

THE SCHNEIDER REPORT

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Welcome to The Schneider Report,

I wanted to pass along an article written by Michael Shallenberger, our EVP of Consulting. Prior to joining Schneider Sales Management, a position he has held for the past 12 years, Michael was a leading sales manager at community and national financial services firms. He has also been President and CEO of two community banking institutions. He has received his M. Ed. in Adult Training and Education and a B.S. degree in Organizational Change Management and is an alumnus of the Pacific Coast Graduate School of Banking.

Improving Job Candidate Interviewing and Selection

If an untrained interviewer uses an unstructured interview format, then the probability of hiring the best applicant is less than 15%.

Source: Michigan State University, 2002.

Decades of research on hiring practices and job performance has proven that the unstructured job interview used by 95% of all companies has about the same predictive validity or success rate as random selection. In spite of this clear evidence that unstructured interviews have little value in predicting on-the-job performance, organizations have been slow to change their candidate interviewing and selection practices. We should either save time by simply throwing darts at candidate photos to select our new hires or we should improve our processes to increase the correlation of hiring practices to job performance.

Compounding the poor results of unstructured interviews is the widespread use of personality testing to support hiring decisions. In 2007, F. P. Morgeson, J. R. Hollenbeck and N. W. Schmitt of Michigan State University, M. A. Campion of Purdue University, R. L. Dipboye of the University of Central Florida and K. Murphy of Pennsylvania State University, all former editors of research journals where research on personality testing is reported, published their findings based on a review of over 7,000 research studies and articles. They noted that personality tests suffer from several important limitations including the potential for faked answers and that their validity in predicting performance is “still close to zero.”

I can only claim to have read about 150 research articles on the subject of personality testing and assessment testing, but as a former user of personality tests in hiring I have to concur with these findings. After spending over \$20,000 to assess 300 employees and job candidates at a large regional bank using three different personality tests from different vendors we were unable to correlate the results to any sales or service performance metrics over an 18 month period. Schneider’s

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anecdotal evidence from working with hundreds of clients suggests the failure of personality tests to predict performance since companies that use them tend to have as many low or poor performers as they do top performers.

More than 75% of turnover can be traced back to poor interviewing and hiring practices. Source: Harvard Business Review

The Effectiveness of Hiring Practices and Selection Criteria

Based on their research, Spencer and Spencer (1993) reported the following validity correlations with performance for various methods of candidate evaluation. They are ranked in order from most effective to the least effective at predicting on-the-job performance:

- Assessment Centers .65
- Interviews (behavioral) .48-.61
- Work sample tests .54
- Ability tests .53
- Personality tests .39
- References .23
- Interviews (non-behavioral) .05-.19

In another study, Schmidt and Hunter (1998) analyzed hundreds of peer reviewed research articles published over an 85 year period to identify which employee selection methods were best and worst as predictors of on-the-job performance. They evaluated and ranked the effectiveness of 19 different selection factors covering virtually all of the methods employers use when making a hiring decision. Here is what they found:

- Structured interviews came in number 3.
- Unstructured interviews came in number 9.
- Checking references came in number 13.
- Years of job experience came in number 14.
- Years of education came in number 16.

Number one was general mental ability (GMA) or cognitive ability.

Schneider Sales Management's (Schneider and Young, 2006) groundbreaking research on 1,000 top performing sales and service personnel in the financial services industry found no correlation of age, gender, ethnicity or education level to sales performance. Even prior experience only mattered slightly and only if it was in the same industry and for the role being recruited, and then only among strong learners.

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Even the most optimistic research suggests that personality assessments only add about 5% to 15% to the hiring success rate, yet they are the most widely used form of pre-hire assessment used today.

Why Unstructured Interviews Fail

Unstructured interviews are just that - unplanned, uncontrolled and unformatted. Most hiring managers do little to prepare for candidate interviews and most interviewers are subject to normal human biases, often looking for 'people like me'. Positive information gleaned about a candidate is weighted more than negative information that we uncover. Even the order in which we interview candidates can cause bias (primacy and recency effects) and factors such as gender, race, age, obesity, appearance, attitude and non-verbal behavior often influence hiring decisions. The *halo effect* influences interviewer impressions and occurs when one good aspect of a candidate makes them look good in other areas as well. The reverse is also true, where the *horns effect* causes a negative perception to be generalized to other aspects of the person.

Lastly, the final comparison of candidates is more difficult with unstructured interviews because the same interviewer often asks different questions of each candidate or multiple interviewers ask different questions of the same candidate. In the end, consensus on the best candidate is based primarily on overall impressions or "gut feeling", or one person simply overrules the others involved in the process to select the candidate they want.

Most hiring managers make their selection decision within the first 3 minutes of the interview. Source: Harvard Business Review

Other Breakdowns in the Selection Process

In our work with clients we have identified several additional factors that contribute to poor hiring decisions, either reflected in employee turnover within the first 90 days of employment or in poor job performance by the selected candidate. Those breakdowns are:

- Less than 5% of companies have provided their managers with training on conducting behavioral interviews or on the use of hiring scorecards.
- There is an over-reliance on one selection tool or method (interviews, personality assessment, skills testing, etc.)
- There is either no structure or a poor structure to the interview process with many companies relying on a single interview or interviewer to make hiring decisions.

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- The company has not completed any job benchmarking. This is the process of determining the key accountabilities, skills, behaviors, motivators and task requirements of a specific job.
- There are no positions or hiring scorecards to evaluate candidates against.
- Pressure to fill a job position quickly causes organizations to shortcut the evaluation and selection process. The “any warm body now” argument often wins out over holding out for the best possible candidate.

Combining the right assessment tool with a well-structured behavioral and situational interview, a good hiring scorecard, and some simple simulations can increase hiring success rates to over 80%.

Improving the Process and Results

There are some very simple ways for organizations to improve the effectiveness of their candidate interviewing and selection process:

1. Use structured interviews. These are pre-planned, interviewer directed, standardized and pre-formatted. The most common types of structured candidate interviews are *situational interviews* that use situation-specific questions based on job and look at hypothetical performance. And *behavioral interviews* that explore past behavior as a likely predictor of future behavior. The more evidence there is of a previous pattern then the more likely it is that it will be repeated in the future.
2. Assessments work, but only if they are comprehensive and lead you to better behavioral and situational interviews. Look for an assessment tool that combines personality traits, emotional intelligence competencies and behavioral competencies. The assessment tool should also provide good behavioral or competency-based interview questions based on the candidates responses to the assessment.
3. Use a comprehensive interview process. Use your human resources professional to pre-screen candidates for key job requirements and experience and to administer assessments. Have the hiring manager explore experience and behavioral competency and the next-higher manager explore team and organizational fit. Candidates should also be interviewed by a potential peer. Peers often see flaws or strengths that hiring managers don't see and often understand the requirements of the position better than HR or the hiring manager – they are doing it every day. They also have the most to lose if the manager makes a bad hiring decision since they will have to carry the load for a low performer.

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4. Use role plays and simulations to evaluate candidate skills. A quick role play on handling an irate customer, a typical sales situation or conducting a sales meeting or staff meeting can tell you a lot. Have the simulations evaluated by the hiring manager and peer.
5. Use hiring scorecards to improve interviewer objectivity and focus on key job requirements. Hiring scorecards also make comparisons of candidates more objective and improve consensus of candidate rankings among multiple interviews
6. Interviewers should receive training on conducting behavioral and situational interviews.

What's great about this list is that everything on it can be accomplished in fairly short order. In our work with clients we've seen organizations completely overhaul their candidate interviewing and selection processes in as little as 30 to 45 days.

Thank you for your time. For more information about Schneider Sales Management's pre-hire assessment tool Optimum Performance Profile, please visit the website www.schneidersales.net.

We would like to hear your feedback about the article or about topics that you would like us to address in future volumes. To view past issues of The Schneider Report, please follow the link to <http://www.schneidersales.com/the-schneider-report/>. As always, please call or email if you would like a no obligation discussion on organizational improvements, including hiring scorecards, assessment tools, and interviewing methods, as well as employee training and sales process improvement.

Regards,
Ben Kinning
Director of Sales

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About the Author

Michael Shallanberger is Executive Vice President & Director of Consulting Services for Schneider Sales Management, LLC, a position he has held for the past twelve years. Michael will soon complete An M.S. in Organizational Leadership and Change Management from Colorado State University and he earned his M. Ed. in Adult Training & Education from Colorado State University in 2010. He graduated summa cum laude from Metropolitan State in Denver, Colorado with a B.S. in Organizational Change Management and holds an A.S. degree in Banking and Personal Finance. Michael is also an alumnus of the Pacific Coast Graduate School of Banking.



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