

In the “War for Talent” beware of the 18%

By John Murphy



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In a recent article in *The Nation*, “Kingdom cries out for skills”, the Deputy Prime Minister and Industry Minister Kosit Panpiemras was quoted describing how Thailand should be providing skilled workers to meet the desperate human resource needs of its industries.

Every day I get to meet with clients and hear a similar refrain. The demand for high performing, high potential staff far exceeds the supply. The challenge for businesses generally and HR departments specifically is to attract, develop and retain the “right” people.

Indeed I have worked with one organization that has gone so far as to define the ‘mission’ of its HR department along these lines. It reads:

“The mission of the Human Resources department is to provide the right people, in the right place, at the right time, with the right skills, knowledge and competencies at the right cost.”

At first I thought that the mission was missing some fairly basic functions of a HR department. Nowadays I am confident that the definition was bang on target. The object was not to focus on traditional activities of HR departments but to zoom in on the outcomes, or what HR should actually ‘deliver.’

After all, if a HR department is not focusing its activities on attracting, developing and retaining talent, what is it doing?

In the “war for talent”, companies are competing for the best available people. More attention is rightly being paid to earning the reputation as being an “employer of choice”, and implementing strategies for effective employer branding.

As businesses increasingly recognize the importance of professional talent management in successfully meeting their goals, so those practices have benefits for the company and their employees alike.

While there is a desperate shortage of skilled workers, there is no shortage of applicants for jobs. The issue is not a scarcity of people, but a scarcity of people with the right skills, knowledge and competencies.

So, the task of recruitment and selection – always important – is now being viewed as a “mission critical” business activity with strategic importance.

And with the increased recognition of recruitment’s critical importance has come a growing awareness of the limitations of the traditional selection process which relies heavily on interviews.

Now, most of us have, at some time or another, applied for a job and been called for an interview. Some of us will have been on “the other side of the desk” and have been the interviewer. In either case, the job interview is a common rite of passage when entering and progressing through the world of work.

Most managers like to think that they are good at interviewing. Some managers believe that they have “a knack” for picking staff.

I have rarely heard a manager admit, “I’m not very good at interviewing people.” However,

The simple fact of the matter is that interviews are very poor in predicting future “on-the-job” performance.

And the more senior the position, the less reliable the interview is. Research conducted by Schmidt & Hunter (1998) on the predictive value of the various steps and techniques used in the selection process, from resume review, reference checking, interviewing and testing, throws some interesting light on the subject.

Why would the predictive value of an interview for a senior position be less than that for a junior one?

The main reason is because, when interviewing for supervisory and management positions, the candidate is likely to have far more experience at attending meetings, having been interviewed many times, and is more adept at presenting themselves in their very best light.

Predictive Values

	Entry Level	Senior Level
• Screening	8%	13%
• References	9%	15%
• Structured Interview	22%	18%
• Skills Test/Simulations	24%	10%
* Psychometric Assessment	18%	28%
Total Without Psychometric -	63%	56%
Total With Psychometric -	81%	84%

The Confidence Gained with Psychometric Tests is An Additional 28% for Executive positions

18% versus 84%

In fact, the research indicates that without using any other resource, a so-called structured interview has merely an 18% probability of predicting future performance.

You'd improve the odds to 50% if you decided with a toss of a coin!

This is just one of the reasons why organizations are increasingly availing of psychometric assessments as part of the selection process.

Although there are a wide range of psychometric assessments available, businesses should take care in selecting the right assessment tool for their needs. In other words they should use an assessment tool that has been developed specifically to measure work behaviours.

The properly chosen psychometric assessment tool, when used in combination with the other commonly used steps in the selection process, can improve the predictive value of the selection decision to 84%

Now, an 84% level of confidence that the person you are selecting will perform well in the job is hard to beat. However, certain companies have aimed for and achieved even better results.

From Good to Great

If you had four candidates short-listed for a position and they all had the required experience, the required qualifications, they all had performed well in the first interview and you felt any one of them could do the job, who would you select?

Your guess is as good as mine.

On the other hand, if you additionally knew that:

- One candidate had a work behaviour/personality profile that matched the profile of your 'top performers' for that position
- Two candidates had profiles similar to that of your average performers
- One candidate had a profile similar to your poor performing staff in that position

Would you have greater confidence in making the job offer?

Although still not widespread practice, certain companies are realizing the competitive advantage they can gain by benchmarking their "best" performers and using that profile as a guide in the selection process for new staff.

Have a look at the example taken from a Call Centre company. Along the bottom of the graph you can see the various work behaviours/competencies that were assessed (in this case from a psychometric assessment tool used with sales staff.)

The two bars show the average scores of the top and bottom performers in the outbound call centre.

While there are a number of factors where the difference between top and bottom performers is little or none, there are some key differences that can be identified.

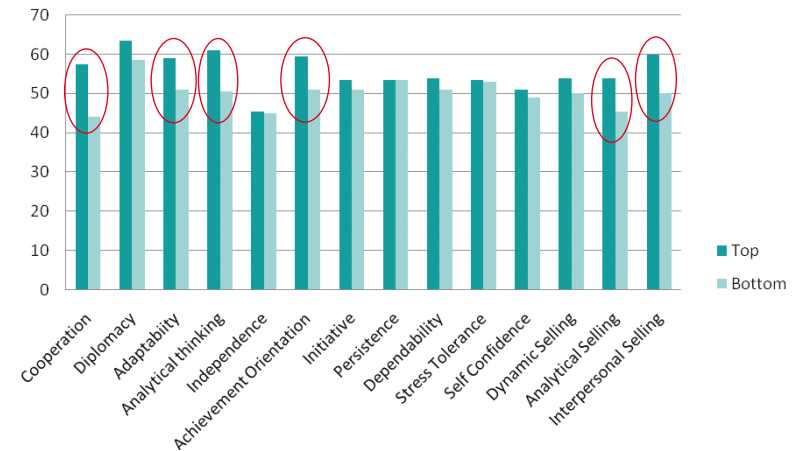
"Now the company can draw conclusions for those factors or qualities that have been show to be important predictors of performance (in this case the six factor I have circled) and are able to select with a high level of confidence, candidates who will likely not just be able to do the job but do it very well, quickly joining the ranks of their top performers."

Similarly, in supervisory and management positions – where major occupational success factors such as leadership style, entrepreneurship, openness to ideas, and others are of great importance, benchmarking with the appropriate psychometric tool can lead to similar levels of confidence and similar performance benefits. The "Work Behavior Inventory" or WBI is an excellent example of such an assessment tool.

The pragmatic application of, for example the WBI, allows companies to know that – all other things being equal – the candidates who score high on the 'top performers' profile will have a greater probability of quickly joining the ranks of their best performing staff.

An interesting thing about this benchmarking approach is how flexible and focused it can be. For example, two competing companies might be looking to recruit a new product manager at the same time.

Benchmarking for Outbound Agents of Call Center



They both benchmark their 'top' product managers to get a profile and then use their respective profiles in the selection process.

Because the 'way of doing things', management style, or 'culture' of the two companies are quite different, so the profiles of the 'top' performers will differ too.

The work behaviours that are highly successful for any particular position in one corporate culture could be highly unproductive for a similar position in another corporate culture.

So by benchmarking, Companies don't use some "off the shelf" profile of what the 'typical' manager, supervisor, sales person or engineer should be. Instead they get to identify very clearly the profile of successful work behaviours for those and other positions *that are specific to their own corporate culture.*

"The battlefields in the 'war for talent' cover a wide variety of terrain, and require more than one strategy to be applied if companies are to successfully compete.

This will only intensify in the coming weeks, months and years. How confident are you in your organization's readiness for the battle?"



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