actions for increasing collaboration / innovation...

1. Make **disruption and innovation a habit**
2. Measure and recognize **risk-taking**
3. Require **rapid learning from a failure** (failure analysis)
4. **Retain, recognize and celebrate** innovators
5. **Relegate** those that delay or **resist change**



**After serial innovation...**

**What HR areas**

**have the next highest impact on revenue?**

# HR budget allocations must match a program's revenue impact

## **So what HR programs that have the highest revenue impact?**

1. Developing leadership
2. Performance management
3. Rewards
4. Managing talent on a day-to-day basis
5. Employer branding
6. Retention
7. Onboarding
8. Recruiting

# Allocate resources here...



## HR function or process

## Revenue Growth

Firms that excelled in this HR area produced \_ times higher revenue growth

<b>1. Recruiting</b>	<b>3.5</b> times
<b>2. Onboarding and Retention</b>	2.5x
<b>3. Employer branding</b>	2.4x
4. Managing talent (Day to day productivity)	2.2x
5. Performance management and rewards	2.1x
6. Developing leadership	2.1x
7. Global people management / global expansion	1.8x
8. Mastering HR processes	1.8x



**How Focused  
data-driven recruiting  
increases revenue**

“If we do not succeed in attracting excellent personnel... we may be unable  
to grow effectively”

(Google SEC filing by Google)

# Being data-driven reveals that we are not very good at hiring

What % of all new-hires fail within 18 months?

**“46%”** (Source: Leadership IQ)

What % of all hourly employees quit/fired within their first 6 mths?

**“50%”** (Source: Humetrics)

What % of executive new-hires fail within 18 mths?

**“58%”** (Source: Michael Watkins The first 90 days)

What % of hiring managers regret their decision & wouldn't rehire?

**“39%”** (Source: IBM)

**OW!**

## BTW - A hiring failure meets any 1 of these 9 factors

The new-hire...

1. Was a **no show** on their start day
2. Failed **drug testing**
3. Failed **job training**
4. **Quit voluntarily** during the first 6 - 12 months
5. Received a “**needs improvement**” **performance rating** (20% below the average)
6. Was “**written up**” for **discipline** more than once
7. Was **put on a performance management program**
8. Was **fired or released** within 6 months
9. After 6 months, when surveyed... **their manager said they wouldn't re-hire them**  
(One measure of quality of hire)

# Few innovators are easy to attract “active candidates”

So here are some steps for... finding and hiring innovators

1. **Referrals** from top performers (93%)
2. **Find their work** online
3. **Hire them faster** (10 days)
4. Warn managers to be **tolerant of hyper-critical interviewees**
5. Build a “someday you’ll work here” **innovator talent pipeline**
6. **Executive and colleague calls** matter
7. Often it takes **a customized “dream job”**
8. Learn their **job acceptance factors** (“best work” factors)

# Innovators want to... “do the best work of their life”

## And “best work” means...

1. Can't put it down **exciting work**
2. Seeing **their impact**
3. Work with **top coworkers**
4. Great **managers**
5. A **chance to be 1<sup>st</sup>/win**
6. Opportunity to **innovate**/take risks
7. **Freedom** & a choice of projects
8. **Learn advanced things**/growing
9. Opportunity to **implement ideas**
10. To be constantly **challenged**
11. Be **an expert**/mastery in an area
12. **Input into schedule**/location
13. Opportunity to **make decisions**
14. Measure / **reward performance**

# Innovation, disruption and growth come from... hiring / retaining those with “game changer competencies”

## “The top 8 Game changer” competencies

1. **Innovation**/calculated **risk taking**
2. **Disrupters** (Glass ½ full & leaking)
3. **Leading-edge learning** (Google #1)
4. Speed and **a sense of urgency**
5. **Adaptability**
6. Proactively **embrace technology**
7. **Strategic thinking**
8. **Self- motivated with drive**
9. Use data for decisions
10. Take ownership of problems
11. Projected retention/movement
12. Continuous accomplishments
13. They seek responsibility
14. Produce results when leading
15. No plateauing in their results
16. They “find work” when idle

# Disruptors see all existing approaches as... “soon to be obsolete”

Disruptors that spur innovation... see most things as “broken”

Most see established things as ok, or ½ full



Better employees see established things as ½ empty but still ok

**But the best see established things as ½ empty and leaking (soon to be obsolete)**

**Hire and listen to those that see the glass as ½ empty... and leaking**

# To increase revenue... focus HR recruiting / retention on these jobs

## Jobs that directly increase revenue

1. **Sales** related jobs
2. **Business development** jobs
3. **Collection** jobs
4. **General managers** in P&L units
5. **Product development** jobs
6. **Investment** jobs

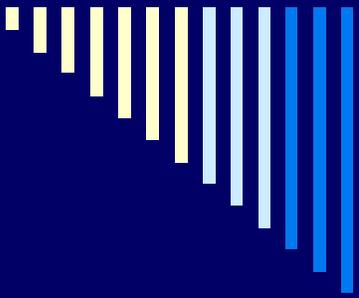
## A secondary focus on rev. impact jobs

1. Customer service jobs
2. Brand managers
3. Advertising jobs
4. Market research jobs
5. Leaders and executives
6. Recruiters for revenue jobs

## Prioritize recruiting resources

### Focus your HR department's resources on growth jobs...

- Assign the **best recruiters and retention experts** – put your best experts on revenue generating and revenue impact jobs
- Assign the **most budget** - allocate a disproportionately high amount of the budget to filling these jobs
- Put them **1<sup>st</sup> in the queue** – handle prioritized jobs first for recruiting and retention



# Did I make you think?

Please take a minute... and follow me on **LinkedIn**