

## NANO TOOLS FOR LEADERS®

# ONBOARDING BEST PRACTICES: CREATE MAXIMUM VALUE FROM EXTERNAL HIRES

**Nano Tools for Leaders®** are fast, effective leadership tools that you can learn and start using in less than 15 minutes — with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

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### THE GOAL:

Assure the success of your external hires by using a formal onboarding process.

### NANO TOOL:

Research clearly shows that there's often more value in internal promotions versus outside hires. Outside hires perform substantially worse than similar internal promotions. One study reports that outside hires were 75 percent less likely to get rated highest than internal promotions, and 270 percent more likely to get rated lowest. These differences come from the amount of time that it takes people to learn to be effective in a new organization: external hires took three years before their performance was as good as that of those promoted into the job. It's no surprise, then, that outside hires are 61 percent more likely to be let go and 21 percent more likely to quit. For that performance, though, they receive 18 percent more compensation than promotes, and that pay gap takes up to seven years to close.

Despite all of that bad news, there are upsides to external hiring. They include lower costs of development, new knowledge and perspectives, and skills that your team or organization is lacking. When any one or all of those considerations outweighs the negatives, or when there is no right internal person to promote, looking outside to fill a position makes sense. But how do you work to minimize the likelihood of negative outcomes?

Research is also clear about the best ways to onboard external hires to maximize their chances for success, and shorten the time it takes for them to start creating value for your organization.

### ACTION STEPS:

A formal, detailed onboarding process is key to helping an external hire add value quickly. Use these six steps to help create your own process:

1. **Identify** the key stakeholders for the position, and meet with them before entry to understand their expectations and to define the role. Make sure you also schedule the new hire to meet with them early on to jointly establish expectations.
2. **Teach** about your culture explicitly. Put together a detailed, nuanced guide to the company. Ask your colleagues: What are the events that have shaped our company? What are the words we use differently than others? What surprised you when you first came to the company? Putting this information together and teaching it to your new leaders will help them understand your history and culture more quickly.



- 3. Prioritize** projects that require new hires to reach out to people across the organization, putting them on a first-name basis and forming working relationships with key people faster. The biggest challenge that new hires face is the lack of relationships with people across the organization. The greater the visibility that leaders can create for their new hires, and the more opportunities to meet new people, the quicker those relationships will be built.
- 4. Assign** a mentor to provide support and coaching, and help the new hire build connections in the organization. Where extensive learning is necessary in a variety of different areas, more than one mentor may be necessary.
- 5. Check in** after 30, 60, and 90 days with both the new hire, his or her mentor, and key stakeholders. Are expectations and benchmarks being met? Do performance goals need to be set? Does the coach need to help the new hire focus on a specific skill or behavior? Assess current performance to address any areas that need attention.
- 6. Carefully monitor compliance.** You may choose the mentor, a stakeholder, or other person to task with more frequent monitoring. Don't wait a month or more to resolve an issue that could be remedied quickly.

## HOW LEADERS USE IT:

- Data storage solution company Seagate sends automatic email welcome letters to new hires that include a link to a new employee portal, which contains employment forms, benefits pamphlets, and other necessary paperwork. By the time employees show up for Day One, all of the necessary documentation is done. No long, boring, form-filling meetings for new employees at Seagate. Instead, they take care of that before they start so they can get right to the important work of learning their jobs.
- L'Oreal USA developed a program called L'Oreal Fit, which includes training sessions and roundtable discussions, meetings with select insiders, on-the-job learning supported by line management, and individual mentoring. New hires also get field and product experiences by visiting different sites and shadowing.
- At Capital One, an internal coach interviews stakeholders such as direct reports, peers, and customers before the new hire begins. They develop a "Customized New Leader Transition Guide" that outlines the role's key challenges, performance expectations, goals, and political dynamics.

## ADDITIONAL RESOURCES:

- "Why Promoting from Within Usually Beats Hiring from Outside," *Forbes*, April 5, 2012. Uses Matthew Bidwell's research to make the case for developing a succession pipeline for internal promotions.
- "How to Build an Onboarding Plan for a New Hire," *Inc.*, April 26, 2010. Advocates for a personalized highly detailed approach that begins well before a new hire's first day.
- Matthew Bidwell teaches in Wharton Executive Education's [Making Strategy Work: Leading Effective Execution](#), [Physician Leadership Academy](#), and [Women's Executive Leadership: Business Strategies for Success](#).

## ABOUT NANO TOOLS:

Nano Tools for Leaders® was conceived and developed by Deb Giffen, MCC, Director of Innovative Learning Solutions at Wharton Executive Education. It is jointly sponsored by Wharton Executive Education and Wharton's Center for Leadership and Change Management, Wharton Professor of Management Michael Useem, Director. Nano Tools Academic Director is Professor John Paul MacDuffie, Professor of Management at the Wharton School and Director of the Program on Vehicle and Mobility Innovation (PVMI) at Wharton's Mack Institute for Innovation Management.