

Hiring and Performance: Critical Areas of Risk for Every Nonprofit



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I've been reading a terrific book this week titled [Strategic Risk Taking: A Framework for Risk Management](#), by Aswath Damodaran. One of my favorite insights in the book is the reference to the work of Glyn A. Holton who posits that two "ingredients" are necessary for a risk to exist. The first ingredient is *uncertainty about the outcome*. Risk is only present when there is an uncertain result. The book offers a graphic but helpful example: a man who jumps from an airplane at 15,000 feet without a parachute faces certain death, not the risk of death. The second ingredient that is necessary for risk to exist is that *the outcome must matter*. For example, if I were to ask you to choose one of three numbered doors, there is no "risk" of loss or benefit if there is no prize or penalty associated with your choice.

An important area where risk is *always* present is hiring paid and volunteer staff. Readers with vast experience hiring paid and volunteer staff will agree that the *outcome* of every hiring process is indeed uncertain, and the outcome matters. Most experienced nonprofit executives can tell stories about the time she hired the "wrong" person for the job, and an instance when doing so cost time, drained financial resources and squandered staff morale. Human resources make nonprofit service possible. We serve people and communities by deploying people. One important key to our success is the quality and performance of our people.

According to David Earle of www.staffing.org, "Quality is the most important core staffing metric because it has the greatest impact on the performance of the enterprise." In a recent article* published by his firm, Earle explains that "quality" refers to both *specifications* and *performance* issues:

- **Specifications** - "Did we hire the appropriate person?"
- **Performance** - "Did that person actually perform well in his/her job?"

Earle writes, "Our studies say that fewer than half of all companies even routinely measure new hire qualifications against job specifications. Where it is done at all, companies may only gauge it occasionally and informally in conversations between recruiters and hiring managers; or they may just define specifications, or just performance."

While the article and referenced study were not specifically focused on the nonprofit sector, during my work as a risk management consultant I've encountered the tendency to ignore or downplay position specifications in order to justify the decision to hire someone who "seems" to be a "perfect fit."

It's hard to resist the impressions formed during the screening process. A new employee in a nonprofit must not only produce and perform, but generally organizations seek candidates who enthusiastically support the nonprofit's mission and programs. If you're familiar with the "anchoring bias" you know that when presented with a range of facts that should lead to a sound decision the human brain often focuses on one trait or

characteristic while ignoring others. We fixate or “anchor” on one item in a data set which distracts us from thoughtfully considering all available information.

I’ve personally witnessed the anchoring bias in hiring, such as when we focus on one characteristic of an applicant and ignore others. For example, if you’re looking for candidates with 10 years of financial management experience in the nonprofit sector and you believe that only one applicant fits that bill then you may overlook the applicant’s poor communication skills, resume gaps, and other red flags that *should* send you back to the drawing board.

The costs of hiring and retention errors are substantial. And the results *do* matter to the mission of your nonprofit. A rash hiring decision or one skewed by the anchoring bias drain resources needed for mission fulfillment. As you look ahead to the Spring, Summer and Fall of 2010 and the possibility of ending your hiring freeze, consider the following risk management tips to increase the odds of making a good match.

1. **Take the time to develop thoughtful position descriptions.** The departure of a long-time staff member or dismissal of a “bad fit” offers the opportunity to re-examine the first tool in the hiring process: the job description. As you approach the position description (with red pen in hand or “redlining” turned on), ask whether the narrative and bulleted list of responsibilities provide an accurate position of the position’s authority, responsibilities, duties, and minimum eligibility requirements. Remember that you’re striving for a match between expectations and capabilities. If your expectations are exaggerated, understated or unrealistic you won’t be facing the “risk” of a bad hire, it will be a certain problem.
2. **Make a “note to self”: Do Not Skip Hiring Steps.** Sometimes the lure of an applicant with a single irresistible qualification (e.g., recent success raising \$10 million) leads to a decision to “skip” a hiring step such as reference checking. It is never wise to skip a step in a thoughtful hiring process that was designed with increasing the odds of making a good match.
3. **Be Realistic.** A little realism is a very good thing when you’re trying to match a key position with an unprecedented number of “ready to work” professional applicants. It may not be a “jungle” out there, but make certain that each open position has a reasonable associated workload. You may be able to persuade an eager applicant to agree to an impossible workload, but you’re likely to be disappointed in the long run.
4. **Be Candid.** Despite the eagerness you may encounter in the applicant pool there is no benefit to masking the reality of your workplace and the nature of the work. “Overselling” a position is a common sin in the nonprofit sector. Many hiring managers focus on the mission of their nonprofits rather than the hard work and high expectations associated with an open position. Be candid with applicants about the work they will be doing. Share your enthusiasm for the mission of your nonprofit and explain that each staff member’s work helps advance that mission. But don’t sell the “sizzle” or exaggerate the fiscal health of the nonprofit. Your best performing employees are likely to be those whose expectations were a close match for their on the job experience. Remember that positioning an employee for success begins long before you select an applicant.

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