

Forget Hiring for Ability

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It's all about the “fit”.

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You devoted hours of time reviewing resumes and conducting job interviews before making Elwood the job offer. Once on the job Elwood quickly establishes a presence, but not the way you had imagined. His skills can't be faulted, but he's just not working out!

The Cost of a Bad Hire:

The individual responsible for hiring Elwood just cost the company tens of thousands of dollars:

- Available Government of Canada documents estimate that one poor hiring decision will cost a company anywhere from \$50,000 to \$100,000, considering salary, severance pay, admin costs, decreased productivity, workplace disruption, additional recruitment and training costs
- One private organization suggests that, conservatively, the cost of a bad hire amounts to three times the salary – and makes available a detailed formula which bears this out (Ed Ryan, MPR Inc).
- The cost goes up for higher level positions: It's estimated that the loss of a manager or professional costs the company 18 months' salary.
- Not to be forgotten, as well, is the impact of bad hires on existing and remaining staff – the burden of assuming the work of the poor performer or the vacant position as de-hiring and re-hiring occurs. Reduced employee morale, lessened job satisfaction and increased employee health and stress issues combine to increase the risk that good employees will leave the company.

In short, the cost of bad hiring decisions is huge and intolerable and, over time will cripple any organization.

The “Bad Hire” Epidemic:

Why is it that we seem, collectively, to be so good at making bad hiring decisions?

We know we are, because turnover rates are skyrocketing. While acceptable turnover rates are identified as falling within 8 – 10%, most companies experience rates significantly higher than that.

We know of course that there are external forces working against us:

- Job search is a “skill” that is being taught at all levels. The job seeker is “taught” how to answer or evade the tough questions, put themselves in the best light. This makes it harder for companies to clearly ascertain candidate suitability
- The current “tight” market where the demand is surpassing supply means companies are competing against each other – to the point of entering into “bidding wars” for AVAILABLE, not necessarily the BEST candidates

But we also need to take some responsibility.

The “Bad Hire” Propensity:

Bad hires occur when the hiring decision is made on the basis of technical competency alone.

- Little or no thought is given to personality or personal work traits; behaviours; chemistry; or “fit”
- When “fit” is a consideration, it is applied unconsciously, by the hiring authority, and then in a uni-dimensional way – “candidate/recruiter fit”
- Companies report they base 80% of their hiring decisions on education, training and experience, but 85% of turnover is due to behavioural incompatibility (Schoeck, 1997)
- In 1997, it was estimated that 50-80% of people were working in the wrong jobs because of “behavioural incompatibility”

Good “fit” should be the ultimate goal of the selection process.

“Fit” Defined:

“Fit” relates to the similarities or match between the individual’s values, beliefs, interests and personal work traits, and the values, beliefs and culture of the workplace

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- The idea of organizational “fit” comes from the time-tested and well researched “Person-Environment Interaction Theory” (Parsons).
- Basic Premise: Hiring Outcomes are a function of the interaction between individuals and their environment.
- Good fit = Positive outcomes; Poor fit = Negative outcomes

Person-Environment “Fit” is a multidimensional construct with three primary components:

1. Person-Job fit
includes “hard” elements – ie. job-specific knowledge, skills and cognitive abilities as well as “softer” considerations – personality and personal work traits relative to the specific job requirements.
2. Person-Organization fit;
addresses the congruence or similarities between the individual’s personality, beliefs and values and the norms and values – or CULTURE – of the organization.
3. Person-Group fit.
focuses on the interpersonal compatibility between individuals and their work groups

In mathematical language: $PE = P-J + P-O + P-G$

Optimal Employee Selection Criteria:

New hires should be selected on the basis of:

1. Ability to do the job (P-J fit)
2. Ability to work effectively with others (P-G fit)
3. Overall fit with organizational beliefs and values (P-O fit)

Fit employees:

- *to the job*
- *to the team*
- *to the culture ...and watch profits increase and turnover decrease*

One approach is to consider “fit” to be the matching of personalities:

1. The Individual:

- Each individual has unique personality and personal work traits, as well as well-defined values, interests and beliefs
- Individuals are drawn to jobs and organizations that are congruent with their personalities and values

2. The Job:

- Each job has a corresponding set of personality traits, or human factors, that are essential to success/satisfaction within the job -- which can be measured against the personality and personal work traits of job applicants
- Organizational culture influences human factors of the job. That is, no two accounting positions are alike.

3. The Organization

- Organizational Culture is defined as the values; practices; behaviours and artifacts; and beliefs of the organization and of the core task defined by them. In other words... ‘it’s the way things are done around here”
- Culture can be discerned by observable behaviours, languages, customs, traditions – which essentially represent the personality of the organization

Person-Organization “Fit” Pre-eminence:

Person-Organization (PO) fit has been proven to be better than Person-Job (P-J) fit at improving organizational performance, productivity and profit

- A 2006 research study (Geivity/Cornell University) demonstrated that organizations that focused more on P-O fit than P-J fit experienced a significantly higher performance:
 - 7.5% higher revenue growth
 - 6.1% higher profit growth
 - 17.1% lower turnover

Numerous other research studies confirm:

- Enhanced employee attitudes (defined as job satisfaction; organizational commitment – organizational citizenship behaviours; team spirit; (Handler)
- People are more likely to stay in a company that supports their personal values and beliefs
- Of the three sub-components, research suggests that Person-Organization fit is the most important. It is also, currently, the area that is given the least amount of attention or measurement (Geivity/Cornell University).
- Job demands and requirements shift constantly. Organizational culture is less dynamic. When hiring on the basis of cultural fit, job satisfaction is retained (Geivity/Cornell University; Kristof-Brown).
- Jim Collins' in his research on "great" companies (Built to Last) found that in the 18 excelling organizations he studied, while all had different cultures, what set them apart was that all 18 placed great value on hiring, developing and managing employees based on clear cultural principles and beliefs. *They knew their preferred culture and sought to hire people who "fit"*.
- Tangible examples of organizational culture/personality
 - Dress code - formal, casual or in-between
 - Reward/compensation practices - financial vs. praise
 - Type of technology
 - Office set up/décor
 - Organizational structure - hierarchical or flat

- Climate - impersonal or warm/friendly
- Rules
- Espoused values - honoured or ignored
- Ethics
- Group norms, standards
- Managerial accessibility
- Feedback - consistent, haphazard; never
- Communications style - two-way or downward;
- desired or need to know
- Professional Development - encouraged; supported; ignored
- ee’s responsibility or shared
- Organization’s Role Models - do as I do? / do as I say
- Importance of:
 - People
 - Bottom line results
 - Customer service
 - Power building
 - Saving face

Hiring for “Fit” – The Downside:

- Time demands
- Undeveloped selection technology

Preparing to hire for “Fit”:

1. Clarify the “personality” questions – regarding organization and job

- Organizational Culture Audit
 - Human Factors Job Analyses
 - Behavioural Benchmarking
2. Incorporate corresponding Human Factors; values-based behaviours into job descriptions
 3. Adopt a structured, scripted, multi-faceted recruitment system
 - More than one interview
 - More than one interviewer
 - Behavioural/situational interview questions, focusing on human factors; values-based behaviours
 - Objective assessment
 - Behaviourally focused reference checks; questions developed from assessment results
 4. Clearly communicate organizational values
 - Job ads
 - During recruitment process
 - Managerial day-to-day activity
 5. Establish a hiring team, not just one person
 6. Make haste, SLOWLY

Addendum 1:

Recommended Hiring Process

1. Initial Screening - Right of Passage; confirmation of minimum KSA's
2. 1st Interview - Structured; behavioural; situational
- Look for demonstrations of Human Factors appropriate to organization & job
3. Testing - Personality profiling; work Simulation/sampling
4. 2nd Interview - Probe for "gaps/shortfall" identified via testing
5. 3rd Interview - Optimal; assessment by work-group Members
6. Reference verification - Probe again for "gaps/shortfall" identified via testing & ints.
7. Candidate(s) Evaluation & Decision
 - At least two, optimally three interviews
 - Vary interviewers (three is optimal) (supervisor; work group member); and interview locations
 - Interview questions should be scripted, standardized, and incorporate behavioural and situational questions designed to identify personality, personal work traits, values and interests for comparison against your Human Factor Job Analysis AND company personality summary
 - Past behaviour is the best predictor of future behaviour

Addendum Two:

Defining Organizational Culture

Considerations:

- Organization’s Role Models - do as I do? / do as I say?
- Importance of:
 - People
 - Bottom line results
 - Customer service
 - Power building
 - Saving face
- Feedback Strategies - consistent, haphazard; never
- Communications style - two-way or downward;
- desired or need to know
- Professional Development - encouraged; supported; ignored
- ee’s responsibility or shared
- Values, Ethics - honoured? rewarded? ignored
- Reward Strategies - rewarded? ignored? condemned?
- Look to identify 5 – 10 primary cultural attributes
- **CAVEAT** – not all will be positive
- Invite input from current employees
- Fekete & Keith “Companies are People Too” provide a short questionnaire addressing organizational focus; information gathering; decision-making; and work style; and generates a 4-digit, MBTI company personality profile.

Addendum Three:

Using Assessments as a Decision Support Tool

- Assessments help:
 - Identify candidates who are best fit
 - Avoid bad hires
 - Identify leadership and communication style differences
- Accelerate successful entry of new hires by identifying training and development needs upfront and by providing insight into the management strategies that, individually, they will be most responsive to
- Assessment tools include work samples or simulations; tests of KSA's; personal work traits
- Personal profile analysis provides for a more predictable outcome
- Personality/behaviour testing can be confirmed via reference checks and via further probing in subsequent interviews
- Validity of personality tests for predicting job performance is well supported – yet not well utilized (20% usage)
- Time- and cost-effective – many on-line assessments take less than 30 minutes, cost less than \$100 (compare to cost of de-hiring)
- Testing is a \$400 million dollar industry in US.

Addendum 4

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