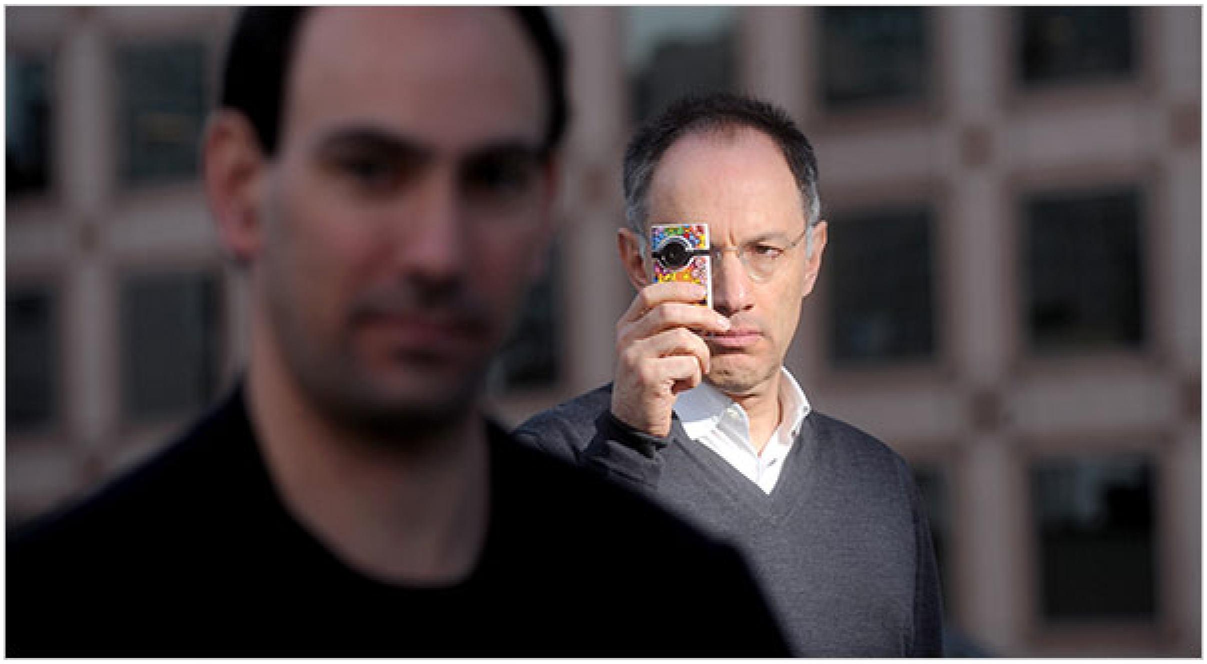
# The Secrets of the Talent Scouts



Noah Berger for The New York Times

Michael Moritz, a venture capitalist who was an early investor in Silicon Valley titans like Google and Yahoo, saw the potential in the Flip video camera, developed by Jonathan Kaplan, foreground.

By GEORGE ANDERS
Published: March 14, 2009

AT most enterprises these days, hiring is in tatters. Bosses who once fretted over the talent wars are announcing hiring freezes, mass layoffs or pay cuts. Collapsing financial markets and a rapidly deteriorating economy have touched off a race to retrench.

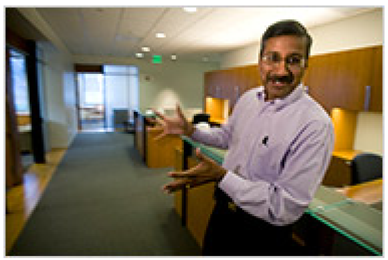
Skip to next paragraph
Enlarge This Image


Josh Anderson for The New York Times

The country-music executive Scott Borchetta, center, who has worked in Nashville since the 1980s, at a concert for one of his acts.

Daniel Rosenbaum for The New York Times

Diane Hoskins, a top executive at Gensler, the architectural firm, which is starting an internship program focused on foreign students who might eventually help build Gensler's global business.



Peter DaSilva for The New York Times

"I prefer youth over experience," says K. Ram Shriram, the Silicon Valley venture capitalist. "You need a spark of idealism, and that's much more likely in someone's first or second start-up."

In pockets of the American economy, however, the hunt for game-changing stars remains surprisingly intense. Competitors in entertainment, venture capital and medical research keep racing to sign the right people and turn them loose on winning projects. Finding the next big hit can save the day, but running out of talent is a recipe for extinction.

So mavericks like Michael Moritz, the Silicon Valley venture capitalist, are shrugging off talk of economic collapse and scouting for winners anyway. "A downturn can be a very good time to build a company," he contends. "The parvenus and the pretenders are gone. The only people who want to start a company in a time like this are the ones with the greatest conviction."

Mr. Moritz's firm, Sequoia Capital, scored big by helping Cisco Systems expand during a tech slump in the late 1980s. Now Mr. Moritz, a former journalist who became a billionaire by backing Yahoo and Google, is scouting not only in the United States but also in China, India and Israel. "We're planting our version of winter wheat," he declares.

Of course, bravado alone won't guarantee success. But in fields where picking hits is crucial, executives say it's vital to keep wooing candidates no matter how jittery the economy. In extended interviews, seven of these talent scouts argue that enduring success can come only from adding more of the best people to their teams.

These executives' specialties are as diverse as architecture, biotechnology and country music. Asked to share their recruiting principles, they touched on a handful of simple, recurring themes. Among them: take chances on passionate people early in their work lives, focus on what can go right, offer rewards no one else can match and harness the lessons of your own career.

A favorite starting point for talent-spotters is to cast a wide net, finding intriguing candidates who might never appear on rivals' radar screens. In Mill Valley, Calif., the executive recruiter Robin Reed makes her living that way.

She starts by listing the 50 most promising graduate students at each of nine elite engineering schools in the United States. It's hard to determine their names and even harder to figure out what they're working on, but she likes the challenge. While she isn't yet wooing them for corporate clients, she figures that they will be worth watching as their careers unfold. As far as she can tell, no other recruiter is doing anything quite like it.

To widen her contact list, Ms. Reed subscribes to 31 periodicals, including Technology Review and niche publications like WaterWorld. She takes pride in having attended the first Burning Man festival in Nevada and the first TED conference in California; she has been networking at those engineer-friendly events and at many others ever since.

As a result, Ms. Reed has been able to dip into a vast pool of non-obvious candidates over the years to find a chief information officer for Amazon.com, a site-reliability expert for eBay and 275 other placements since she started Reed Shay & Company nearly 20 years ago.

Clients often don't know exactly what they want at first, she says. So she introduces them to a few candidates early — and then helps the searchers become more precise about what talents, personality traits and potential are most important. One of her main questions is this: "Imagine it's a year from now. How will you know this has been an excellent hire?" As suitors articulate their answers, she says, their priorities can undergo drastic changes, almost always for the better.

ANOTHER person accustomed to casting a very wide net is Daniel J. Socolow, who runs the MacArthur Foundation's fellows program, colloquially known as the "genius grants." Those prizes of $500,000 each, spread over five years, are conferred each September on about 25 people. Recent recipients have included an astrophysicist, a weaver, a saxophonist and a stage lighting designer.

Although the stock market's skid has dented the foundation's assets, work on this year's awards is proceeding normally; there are no plans to scale back.

Mr. Socolow argues that the project is a one-of-a-kind philanthropic activity that stands far apart from talent-picking in business. MacArthur fellows aren't expected to do any work for the foundation, he says; they're free to spend the money as they see fit. And while the foundation, which is based in Chicago, hopes that the awards will help recipients make a bigger mark in the world, no one is upbraided if they don't.

Still, entities like the Harvard Business Review have analyzed the MacArthur program for possible parallels to business talent searches. Getting as much advice as possible is crucial to the MacArthur program; it relies on hundreds of nominators from all sorts of disciplines to suggest recipients. Nominators serve for only eight weeks and then are replaced, so that fresh thinking keeps coming in.

"We're constantly challenging ourselves to think as far as we can dream," Mr. Socolow says. When the MacArthur program started in 1981, many of its early choices were already well-known figures like the author Robert Penn Warren. Once the awards became widely recognized and coveted, winners tended to be much more eclectic, often bursting into prominence in fields that otherwise might not have won much attention.

For the Silicon Valley venture capitalist K. Ram Shriram, one of the best ways to find the right people involves peeking inside Stanford professors' computer labs, where graduate students' business ideas are just taking shape. One such chat led him to Google six years before its initial public offering in 2004. His six-figure investment in Google — he wouldn't divulge the exact amount — has produced one of the great venture-capital winnings of all time: $1.15 billion in sales proceeds, according to Thomson Reuters. He still holds about $420 million of Google stock.

Mr. Shriram's advice to anyone trying to spot talent is this: Bet on passionate newcomers. "I prefer youth over experience," he says. "You need a spark of idealism, and that's much more likely in someone's first or second start-up." He also warms up if he hears that a candidate's parents were teachers or academics, believing that it "generates kids with great curiosity."

"They gravitate to interesting, unsettled issues," he said.

In Nashville, the country-music executive Scott Borchetta scored his biggest career break by backing the singer Taylor Swift in 2005, when she was just 15 and most people in the music business believed she wasn't ready for a solo career. Mr. Borchetta liked her blunt, edgy lyrics and thought that they could connect with other teenagers, who usually aren't big country fans.

Some young singers have seen their appeal fade fast when sudden fame proved tormenting. But Mr. Borchetta says he saw early on that Ms. Swift could thrive in the spotlight, coming across as friendly and open with almost any audience. A defining moment came in 2006, when the two visited a radio station in Bristol, Tenn., hoping to make a good impression.

"Often they just say hello for a few minutes and don't let a brand-new artist on the air," Mr. Borchetta recalled. "But they liked one of Taylor's songs and told her so. Without missing a beat, she replied: 'Thank you. Can I play it right now for your listeners?' " The station managers couldn't say no, and Ms. Swift's march to the top of the charts had begun.

Not only does Mr. Borchetta look for singers who are passionate about their music, he also asks: "What can go right?" In 2006, his Big Machine Records label signed Jack Ingram, a longtime Texas honky-tonk singer who had been dropped by Sony Records because his sharp-tongued songs about heartless women and burning cars weren't catching on nationally.

"Jack really wanted to take his music to the next level," Mr. Borchetta recalled, "and we talked a lot about how he could do that."

In the months to come, Mr. Ingram released gentler songs more likely to appeal to women in their 30s who buy much of country music. He agreed to tour more than 100 days a year, often as the opening act for bigger stars. When one of Mr. Ingram's songs, "Wherever You Are," reached the top 15 on the country charts, Mr. Borchetta pulled out all the stops.

"We picked a week where we wanted to get it to No. 1," Mr. Ingram recalled. "I was on tour all that week. I'd get into my hotel at 2 a.m. Then at 4 a.m. I'd get up and go to the local radio station. We'd do an interview there and call any radio station in the country that would have me on. I'd do that for six hours and then drive to the next show."

It was a grueling routine, but it worked. For one week, Mr. Ingram had the No. 1 country song in the nation on Billboard's charts.

No one knows for sure why some songs become smash hits and others don't. But Mr. Borchetta, who has worked in Nashville since the mid-1980s, says that a lot of star quality comes down to how committed an artist is to his or her music, and how well he or she shares that with the public.

AT Gensler, the architectural firm, getting the right people is less about wowing audiences and more about understanding the firm's future needs. Right now international expansion is a top priority. In recent years, business outside the United States has grown at least 30 percent a year and now constitutes a quarter of Gensler's overall business.

So, this summer, Gensler is bringing a new twist to its internship program. A major goal involves hiring students from United States universities who grew up in Brazil, Argentina, India, China or the Mideast and might eventually want to return to their native countries later in their careers. The hope, says Diane Hoskins, one of three executive directors running Gensler, is that these interns can eventually play important roles in helping Gensler build its overseas offices.

Historically, Gensler has expanded in a gradual, impromptu way, opening most of its 31 offices when major clients want work done in new locations. But Gensler's new effort to nurture transnational architects reflects a more deliberate matching of future talent and future strategy, by clustering gifted people together.

This approach pays homage to one of the firm's most successful hires. In 1991, an American-trained Chinese immigrant, Jun Xia, joined Gensler's office in Denver and thrived there, winning awards for a regional airport job. He had planned to settle in the United States, but after a visit to Shanghai in 1998, he urged his bosses to open an office there, so Gensler could play an important part in China's building boom. The firm did so.

Mr. Xia is now Gensler's design director in Shanghai. Last year, he and his team won an architectural mandate to create Shanghai Tower, a 2,074-foot colossus that is expected to be China's tallest building when completed in 2014. Finding young architects with the potential to do something similar for Gensler has become a strategic priority, Ms. Hoskins says.

While attractive pay is usually part of what brings talented people into an organization, recruiters who specialize in nonprofit organizations — and even some who do corporate work — say that there's a cadre of talented people who can be pried out of existing jobs only if they sense a chance to do historic work in the new setting. That may mean greater prestige, fame or a sense of rescuing a vital institution. In all of these cases, people are responding to nonfinancial rewards that no one else can match.

Norbert Bischofberger, the head of research and development at Gilead Sciences, a pharmaceutical company in Foster City, Calif., oversees 1,500 people. As big as that number seems, it's less than one-fifth the size of R&D departments at other drug companies with similar stock market valuations. So Mr. Bischofberger can offer recruits the chance to be part of an unusually productive R&D team — as long as he can figure out why Gilead has that edge and what it must do to preserve it.

A big part of the answer, he says, is in Gilead's smooth teamwork, which improves its ability to turn promising molecules into approved drugs — and reduce costly misfires. He looks for scientists with a deep curiosity about how their own work fits into the bigger picture, and a willingness to collaborate with others without squabbling over the credit.

Job candidates may interview with as many as 20 people to make sure they can mesh with all aspects of Gilead's system. One recent hire is the lung-transplant surgeon Noreen Henig, who joined Gilead as a medical affairs director, overseeing clinical drug trials. She interviewed with people in more than a dozen disciplines before being hired.

Gilead's fondness for flexible, panoramic thinkers is its way of atoning for the pitfalls of a more rigid approach in its early years. In the early 1990s, Gilead believed that it could develop a new class of drugs, called antisense, that would block harmful genes from doing mischief. Chemists doing test-tube research posted thrilling results, but biologists couldn't achieve anything comparable in living animals, despite years of trying.

If Gilead’s chemists, like Mr. Bischofberger, had known more about membrane biology, he says ruefully, the antisense project might have wound down earlier. Dead ends are inevitable in medical research. But by harnessing the lessons of its history, and hiring new researchers who are better at peering around corners, Gilead hopes to make such missteps briefer and less costly.

Lessons from experience are an important part of how the venture capitalists at Sequoia keep trying to improve their talent-picking skills, too. Partners keep a formal record of mistakes and debate them, in the hope that they won’t repeat such blunders.

Mr. Moritz, meanwhile, draws on the experience 25 years ago of covering Silicon Valley for Time magazine and writing a book about Apple Inc. For several months in the early 1980s, Mr. Moritz enjoyed a rare, up-close look at the foibles and the charismatic allure of the company co-founder Steve Jobs. That experience, he says, has been a touchstone ever since.

The Apple encounters made Mr. Moritz especially alert to what kinds of executives can build a big new consumer market on the strength of their ingenuity and sheer force of will. “It’s extremely rare,” Mr. Moritz says. “But the best entrepreneurs have this incredible need to do what they’re doing. A subject has entirely engrossed them. They have an extraordinary drive to flourish in it. They can’t think of anything else they want to do.”

Hardly any entrepreneurs can combine that much intensity with a truly worthy idea. When Jonathan Kaplan pitched his initial business plan for the Flip video camera, Mr. Moritz branded it “terrible.” Mr. Kaplan, who had been hoping for something like “promising,” or “has potential,” came away jolted.

But every now and then, Mr. Moritz meets an entrepreneur who dazzles him. He saw that with the founders of Yahoo and Google, which he financed on behalf of Sequoia. When that happens, the taunts disappear. Mr. Moritz throws his energy into persuading those entrepreneurs to let Sequoia invest and help them build their business.

Ultimately, Mr. Moritz decided that Mr. Kaplan did have the right stuff with his Flip camera. The key was to stop positioning the Flip purely as another electronic device, and to recast it as something simpler and more revolutionary: a source of easy, on-the-go video that would brighten people’s lives. Apple would have been proud.

MR. MORITZ tests entrepreneurs’ passion for their company by grilling them about their own proposed salaries — a standard venture-capitalist question. High salaries are viewed with suspicion. Bare-bones pay is generally a good sign; it means the founder wants every possible dollar to go toward the success of the company, even if it means personal sacrifices. Mr. Kaplan says he passed that test by taking a mere $50,000 annual salary at first as the chief executive of Flip’s maker, Pure Digital Technologies.

Mr. Moritz also wants entrepreneurs who think big. Steve Streit, founder of the Green Dot Corporation, a prepaid-debit-card company backed by Sequoia, says he asked Mr. Moritz a few years ago whether they should consider an offer to sell the company. Both men recall Mr. Moritz retorting: “You don’t understand what you have here. Maybe you should take a vacation. You will not have five Green Dots in your life.”

Talk of selling Green Dot vanished.

For all of Sequoia’s success, Mr. Moritz cautions: “We often get it wrong. Judging people is more difficult than judging a market or a product. Markets rarely deliver big surprises. People will always produce surprises.”

Next Article in Business (5 of 24) » A version of this article appeared in print on March 15, 2009, on page BU1 of the New York edition.