“Best for whom? Identifying your best practices through strategic experimentation.”

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3 points.

1. There are *no uniform best* practices – only what is *best for us* here and now.

2. Typical implementations do not produce credible evidence of what is effective.

3. Strategic experimentation does.
What is a best practice?

Always effective?

More often than not?

Probably better than alternatives?

Best where?

For whom?

When?

A method or policy that is taken-for-granted as effective.
“Best” might be inferior?

1. Evidence from one context might not generalize.

2. Uniform interventions do not produce credible evidence of what does and does not work.

*Why not produce your own evidence?*
BEST PRACTICE?
Minority representation among NFL coaches.

% of National Football League head coaches who are racial minorities

When did NFL begin requiring teams to interview at least one minority for every head coach vacancy?

The “Rooney Rule”

% of National Football League head coaches who are racial minorities

The Rooney Rule, which requires diverse candidates to be interviewed for Head Coach and General Manager positions, continues to drive diversity.

### Diversity Pre-Rooney Rule

<table>
<thead>
<tr>
<th>Year</th>
<th>Head Coaches</th>
<th>General Managers or GM Equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-2002</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

Dennis Green
Ray Rhodes
Tony Dungy
Herman Edwards
Ozzie Newsome

### Diversity Post-Rooney Rule

<table>
<thead>
<tr>
<th>Year</th>
<th>Head Coaches</th>
<th>General Managers or GM Equivalents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-2015</td>
<td>16</td>
<td>8</td>
</tr>
</tbody>
</table>

Marvin Lewis
Lovie Smith
Dennis Green (AZ)
Romeo Crennel (twice)
Herman Edwards (KC)
Mike Tomlin
Art Shell (Oakland, 2006)
Mike Singletary
Jim Caldwell (twice)
Raheem Morris
Leslie Frazier
Ron Rivera
Todd Bowles
Hue Jackson
Rod Graves
Rick Smith
Jerry Reese
James Harris
Martin Mayhew
Reggie McKenzie
Doug Whaley
Chris Grier

February 2016 analysis by advocacy group for minority NFL personnel.
The Rooney Rule as best practice?

“Facebook is using the same approach the NFL took to increase diversity in the league.”

Richard Feloni
Jan. 24, 2016

“In a pilot program ... managers would begin considering at least one candidate of an underrepresented demographic for every job opening.”

JULY 30, 2015

Our plan for a more diverse Pinterest

Our goals for 2016

Implement a Rooney Rule-type requirement where at least one person from an underrepresented background and one female candidate is interviewed for every open leadership position.

Sources: (F) http://www.businessinsider.com/facebook-is-using-the-rooney-rule-to-increase-diversity-2016-1
What is the counterfactual?

[What would’ve happened w/o the Rooney Rule?]

% of NFL coaches who are racial minorities, by rank

Rooney Rule implemented

Aggressive counterfactual?

Minority Representation

Intervention. Post-intervention increase attributed to policy intervention.

Claimed RR effect
**Ideal estimate.**

**RCT Intervention.** Random assignment of some positions to Rooney Rule (treatment), but not others (control).

\[ \text{RR effect} = T - C \]

**Challenges**

1. Pre-intervention trend implies representation ↑.

2. “Same-for-all” prevents T-C calculation (“diff-in-diff”).
Lessons from the Rooney Rule.

No evidence that the Rooney Rule reduced the disparity it was designed to address.

Yet, considered “best practice” in diversity & inclusion.
An alternative?
An alternative: Strategic experimentation.

Practice works if \((t)\) outcomes better than \((c)\) outcomes.
Strategic experiments.

1. Answer a specific and relevant question.
   (i.e., Did X increase Y?)

2. Produce highly applicable evidence.

3. Demonstrate credible, memorable result.
   (i.e., “thousand-word picture.”)

4. Rule out alternative explanations.
Do organizations actually do this?
Does working from home work?
A strategic experiment.

Randomized controlled trial (RCT) design

761 call center reps (508 volunteers; 253 non-volunteers)

Random assignment to (t) or (c).

(t)
9 months working from home 4 days per week (n=251)

Productivity?

(c1)
9 months of working in office (n=257)

Productivity?

(c2)
9 months of working in office (n=253)

Productivity?

Working from home is effective if productivity is higher for (t) than (c1) and (c2).
Home-working enhances productivity.

Home working reduces attrition.

Treatment group quits at lower rates.

Does working from home work?

![Annual savings per WFH employee](chart)

- **Retention**: $400
- **Wages**: $375
- **Office space**: $1,250

↓ productivity
↓ training costs
↑ productivity
↓ overhead

Insights.

1. Best practices diffuse absent evidence of their effectiveness.

2. Uniform interventions do not produce credible evidence (no counterfactual).

3. Strategic experimentation does.
How can credit unions use this?
One (costly) way to reduce turnover.

How one CU fixed its employee turnover problem.

“We were constantly losing valuable staff, which was extremely costly in terms of recruitment costs, training costs, declining service levels and teamwork.”

(CU EVP/CFO/CIO)

In mid-2015, the credit union began to transition into an “employee-centric” culture, including offering a $15 per hour starting wage.

“In the last two-plus years, we have reduced overall turnover, voluntary and involuntary.

↑ wages to ↓ turnover?
An alternative to ↑ wages?

Increasing wages might ↑ median time-to-turnover?
(B) learns faster than (A). But, also leaves sooner.
Total production vs. recruiting costs?

Productivity

Median time-to-turnover (B).
Median time-to-turnover (A).

How large must this area be to justify higher costs of hiring (B)?

Can (B) be hired without paying higher wages?
Typical recruitment.

What are the benefits of working at Numerica Credit Union?

Again, we know we are biased, but there are so many benefits to working at Numerica! Some of the benefits and perks (yep, they are two different things) at Numerica are:

- Tuition reimbursement
- Internal development opportunities
- Family day (paid day off plus $50)
- Wellness programs
- Employee referral program ($300 if you refer an awesome person)
- Personal time off
- 401K plan including employer match
- Employer-paid medical and dental benefits
- Maternity and paternity leave

Source: https://www.numeriacu.com/news/working-at-a-credit-union/
What if…?

Our former employees hold the following leadership positions:

• Technical Leader, Amazon Web Services
• President, SBA Division at Northwest Bank
• VP of Mortgage Production, First Tech Credit Union
• VP of Commercial, Chrysler Capital
• Director, Talent Acquisition, Experian North America
• Product Manager, JPMorgan Chase & Co.
• Sr. Manager of Marketing & Brand Engagement, The Coca-Cola Company

Ready to launch your career at Hypothetical Credit Union?

*Actual current job titles of former credit union employees with LinkedIn profiles.
Why might (B) prefer the atypical pitch?

Many prioritize external mobility opportunities (e.g., “exit options”) over internal advancement opportunities.

Old: Intra-firm career ladder.  
New: Inter-firm career ladder.
Career advancing exits are status-enhancing.

Effect of an Associate-to-Partner Move on Departed Firm Status.

dynamic panel estimates

1 additional A-to-P move in $t_0$ is a firm’s status 3.2% in $t_2$ (e.g., #50 to #44).

3.2% elevates a firm several ranks

<table>
<thead>
<tr>
<th>'11 Rank</th>
<th>Firm</th>
<th>Status</th>
<th>%Δ (rank+1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>Freshfields Bruckhaus Deringer</td>
<td>6.122</td>
<td>--</td>
</tr>
<tr>
<td>39</td>
<td>Orrick, Herrington &amp; Sutcliffe LLP</td>
<td>6.097</td>
<td>0.4%</td>
</tr>
<tr>
<td>40</td>
<td>Willkie Farr &amp; Gallagher LLP</td>
<td>6.060</td>
<td>0.6%</td>
</tr>
<tr>
<td>41</td>
<td>Winston &amp; Strawn LLP</td>
<td>5.985</td>
<td>1.3%</td>
</tr>
<tr>
<td>42</td>
<td>Baker Botts L.L.P.</td>
<td>5.960</td>
<td>0.4%</td>
</tr>
<tr>
<td>43</td>
<td>Jenner &amp; Block LLP</td>
<td>5.945</td>
<td>0.3%</td>
</tr>
<tr>
<td>44</td>
<td>Cadwalader, Wickersham &amp; Taft LLP</td>
<td>5.929</td>
<td>0.3%</td>
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<tr>
<td>45</td>
<td>Wilson Sonsini Goodrich &amp; Rosati</td>
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<td>46</td>
<td>Proskauer Rose LLP</td>
<td>5.916</td>
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<tr>
<td>47</td>
<td>Dewey &amp; LeBoeuf LLP</td>
<td>5.887</td>
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<tr>
<td>48</td>
<td>King &amp; Spalding</td>
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<tr>
<td>49</td>
<td>Goodwin Procter LLP</td>
<td>5.860</td>
<td>0.5%</td>
</tr>
<tr>
<td>50</td>
<td>Baker &amp; McKenzie LLP</td>
<td>5.823</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Insight.

Firms invest considerably in retention (e.g., bonuses, non-competes, patent enforcement), based on belief that employee departures are performance-diminishing.

But, some turnover can enhance a firm’s labor market position.
An experiment.

Will “exit options” recruitment produce distribution B?

- Simple website tweaks.
- Does not require hiring.
- Compare apps only.

2. Your best practices might be counter-intuitive; not revealed by peers or rivals.
Thank you!

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