

Hiring for a Competitive Advantage

by Deborah L. Kerr, Ph.D., and Bill Balczak

Successful hiring is one of the key factors to operational success for large and small businesses alike. Executives should approach the hiring process as a means to both improve their existing workforce and to secure a candidate who will add long-term value to the organization. If approached merely as a step toward replacing a lost asset, the hiring process will squander considerable resources and forfeit significant opportunity value from a potential personnel improvement. The mission is obvious, yet, according to business owners, finding the right employees can be an elusive aspiration in a drawn-out process.

The results of the hiring search can be crucial for the future of small businesses and a poor decision can easily cost any organization well into the six figures. Every new hiring opportunity has the potential to advance a business's interests or set them back significantly, and should be approached using the same level of data, knowledge, and preparation required for any critical business decision.

The “people decision making” process, however, is littered with intangibles. Nation-wide unemployment continues to hover around 9%¹, but we have yet to experience the expected talent surplus from this prolonged recession. Instead, talent managers continue to struggle to fill leadership roles and key positions with the people who are right for their organizations.² Avoiding this quandary is paramount to every business's success. To do that, organizations must adopt hiring methods that increase the chances of securing productive and “profitable” hires.

Sift Through the Facts

Identifying the right new employee should involve more than selecting candidates by resume strength, interview performance, personal references or “gut reaction”. While the traditional big three – resume, interview, and references – can help drive an application, these factors alone cannot generate a comprehensive enough portrait of the candidate to justify the company's investment of time and money.

The resume frequently serves as the sole initial source for determining candidate strength, and includes information about education, experience, and special skills. This document is, however, an imperfect guide to a candidate's true strengths. Various surveys and research find that between 39% - 50% of resumes contain erroneous information, so they must be taken with a grain of salt until fully verified.³

Despite the prevalence of inaccurate data, executives can still get some information from the resume. The reported candidate's career arc can provide information about career path; roughly how loyal to the company he may be; what the candidate reports having accomplished at each previous job; how much time spent in areas that a company requires.

Weigh Strengths

Hiring managers should not give too much weight to years of experience and technical skills alone. A resume does not report how successful the candidate was – just that he or she held the positions.

1 Bureau of Labor Statistics. 2011. <http://www.bls.gov/cps>

2 Deloitte. 2010.

3 Fernández-Aráoz, et al. 2009.

These indicators are far less likely to predict high performance than factors such as motivational fit, organizational culture match, and interpersonal skills. So, in looking at a candidate's resume, it is important to conceptualize how an applicant's prior organizations may have functioned, how their qualities impacted performance and demanded work, and how the individual connected with the unique company culture. And, with over a third of senior executives citing retention as a pressing talent concern, it may be important at this stage in the process to check for other such candidate traits as well.⁴

Executives rarely give these important factors enough consideration in hiring new candidates. In a 2009 study, 43% of executives gave priority to relevant experience and technical skills, only 24% gave similar weight to an individual's ability to collaborate in teams and 11% considered the candidate's readiness or ability to learn new things, both of which are more related to success than skills.⁵

This same pool of executives reported that their hiring practices relied heavily on subjective personal preferences, and their views about hiring differed varied widely. They disagreed on whether to hire insiders or outsiders, who should be involved in the hiring process, how to assess candidates, and the keys to successful hiring and retention.⁶

Verify Abilities

The interview process is an experience that is hard to duplicate. It allows executives to check the more sensory-oriented aspects of a candidate, such as their ability to communicate and their interpersonal skills. It represents the human side of hiring.⁷ An interview can help make predictions about a person's suitability for a given job and how well they may "fit" the organization's culture. As selection expert Dr. Charles Handler puts it, "Years of research into the interview process suggest that the accepted validity coefficient (i.e., the accuracy) of the traditional (unstructured) employment interview is between .10 to .20. In non-geek speak this means that, across the board, interviews predict an applicant's actual ability to do the job with only between 1% to 4% accuracy, suggesting that between 96 and 99% of what it takes to effectively perform a job is not being measured by your employment interview."⁸

To verify what you think you learned about a candidate in an interview, a thorough background check will make sure the candidate isn't putting up an appealing facade. The reference check is designed to help guarantee that the individual can perform as promised, that he has a positive work ethic, and that he can be relied upon for some time to come. All negative impressions from previous employees should be taken into serious consideration, and it may be necessary to weigh the potential benefits against the potential wasted time during a failed tenure.

Gain a Statistical Advantage

Due to the overall subjectivity with which executives approach the hiring process and the informal processes most often used, the final decision is often made largely through gut instinct. After all of the careful scrutiny, analysis, and questioning that goes into the process, executives say that it almost always comes down to an intuitive decision.

Hiring is a demanding process and is largely subjective. The difficulty is that there are simply too many variables in play to make a decision that will likely result in a highly productive employee.

4 Deloitte.

5 Fernández-Aráoz, et al. 2009.

6 Fernández-Aráoz, et al. 2009.

7 Handler, 2002.

8 Handler, 2002.

Some say that three good hires can't make up for the problems caused by one bad hire. To reduce unintentional bias and mistakes inherent to the traditional hiring process, executives should incorporate more science-based data to get a more accurate picture of the applicant and likely future performance.

Today, the hiring process can easily be augmented with comprehensive personality tests and cognitive analyses. While most applicants can manage their images for an hour in an interview or spin their resume to appeal to the targeted audience, personality and reasoning tests are much more difficult to manipulate. These simple virtual tests measure cognitive ability, personality, how a candidate might actually perform, and what their strengths and weaknesses are. From these tests, it's actually possible to tell within a high degree of confidence whether they'll be happy with their job and their position within the company culture.

Cognitive reasoning is a simple enough measure to gather for each candidate. Quick questioning within a few separate fields helps rank candidates by their ability to solve problems, conduct verbal reasoning, communicate, and deal with numerical information. While certain qualities may be unimportant in particular scenarios, it's clearly wise to hunt for candidates with a strong learning index and the appropriate level of verbal skills. When candidates' abilities match those required by the job, they'll be much more successful and confident.

These assessments can also measure behavioral traits such as sociability, assertiveness, attitude, decisiveness, independence, and more. Responses can help the hiring team learn quickly how a potential employee would fit in the existing job culture and if they would fit with management's current practices. If you find a highly dependent employee in a small, relatively self-managed organization, for instance, then you will need someone to direct this individual to make sure he or she stays on track.

Measuring behavioral traits is an effective way for hiring managers to staff leadership positions or even round out teams by providing balance within divisions. Research demonstrates that teams made up of diverse personalities are often more productive than heterogeneous teams, so work to actively fill out your staff with compatible yet differing personalities.

As always, however, executives should measure the candidate's strengths against the position for which they are hiring. When hiring a software designer, the individual will rarely require the same leadership skills that you would look for in a project manager. Understand the position, decide what qualities are needed for this position, and tailor the interview to test these strengths and weaknesses.

A strong leader can grow and inspire current employees, while new personalities in existing teams can round out group dynamics to increase productivity and efficiency. Finding an employee who will work well within the company and provide profitable longevity is therefore crucial to the success.

Personality and aptitude pre-hire assessments are accurate and can help predict future success on the job. They provide a significant statistical improvement over the traditional go-with-the-gut hiring mentality. And, if you have ever made a hiring mistake, assessments give new meaning to “what you see is not always what you get.”

The Holistic Approach to Hiring

In the future, it may be wise for organizations to take these practices into consideration to improve their chances of hiring a successful and viable candidate. A holistic hiring approach requires managers to analyze candidates on both the personal level and from the scope of the greater organization. Before analyzing each candidate, executives should first answer the following questions:

Where will the individual be placed within the organization? How will the individual be interacting with colleagues? What will the candidate be doing? What is the company's/team's culture?

Making hiring decisions based upon skill or personality alone can only take a business so far. By blending the two, your organization will gain a competitive advantage great enough to tip the scales in your favor. Invest in the future of your company through an educated hiring process, avoid brash decisions, and strengthen your organization.

About the Authors:



Deborah L. Kerr, Ph.D. is a partner at affintus, a selection science company based in Austin, Texas and a performance measurement expert. Her work in performance measurement and management has been written about in *Financial World* magazine and has been cited as “best practice” by SHRM. Her approach and success with organizational measurement were featured in Paul Niven’s 2002 book *Balanced Scorecard Step by Step* and Mohan Nair’s 2004 book *Essentials of the Balanced Scorecard*.

Deborah led the development of one of the nation’s first public sector balanced scorecards and in 2004, that measurement system was recognized as one of the world’s best when it was elected to the Balanced Scorecard Hall of Fame. She is on the graduate faculty of Texas A&M University where she teaches management, public policy theory, and organizational performance measurement. Her teaching has been recognized with the University’s 2008 Distinguished Achievement Award for Teaching (based on nomination and support from current and former graduate students) and with the 2009 Silver Star Award given by the Class of 2009 for outstanding service and dedication.



Bill Balcezak is the general manager of the Time Division for *Journyx*, the first company to provide Web-based time-tracking, project accounting and resource management solutions that guide customers to per-person, per-project profitability. Bill is a seasoned professional with a broad, international and multi-disciplined background in consulting and high technology companies. He has 25+ years of experience in successfully managing heavily integrated, large-scale, critical software deployments for industry leading clients. Bill is a graduate of the Massachusetts Institute of Technology with a Master of Science Degree in Mechanical Engineering. He can be reached at billb@journyx.com.

References

Bureau of Labor Statistics. 2011. <http://www.bls.gov/cps>.

Deloitte. December 2010. *Talent Edge 2020: Blueprints for the new normal*. Available at https://www.deloitte.com/view/en_GB/uk/services/consulting/5aa3f762c14be210VgnVCM1000001a56f00aRCRD.htm.

Fernández-Arároz, Claudio, Boris Groysberg, and Nitin Nohria. 2009. The Definitive Guide To Recruiting in Good Times and Bad. *Harvard Business Review* 87 (5): 74-84.

Haid, Michael. 2010. Talent Assessment Successful Leaders—They May Not Be Who You Think They Are. *Right Management ViewPoint*.

Handler, Charles. 2002. Structured Interviews: An Easy Upgrade For Your Hiring Process. <http://www.ere.net/2002/11/08/structured-interviews-an-easy-upgrade-for-your-hiring-process> Accessed April 28, 2011.

Murphy, Mark. 2005. Why New Hires Fail. Leadership IQ. < <http://www.leadershipiq.com/thought-leadership/research/why-new-hires-fail>> Accessed March 19, 2010.