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HOW I DID IT

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by Kevin Ryan

How I Did It...



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THE IDEA

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PHOTOGRAPHY: GETTY IMAGES

When I think about starting a business, my view is that the idea itself is worth between zero and very little. Most new companies already have competitors when they launch—and if they don't, they soon will. DoubleClick, where I was CEO from 1996 to 2005, had dozens of competitors within a year of its founding. Gilt Groupe wasn't the first flash sales company, and Google was by no means the first search engine to come along. Why have these businesses succeeded? It's not the idea—it's the people. Execution is what matters, and execution relies on human talent. Every company

thinks it's doing a good job of managing its people. They all say, "People are our most important asset." But most companies don't really act that way. Here's a simple test: Ask the CEO if he or she spends more time on recruiting and managing people than on any other activity. For me, the answer has always been yes.

That's a radical statement, so let me qualify it a bit. I don't think this test applies at a small company—say, 20 people—where the CEO may be doing a lot of the sales or directly overseeing operations. But at businesses that employ more than 50 people, the best use of a CEO's time is to bring in

Gilt Groupe at a Glance

unbelievable people, manage them well, and make sure the company builds and maintains an A-caliber team.

Here's another test of a company's devotion to its talent: Is your head of HR one of the most important people in the company? I spend as much time with our head of HR as I do with our chief financial officer—and I'd never consider having the head of HR report to anybody but the CEO. That role is truly strategic, and the person in it needs a seat at the table.

It's clear to the people who work with me that I'm thinking about our talent most of the time. When we sit down for meetings, I frequently ask managers to review every one of their direct reports with me. I want continual updates. I also insist that as the CEO, I can talk with anyone in the company at any time. Some managers prefer that executives check with them before talking with their people. That's not going to happen here. I want to get to know our employees better and to assess their talent and potential. I also want to know if they have difficulties with a manager. I am evaluating talent all the time.

Addition by Subtraction

Part of building a great team is learning to recognize when individuals aren't working out and then letting them go. In general, managers are not rigorous enough about this. That's a problem, because often the only way to make room for better players is to get the weaker players to leave the organization.

Of course, it's essential for people to feel that the process is fair. But you have to be comfortable having a conversation with a low-performing employee that goes something like this: "You rank 10th out of 10 in performance. You're probably great, but this may not be the right job for you. We may not be the right company for you. I know you don't want to be in a situation where people think you're the lowest performer." Sometimes we can find a position in the company that is a better fit. Inevitably, the employee will question the judgment: "I'm not really the lowest performer."

The company was founded in 2007 as an invitation-only flash sale site. Since then Gilt Groupe has begun allowing the public to sign up and has expanded its business dramatically.

Members are notified by e-mail of deep discounts on designer clothing, and these offers are available only while supplies last.

EMPLOYEES: 850

REVENUE: Estimated at more than \$500 million

MEMBERS: 3.5 million

FUNDING: \$174 million

HEADQUARTERS: New York's Silicon Alley

GLOBAL REACH: Currently expanding into 90 countries

BRAND EXTENSIONS:

Jetsetter (vacation travel)

Gilt Taste (artisanal food and wines)

Park & Bond (men's apparel and accessories)

Gilt City (local services and experiences)

Then I say, "Evaluating talent isn't a precise science. But it's very rare that multiple managers think you're 10th out of 10 when you're really number two. Maybe you're number nine—maybe. But the real point is that I want you to be successful, and I don't think this is the right situation or career path for you." Sometimes I say the person can stay on for two months and look for a job at the same time, as long as he or she maintains a good attitude and continues to contribute. Sometimes the person feels burned or negative and needs to leave right away, with some severance.

I hold managers to the same standards when I ask them to build a team. Not long ago a senior person stepped into a new role. I said to him, "Five months from now, you need to have a great team. Earlier would be better, but five months is the goal. To do that, you'll need to spend the next month evaluating the people you have right now. I hope they're good. But if they're not, we'll make changes to replace them. If you need to promote people internally, we'll do that. If you need to go outside, we'll do that. You also need to make sure you retain your best people. I'm going to be really disturbed if I see that people we wanted to keep have started leaving your area."

In this case I saw all the signs I didn't want to see. At four months he hadn't filled a couple of key roles, and a couple of good people had left. We had a conversation. "Tell us what we can do to help," I said. "If you need us to double your recruiting resources, we'll do that." At six months he still hadn't built a great team, so I said, "We're done." After he left, people started to come forward and tell us how demotivating it had been to work for him and that they had come close to leaving as well.

There are two lessons in that story: One, don't let a bad situation fester. A poor manager can ruin morale and damage a company's DNA. Two, no matter how well you think you know your organization, if you suspect something's wrong, it's probably worse than you imagine. You can't let those situations continue. They're just too destructive.

"Don't Hire Him"

I don't think there's a science to recruiting, but I do some things differently. The hiring process typically has three elements: the résumé, the interview, and the reference check. Most managers overvalue the résumé and interview and undervalue the reference check. References matter most.

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It would be a great experiment to not interview people at all—to hire simply on the basis of the reference check—and see what happened. I'm pretty sure that most companies would make better hires if they did that.

Résumés are good for establishing basic qualifications for the job, but not for much else. The primary problem with interviews is that it's impossible to avoid being influenced by people who are well-spoken, present well, or are attractive. All sorts of studies show how much appearance drives our perceptions of people. The résumé and interview also don't alert you to the biggest potential problems. When someone doesn't succeed in a job, it's generally not for lack of the technical skills—it's because of intangibles that don't come up in an interview. Is he attentive to detail? Does she work well with others? How does he treat his colleagues? References are really the only way to learn these things. The essential traits I look for are success and passion. The truth is that successful people are rarely let go: They're hired by former bosses in other companies.

The presumption is that reference checks aren't worth much because people are scared to say anything negative. That's a valid concern, because there have been lawsuits. But the way around it is to dig up people who will speak candidly. Invariably, they're people you know personally or people you can network to find. You can't simply rely on the names a candidate supplies. Admittedly, this is hard if the person is 22 and just out of college—but for someone with 10 or 15 years of experience who has worked at two or three companies, you must have some mutual acquaintances. Search firms do this by making a lot of calls, and we try to do the same thing. We also look at LinkedIn profiles to find shared contacts.

A while back someone called me for a reference check on a guy named Fred. I didn't know the caller, so I was very guarded. I talked about Fred's strengths and weaknesses but emphasized that I liked him. The next day a college friend

Words to the Wise

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The Revival of Smart

How Kevin Ryan Checks References

named Kevin phoned me. He said he was calling on behalf of someone I didn't know, a close friend of his, who was thinking of hiring another person who had worked for me. The hiring manager had asked Kevin to get the real story from me. If I didn't know the person making the call, I'd have given a lukewarm response similar to the one on the previous day. But this was a longtime friend asking for my candid opinion. I gave it simply: "Don't hire him." When you check references, you want to have a conversation as frank as that. It can take real effort to find someone who'll be straight with you, but it's worth it.

We don't always get this right. For one hire, an outside recruiter that helped with the search had checked some of the references. Ordinarily we try to do this ourselves. The man didn't work out—it was just a bad fit. After he left, I ran into a couple of people I knew: one who had worked for the guy at another company and one who'd done business with him as a banker. I hadn't realized that either of them knew him. They told me what they thought of him—which jibed exactly with our negative experience. Sometimes you don't hear an honest assessment until it's too late.

Recruiting is so important that we intentionally overinvest in it. We have 10 full-time recruiters on our staff—a lot for a company our size. We also frequently use external search firms, especially for senior positions. Sometimes a company will leave a low-performing person in a job because managers feel there's a shortage of time or energy to recruit his replacement. I don't want to be in that position.

As the CEO, I can't be involved in every hire we make. We hired 65 people last June—and interviewing every customer-support person would have been a bad use of my time. Even so, I interview many more people than CEOs usually do. I probably interview at least one person every workday. I also make it clear to my senior people that if they're making an important hire, I'm willing to call the person as part of the pitch. People love hearing from the CEO: "Steve, I haven't met you yet, but everyone thinks

The Gilt Groupe CEO says not to rely only on names supplied by a candidate. Instead, leverage your network to find mutual contacts who can provide candid feedback. And don't rely on recruiters to conduct the reference check. Make some calls yourself. Once Ryan finds someone who'll speak honestly, he asks these questions:

Would you hire this person again? If so, why and in what capacity? If not, why not?

How would you describe the candidate's ability to innovate, manage, lead, deal with ambiguity, get things done, influence others?

What were some of the best things this person accomplished? What could he or she have done better?

In what type of culture, environment, and role can you see this person excelling? In what type of role is he or she unlikely to be successful?

Would you describe the candidate as a leader, a strategist, an executer, a collaborator, a thinker, or something else? Can you give me some examples to support your description?

Do people enjoy working with the candidate, and would former coworkers want to work with him or her again?

In what areas does the candidate need to improve?

you're amazing. Is there anything I can do to help with your decision? Can I fly out to meet you?" They always say no, but the fact that you've offered shows you care. Recruiting is similar to sales, and sometimes the CEO's involvement makes a difference.

People talk about certain rules of thumb in talent management. One is that the great people in any company are usually underpaid. That's generally true, and you should skew your compensation system with per-

I tell my team, If good people are leaving your group, that's your responsibility.

formance pay to better reward them. Another is that A-level people generally hire other A-level people, but B-level people hire C-level people. I think that's true, too, but for a reason other than the usual one. B players hire C players not because they feel threatened by more-talented people but because most people don't want to work for a mediocre boss. Think about it: Have you ever heard someone say, "I just got offered a job. The person I'll be working for isn't very impressive, but I'm going to take it anyway"? That's not something talented people generally do.

Another piece of conventional wisdom is that people leave jobs mainly because they don't like their managers. That's also true. We did exit interviews when people left DoubleClick, and they were almost always leaving because of a manager. I talk about this with our team at Gilt all the time: If good people are leaving your group, that's your responsibility. I want all our senior people focused on that issue. It's especially important in the internet space, where good people are in high demand and have many choices. I think, too, that the hardest quality to find in a new hire is the ability to bring things to closure. Some people don't realize that analysis is useful only if it results in a decision and implementation.

Of all the duties facing a CEO, obsessing over talent provides the biggest return. Making sure that the environment is good, that people are learning, and that they know we're investing in them every day—I'm constantly thinking about that, yet I still don't feel I'm doing enough. If CEOs did absolutely nothing but act as chief talent officers, I believe, there's a reasonable chance their companies would perform better. ♥

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