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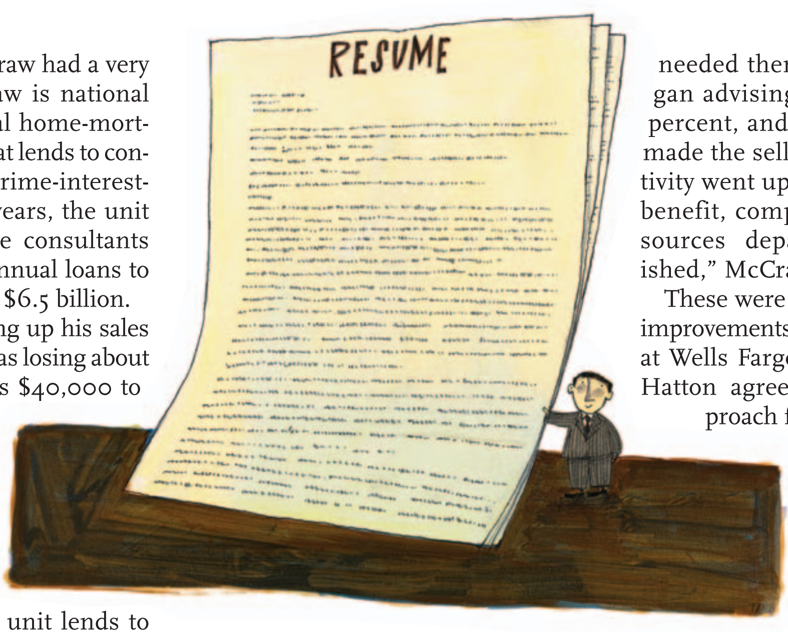
Recruiting the Right Stuff

How The Gallup Organization helped Wells Fargo hire a top sales team



IN APRIL 2003, Jim McCraw had a very pleasant problem. McCraw is national sales manager of a special home-mortgage unit at Wells Fargo that lends to consumers who cannot get prime-interest-rate loans. In just three years, the unit grew from 500 mortgage consultants placing $500 million in annual loans to 1,500 consultants lending $6.5 billion.

The problem? In ramping up his sales force so rapidly, McCraw was losing about half his new hires. It costs $40,000 to bring each new consultant on board, so a 50 percent turnover rate is expensive. Moreover, "$40,000 is just the direct cost," McCraw stresses.

There are indirect costs as well. McCraw's unit lends to people who have usually gone through such intense personal problems as loss of a job or spouse or a bad health crisis. The objective is to get the customer the best loan terms he or she is eligible for in the short term, while moving them back to low-risk, prime-rate status.

"We do consultative selling," McCraw explains. "These customers have been eligible for prime-rate loans, and they will be prime again. In the meantime, they have a need. The consultants have to determine the best course of action, how to consolidate debt, and what type of loan to give them."

Wells Fargo consultants are paid on a strictly commission basis, so they must be energetic salespeople. But they must also be strictly honest, making sure the customer is getting the best deal possible.

So apart from hiring expenses, high turnover costs Wells Fargo in other ways. It can interrupt relationships, damage the company's reputation and lose sales opportunities. And high turnover prevents the accumulation of knowledge that leads to future sales growth. "That's the real cost," McCraw emphasizes.

So McCraw called in Paul Witherby and Tom Hatton, senior sales force effectiveness consultants with The Gallup Organization. McCraw had worked with Gallup previously on a similar hiring challenge. Before Gallup evaluated new hires, McCraw's company had a 45 percent turnover rate, and 95 percent of new hires were not as successful as he needed them to be. After Gallup began advising, turnover was cut to 14 percent, and 80 percent of new hires made the selling grade. "Sales productivity went up 50 percent, and as a side benefit, complaints to our human resources department greatly diminished," McCraw recalls.

These were just the kinds of dramatic improvements that McCraw is looking for at Wells Fargo. McCraw, Witherby and Hatton agreed on a two-pronged approach for the new challenge.

For the first time, Gallup would combine two assessments. Gallup would give its traditional SRI (Selection Research Instruments) Talent Dimensions interview to candidates for loan consultant. Then Gallup would give its newer StrengthsFinder both to current managers and then to the new consultants after they had been hired. The two instruments, both of which are free of race, gender and age bias, have related but distinct purposes. "The SRI screening is about the job, while StrengthsFinder is about the person," Witherby summarizes.

The SRI assessment measures candidates along five basic dimensions: Motivation, Relationship, Workstyle, Influence and Thought Process.

SRI draws upon a database of 3,000 predictive questions Gallup has developed over 30 years of testing. Gallup customized and validated the test for Wells

Fargo in several steps. First, Gallup interviewed 100 current consultants, split evenly between top performers and bottom performers. The aim was to find the exact questions whose answers separated the best from the worst. Gallup wanted to pick just the right questions so they could be asked in a reasonably short time.

Gallup also held focus groups with managers and interviewed 25 executives on what they thought a great consultant was like. Hatton and Witherby then reviewed their conclusions with the managers who would do the hiring to confirm results.

These steps were crucial. Hiring managers must trust the SRI evaluation if it is to improve their decisions on new candidates. Fortunately, Gallup has acquired a solid reputation. "Several of our managers had used SRI before at their previous jobs," McCraw says. "They told us, 'Thank God you brought this in.'" By October 1, the SRI was up and running, grading and evaluating every new Wells Fargo consultant candidate.

Under the new approach, 250 hiring managers first recruit and interview prospective consultants. Candidates who impress them are told to schedule a telephone interview with a Gallup expert. The interview takes 30 to 45 minutes and wastes no time. "We want people's top-of-mind responses, because we are predicting their top-of-mind behavior," Witherby explains.

McCraw wants the Gallup experts doing the interviews to keep the scoring entirely objective and consistent. "I worked with another company that tried to do the interviews itself," he remembers. "There were different test times, different scoring systems, and the results were skewed all over the board. It wasn't valid and it did not last."

The Gallup interviewer scores each SRI and grades it A, B or C. A four-page report, including charts showing how the applicant rates on each dimension versus Wells Fargo's top performers, is sent to the hiring manager. The interviewer who scored the report then calls to review the results. "Within 24 hours, Gallup reports to the hiring manager on who are the top candidates and how they look on a bar graph of their talents," McCraw says.

The best candidates have it all, high scores across all five dimensions. Successful consultants will be very highly paid, so Gallup is looking for very good scores on this test.

Applicants generally break down into 30 percent A's, 30 percent B's and 40 percent C's. McCraw lets his managers make their own decisions. They can hire whomever they want to. But usually managers will try to hire the A's, avoid the C's and make some close calls on the B's.

Says Witherby, "Most managers hire people when they have a need. And sales managers tend to see mostly the good in people, so they can make bad hiring decisions without this test."

But Wells Fargo managers still play a crucial role, and they know it. "Managers have to find the right applicants in the first place," Witherby notes. "We cannot do that." Gallup does not do recruiting, in part because a recruiting firm might not be as objective in evaluating applicants.

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The second Gallup assessment, StrengthsFinder, measures each person's natural abilities in 34 areas, or "themes." For example, one person may be especially adept at relating to others and winning them over. Another may be especially talented at arranging comples tasks and taking complete responsibility for the results.

StrengthsFinder is thus a coaching, development and retention tool. "We have been at this so long, we think we have proven that people do not change," Witherby says. "So we want to figure out who they are and how they work best." This helps managers tailor their approach both to their own strengths and to the strengths of their team. "We are trying to cure the old disease, where managers assume everyone is like them. Because not everyone is like them."

StrengthsFinder is a Web-based assessment that asks individuals to make choices between 180 sets of paired statements. Its concept is grounded in more than 30 years of the study of talent and success. "We give StrengthsFinder to the new consultants after their basic training," Witherby says. "Then we have a one-hour coaching session in the first couple of months. Finally, we review the results with their managers."

"StrengthsFinder will help us keep the A's and get them producing right away," McCraw predicts. "Some people want guidance, while some want to figure things out for themselves and get minimal coaching. These are the kinds of things we can do better now." Here again, the Gallup approach proved appealing to Wells Fargo's managers. "Managers want coaching and feedback; they think this stuff is refreshing," McCraw notes. "They have gone through their entire careers with people trying to change them. This is different."

McCraw took StrengthsFinder himself and found it hit his own nail right on the head. "It told me the things that drive me and what I should be doing," he explains. "For example, I am good at strategizing about the future, I am highly competitive, and I am good at activating things. But I am not a finisher, and I don't focus well on daily details. So I need people to help me with those things."

Witherby stresses that StrengthsFinder only works if both managers and consultants have the basic talents for the job. But he is convinced it can improve results. "People are better off trying to be better at what they are good at naturally. Putting together SRI and StrengthsFinder is one of the best things we have ever done."

By the end of October 2003, all of McCraw's managers had taken the StrengthsFinder assessment.

Witherby estimates that Gallup's total cost of bringing one new consultant into Wells Fargo, counting both the SRI and StrengthsFinder, is around $1,500. This assumes that three candidates will be screened for each new one hired, on average. Wells Fargo made a commitment as well. Every manager who uses the Gallup tools went through a one-day seminar on how to use them.

Witherby believes the Gallup approach can cut Wells Fargo's turnover rate from 50 percent down to 10 to 20 percent. "If we reduce turnover, at $40,000 per mistake, we could save around $6 million," McCraw estimates. "But I am not just interested in saving money. I am interested in making money. When we hire the right people, they make five to 10 major loans per month. I want more of those people. At some point we may only hire an A++, and that would be really exciting."

– Henry Canaday

> *Determine that the thing can and shall be done, and then we shall find the way.*
> Abraham Lincoln

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