DJIA Futures ▼ 23314 -0.25%   Stoxx 600 ▲ 394.11 0.17%   U.S. 10 Yr ▲ 7/32 Yield 2.388%   Crude Oil ▲ 54.06 0.30%   Euro ▼ 1.1609 0.00%

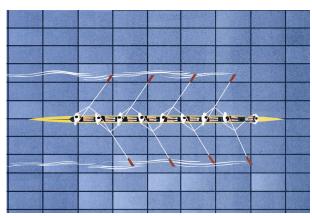JOURNAL REPORTS: LEADERSHIP

Why Companies Should Hire Teams, Not Individuals

Existing groups work well together, they contribute more quickly, and they are more likely to shake things up (in a good way)

When they hire existing teams, managers have hard evidence that the group has the right mix of personalities and skills to succeed. ILLUSTRATION: SHOUT FOR THE WALL STREET JOURNAL

By Sydney Finkelstein
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Hiring is traditionally a piecemeal endeavor, with managers bringing individuals on board one at a time to fill specific openings. But what if companies didn't always hire this way? What if they sometimes hired *groups* of people instead?

A few intrepid companies are doing precisely that. One Silicon Valley company I researched experimented with allowing small groups of people to apply for jobs together. The company either hired the entire group, or none of its members.

More commonly, a number of high-profile companies have engaged in "acqui-hiring," buying startups with an eye toward acquiring their talented teams. Similarly, new CEOs sometimes bring along colleagues with whom they've worked in the past. In addition to trusting these people, the new CEOs know they can be relied on to work well together.

Or consider the practice of outsourcing. Why would a company ever outsource anything? In part, it may be because teams of talented operators have already demonstrated excellence in a specialized task or function, and it's easier or cheaper to tap those teams than to create new teams of your own.

Still, such activity raises the question: Is hiring teams instead of individuals really a smart move?

The answer is yes, for a number of reasons.

First, it allows companies to hire more reliably, avoiding many of the unconscious biases we all have. A large body of research has shown that conventional job interviews poorly predict applicants' future job performance. We think we understand how successful applicants will be after bringing them in and barraging them with tough questions. But we really don't know much at all. Our biases as hiring managers lead us astray—we tend to favor people who look like us, think like us, come from the same cultural background or went to the same schools that we did. We rely on old rules of thumb or "gut instinct," forgoing the benefit of real data.

By contrast, employers who hire preformed teams can feel confident that the new employees will work well together. After all, they already have. Managers have hard evidence that the team has the right mix of personalities and skills to succeed, in the form of the team's performance record—revenue increased, deals notched, customers acquired and so on—and its longevity and stability over time. Such data is far more valuable than the largely subjective impressions gathered during job interviews.

In effect, hiring a team allows an organization to hedge against the risk that individuals won't be as strong as advertised, especially in critically important social skills. Last year, the World Economic Forum circulated a list of the top 10 skills that companies would most seek in 2020. A number of these skills—people management, coordinating with others, emotional intelligence, and negotiation—are notoriously difficult to evaluate in job interviews. But these skills become readily evident as individuals interact with others in team settings.

Making an impact

Hiring people in groups also enables new employees to contribute much more quickly. When individuals join new teams, they typically require a couple of months, and often longer, to adapt to the team's culture and to make it their own. During that time, they usually feel compelled to embrace team norms, a process that can lead them to sacrifice their own creativity.

Most managers are painfully aware of the irony: The very people they bring into an organization to "shake things up" and offer original thinking wind up conforming. Within months or years, they sound just like everyone else on the team. By hiring preformed teams, companies can welcome in several individuals at once who already are part of a different kind of team culture. Strength in numbers increases the odds that these newcomers will retain their fresh perspectives.

Hiring teams further helps organizations by allowing them to navigate a number of challenges specific to today's workplaces. Many organizations, for instance, have tried to diversify their workforces, and they've particularly struggled when it comes to hiring and promoting women. Evidence suggests that team-based hiring might help make specific workplaces more attractive to women. In a 2011 study published in the Economic Journal, Andrew Healy and Jennifer Pate found that women were significantly more likely to choose to compete when they were part of a team rather than on an individual basis. The study's clear implication is that if you want to attract more women to your organization, structuring their work so that they become team

Team Players

Companies increasingly want skills that are hard to evaluate in job interviews but easily seen in team work settings. Here are the World Economic Forum's top 10 skills that companies will seek in 2020:

1. Complex problem
2. Critical thinking
3. Creativity
4. People management
5. Coordinating with others
6. Emotional intelligence
7. Judgment/decision making
8. Service orientation
9. Negotiation
10. Cognitive flexibility

Source: World Economic Forum

members—which team-based hiring automatically does—will be more effective than having them compete as individuals.
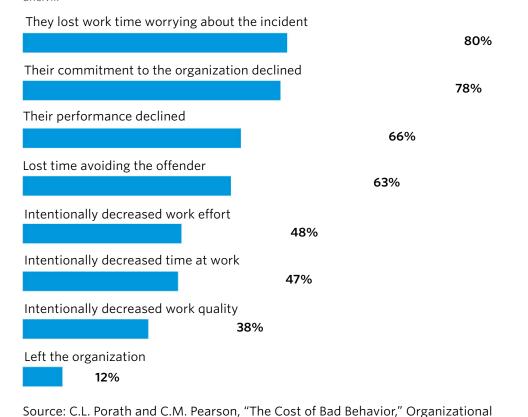
Many companies today also struggle with conflict in the workplace, a veritable plague that leads to job stress, burnout, employee turnover, reduced creativity, lower productivity and many other ills. In a 2010 article published in the journal Organizational Dynamics, Christine L. Porath and Christine M. Pearson reported on a large survey of employees and managers, observing that 48% of people "intentionally decreased work effort" after others were rude or uncivil to them, and about that many—47%—"intentionally decreased time at work." Almost 38%, they found, "decreased work quality."

By hiring teams with a record of functioning well, employers might reduce these damaging effects. After all, team members who have worked together for a while are more likely to have learned how to handle differences and resolve conflicts when they arise. They will have built up a certain amount of trust that will allow them to avoid misunderstandings in the first place.

Ultimately, hiring teams just seems intuitively right. When you're renovating a room in your house, you usually don't want to do it haphazardly, fixing only one part of the room and then making additional alterations as time passes, jury-rigging the room to meet your evolving needs or desires. It's far better to think ahead, anticipate your future needs, and come up with a single, unified design that will stand the test of time. Yet in companies, managers take the haphazard approach all the time. They hire individuals for different reasons and then try to cobble them together into a team afterward. All too often, it doesn't work. Why not pick a number of individuals simultaneously with the express purpose of crafting a group of talents with complementary skills and outlooks?

The Cost of Bad Chemistry

Hiring a team with a record of working together can avoid conflicts and behaviors that hurt performance. How employees in a study said they were affected after colleagues were rude or uncivil:

They lost work time worrying about the incident
80%

Their commitment to the organization declined
78%

Their performance declined
66%

Lost time avoiding the offender
63%

Intentionally decreased work effort
48%

Intentionally decreased time at work
47%

Intentionally decreased work quality
38%

Left the organization
12%

Source: C.L. Porath and C.M. Pearson, "The Cost of Bad Behavior," Organizational Dynamics

Elite operation

Doing so will confer the additional benefit of creating a "cohort effect" among the new hires, whereby they feel special as a group and bonded to one another. As my research has shown, the world's most effective leaders know that members of a cohort typically support one another, while also pushing one another to grow and perform. These leaders explicitly encourage collegiality among colleagues to take root, while also fostering healthy competition between teammates. That unusual combination gives rise to intense team environments, which lead in turn to extremely high performance, high engagement and rapid development on the part of team members. By hiring teams, managers can take a page out of the playbook of these great bosses, initiating a cohort effect in a single stroke. New hires will join an organization feeling like insiders, members of a group of high performers so elite that the organization saw fit to bring them in en masse.

Hiring teams is by no means a panacea for organizations seeking to compete on talent. Organizations will continue to see value in hiring exceptionally talented people on an individual basis. And in hiring teams, they might well have to negotiate tensions between the new groups they hire and existing political centers of gravity. They'll also face the challenge of assimilating new teams into the organization without losing the very uniqueness that made the team worth hiring to begin with.

The task, though, is hardly impossible. Leaders might experiment with keeping the team intact most of the time, but also having team members collaborate on a project basis with colleagues on other teams. They might create external touchpoints for individual

By hiring teams with a record of functioning well, employers might reduce the risk of conflict and its damaging consequences. PHOTO: ISTOCKPHOTO/GETTY IMAGES

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team members—mentors, buddies and so forth—that allow them to build bridges to the wider organization, even as they retain their sense of belonging to a privileged cohort.

Think about it this way: So much of human-resources practice involves incremental improvement. Yet winning in our age of disruption requires that leaders change the game on competitors, operating in bold, unexpected ways that are simply better. It requires that they rethink their processes from top to bottom, taking on sacred cows and best practices. From that perspective, hiring teams might be *exactly* what leaders should start working on—not least because their less adventurous competitors aren't.

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