



MEASURING SUCCESS
Using Competency-Based Analytics to Link
Recruiting with Company Strategy

Human Capital represents many companies' largest single investment. Does your company have the means to clearly quantify the return on this investment? If you are like most companies, the answer is no. If your company does, do the metrics link to your company strategy?

This issue is increasingly salient for human resource professionals, who are pressured more than ever to show the strategic benefit and return on investment of human resource initiatives. In this white paper, we demonstrate a unique and effective approach to quantitatively assess the quality of your companies recruiting and hiring processes. While only one aspect of human resources responsibility is exemplified in this paper, the process presented here is equally successful when applied in any human capital initiative.

When filling critical roles, even the most experienced HR professionals ask themselves, "How do I know?" This white paper will show how you can confidently add critical staff to your organization, and how **each and every hire** will be an effective contributor. By utilizing the following approach, you will be able to demonstrate how your hiring process will align to the strategy of your organization, and ultimately contribute to its financial success.

How can you be sure that your new hire will:

- work well with his/her new team?
- thrive within your corporate culture?
- stay motivated and engaged?
- be retained by your company?
- exhibit the performance behaviors you desire?
- produce outcomes that support your goals?

Sure, the resume reflects: the right degrees; good schools; appropriate certifications; a job history that indicates practical utilization of required technical skills, and a proven track record of success. But are you sure that this candidate is truly the right fit?

Yes, the interviewers felt the right "chemistry" during their discussions. The candidate was enthusiastic, had great presentation skills, asked the right questions, appeared to be conscientious and a self-starter. Still the question remains, "***How are you sure that this candidate is the right fit?***"

In applying traditional recruiting and hiring methods, the unfortunate truth is that you can not be sure. Traditional methods are not enough to determine success in the role. We will provide a brief overview of the traditional approach and then outline a Five Step guide to recruiting with confidence. This white paper demonstrates how human capital analytics will take the guesswork out of your

selection process. By utilizing this metrics driven approach, it removes the uncertainty from the hiring process.

In most organizations, human resource professionals use the following recruiting process to identify and assess each candidate in the hopes of finding the right fit for their organization. At the end of the overview, please note the results of using this process.

This process typically includes:

1. Job Description

For each position, human resources professionals work in tandem with a hiring manager to create a job description. This is then the standard against which a candidates' potential is assessed. However, information contained in typical job descriptions alone is often insufficient to determine the performance behaviors that are required for success in a role.

2. Recruiting and Resume review:

Human resource professionals use various means to attract and evaluate candidates to the role, based on this job description. They post positions, scour databases, make networking calls, and partner with search firms. A pool of viable candidates is generated from this effort and each resume or CV diligently reviewed. Research indicates, however, inferences about candidate potential made from resume information, although helpful, is not exact, and can be made out of context (Toth, 1993). This effect is exacerbated if the job description does not delineate the proper performance behaviors.

3. Interview and Assessment:

Much time and expense is spent to call, schedule and fly the candidate in for multiple interviews. You organize and shuffle multiple staff schedules to meet with candidates, who ultimately aren't appropriate. Even when the candidate is appropriate for further evaluation, ineffective methods of assessment are often used. For example, many personality-based assessments are effective in measuring candidates' motivational factors and behavioral tendencies. However, if the performance behaviors required for success are not clear, interpretation of these tests can be misleading. Additionally, the interview process can also lead to results that are misleading. Even if standardized interview items are used, are they the right questions? Are you listening for the right content in the responses? Unstructured interviews are not often a valid assessment tool, as research has shown that they increase the chances of making the right decision by less than 2% (Hunter & Hunter, 1984). **The interview must contain behavior-based items and a structured scoring standard in order to accurately assess and measure the candidate's potential for success.**

If you want to make accurate hiring decisions, you need to implement an accurate hiring process.

The result of the Traditional Method?

The traditional methods often result in costly ambiguity and time lags in determining whether the new employee is destined for success or failure. Even worse, once it has been determined that the individual is not the right fit, companies don't objectively assess the steps taken in the selection process. This perpetuates the flawed hiring process, and the costly cycle starts all over again.

How do you break the flawed and costly cycle? How do you ensure the quality of your hiring decisions?

The answer, we have found, exists in establishing a more structured and disciplined approach that involves:

- Gaining full insight into how role performance relates, directly and indirectly, to company strategy and critical business outcomes
- Establishing success models that clearly link individual performance to overall company success
- Establishing means of collecting upstream data (leading indicators) that allow for statistical linking between candidates' potential and performance early in their tenure
- Expanding the statistical relationship to scientifically connect upstream information with downstream data (lagging indicators) that indicate success or failure in critical business outcome areas
- Monitoring performance over time to maintain readiness in adjusting to changing business requirements

In the following 5-step process, we guide you through establishing this structured and disciplined approach. This results in improved hiring decision quality as well as the means to accurately measure the return on human capital investments.

Step 1: Align Role Performance with Goals, Strategy, and Corporate Culture

This approach begins with defining a success model that goes well beyond the traditional job description and the technical knowledge required in the role. Knowing the basic tasks and performance expectations of the role will only bring you so far. It is essential, that we clearly understand the role's critical business outcomes and performance behavior requirements within the context of:

- The company's overall business environment
- The company's edge or advantages over competitors

- The company's strategy to thrive within its current and future business environment
- The culture of the company and the work environment in which performance behaviors will occur, and the organizational components that will support and/or impede performance.

A model of this nature provides a comprehensive definition of the role by exploring how all of the above elements integrate to guide performance and delineate required business outcomes. Organizing these elements, within the context of performance expectations, provides a clear path to formulating the critical role competencies.

In using this approach, it is important not to fall into the trap of equating competencies with mere technical skills, ability, knowledge areas, or personality traits. Rather, we define competencies in this context: *"A bundle of behavioral attributes that come together with the work environment to support success in critical performance areas."* Yes, these bundles of personal attributes will often include elements of ability, skill, knowledge, etc, but ultimately what we are speaking of is behavioral propensities. These behavioral propensities are aligned and highly effective within the unique business environment, competitive edge, culture, etc. of each individual organization.

With this type of success model in place, we have gone well beyond merely looking at just required technical knowledge and ability areas in attempting to predict which candidates are likely to be successful. We have defined success within the framework of the company's unique work and business environment. ***At this point, we are not just assessing those who can perform in a role, but rather we are now free to assess how well an individual will support the company's strategy and unique competitive edge.***

Defining the ideal candidate in a much more holistic way is a major benefit of this type of success model. It also serves as the basis for integrating other critical human resource activities including: on-boarding, employee development, performance management, and succession planning.

Additionally, as the competency areas identified are linked to critical business outcomes and include observable behavioral indicators, they are both measurable and statistically "linkable". ***This serves as the basis for strategic human capital analytics, and can provide a clear path to ROI of strategic human capital initiatives.***

Step 2: Develop Structured Interview

With the success model in place, we can turn our attention to identifying, from the pool of candidates, those individuals who are most likely to be successful. As stated earlier, an *unstructured* approach to interviewing has historically been ineffective in predicting future performance. However, much research and application in this area suggests that a *behavior-based structured interview* approach significantly improves the predictive strength of the selection process (Krajewsky, Goffin, McCarthy, Rothstein, & Johnston, 2006; Taylor & Small, 2002).

Starting with the role success model, structured interview items can be designed that serve to draw out from candidates specific examples, from their experience, that illustrate when they have effectively exhibited the critical competencies. These items are designed not only to obtain examples of when they have exhibited technical skills, but also when they needed to perform under the conditions that the company's unique business and work environment, strategy, competitive edge, and corporate culture will dictate.

Each item needs to have a scoring mechanism that includes response standards (derived from the behavioral indicators of each competency area) that guide the interviewer in providing a response score (e.g., on a 5-point scale). This scoring approach allows us to objectively assess and compare candidates regarding potential for success. This also allows us to identify developmental opportunities for the candidate who is ultimately selected. This objective, quantifiable approach to interviewing also provides a valuable data point in assessing the quality of the hire decision and hiring process. This also stands as a valuable data point in assessing the ROI of this highly strategic human resource activity.

Step 3: Targeted Recruiting

Now that the success model and potential assessment tool is in place, it is time to focus attention on identifying the pool of candidates who may exhibit high potential. As is the case with other human resource activities, there are a number of great benefits of this approach specific to the recruiting process.

At this point, we have addressed why the typical approach of reviewing resume information within the context of a traditional job description is often inadequate. The competency-based approach proposed here allows recruiters and hiring managers to take a "deeper dive" into resume information. Going beyond reviewing for education and experience in the prescribed technical areas, one can now assess a person's stated background also from the perspective of pertinent experience in similar business environments and strategic contexts. Also, it allows for a much better assessment of transferable skills and ability. This helps differentiate and rank candidates obtained from traditional recruiting sources, and provides greater latitude in recruiting high potential candidates from

non-traditional sources as well. This helps “widen the net” to identify high potential candidates for those critical yet challenging positions.

Additionally, the competency-based approach provides the insightful information the recruiter needs to fully disclose the characteristics of the role. That is, the recruiter’s ability to provide a realistic job preview is greatly enhanced by being able to convey all the elements of explicit and implied performance requirements, a deep understanding of the culture, and how the role is viewed with respect to the strategy and goals of the company. Much research and application suggests that this type of approach will lead to greater employee engagement and retention (Meglino, DeNisi, Youngblood, & Williams, 1988). Engagement and retention data can be leveraged to assess the efficacy of the company’s recruiting activities by tying them to the overall analytics used in assessing quality of hiring process and hiring decision.

Step 4: Develop Competency-Based Performance Assessment Tools

The first 3 steps have addressed the recruiting and hiring process. However, competency based assessment does not end there. Rather, the critical and quantifiable competencies remain a critical data point throughout the career of the individual. An example to leverage these competencies is to use them as the basis for performance management, targeted employee development, and ongoing organizational improvements. The competency areas and associated performance behaviors can be translated into a competency-based performance assessment tool. A tool of this nature provides opportunity for supervisors to provide competency assessment ratings (e.g., on a 5-point scale) on the new hire, as well as provides opportunity for the new employee to provide self-ratings in those same competency areas. As these competencies are directly related to strategy, competitive edge, culture, etc (as per Step 1), these ratings can serve as leading indicators of the new employees performance and can serve as an “early warning system” for areas in which the new employee may be immediately struggling. Incorporating these performance data with the structured interview data obtained during the hiring process (a 9-box framework, for example), can provide management valuable information regarding developmental decisions early in the employees tenure.

In addition to providing informed, targeted development, these data also become quite valuable in assessing the ROI realized through the recruiting and hiring process. One example is that we have much earlier insight into the long-range business outcomes that can be expected from the new employee’s performance. This is much more effective and timely than what other, lagging indicators of performance can provide.

Another valuable insight that can be obtained through this type of analysis relates to how the work environment serves to support or impede performance within

these critical competency areas. This allows us to assess not only how well an individual is performing in the competency areas, but provides valuable insight into other critical areas such as: which of the performance behaviors are being sufficiently reinforced, (socially, tangibly, through performance feedback); which performance behaviors are being punished; which have no personal consequences associated with them; and what other barriers may exist in the work environment that impede top performance in the critical areas.

Step 5: Applying Human Capital Analytics

With our description of each step in this process, we have indicated either specific metrics or measurement areas in which data can be collected to assess the efficacy of the process, tie the process directly to strategic goals, and provide the information required to properly assess ROI. There is true utility in performing these data collection activities only if result areas can be linked together to show how the process elements directly impact strategic goals. The statistical procedures used to make these links are beyond the scope of this paper. However, Figure 1 provides an example conceptual framework for these analyses. For a more detailed explanation of the research design and statistical tests that are most appropriate, please contact one of Theodolite's Human Capital Analytics Consultants.

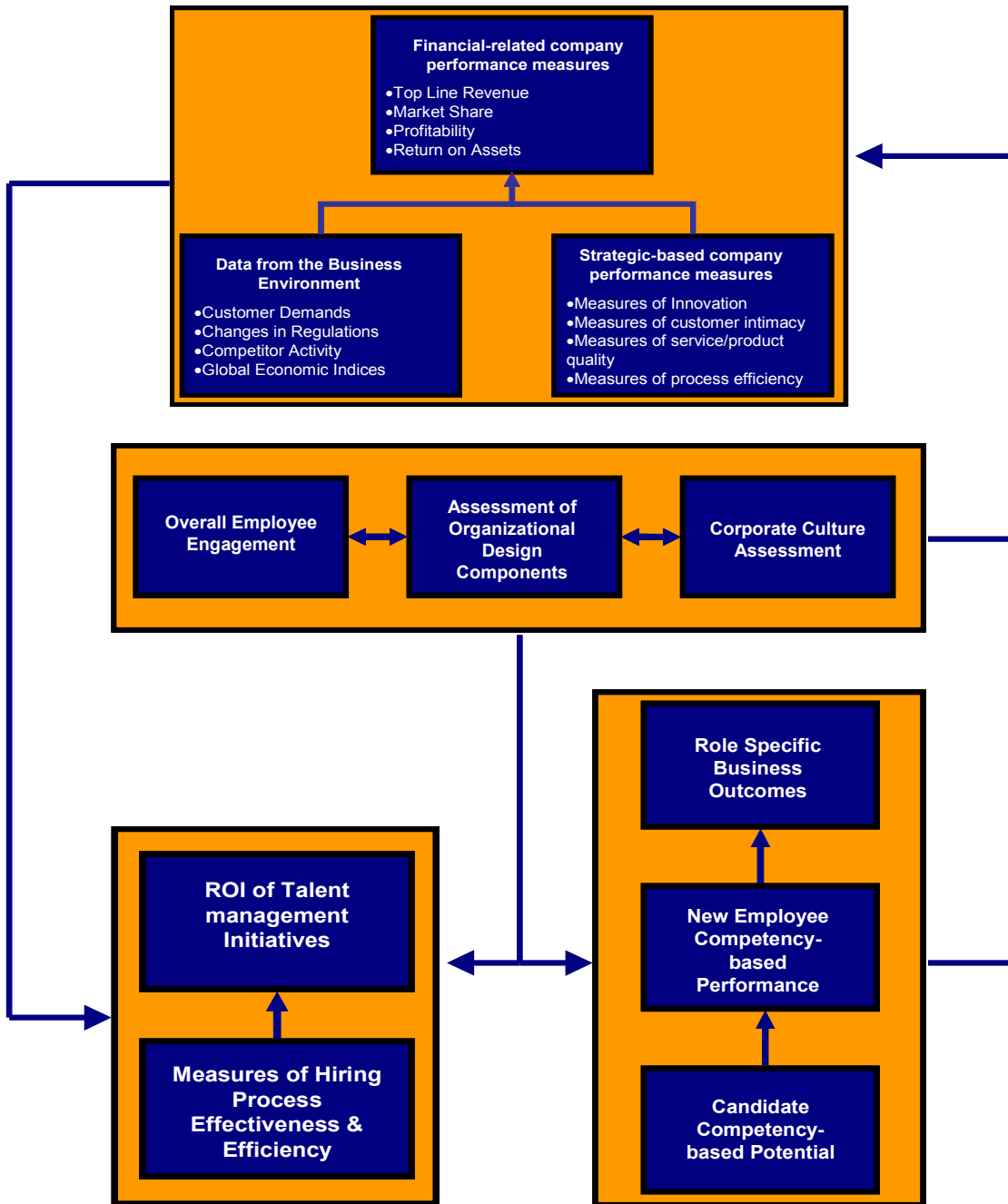
Conclusion

Human resource professionals are under increasing pressure to provide evidence of the strategic value of human capital initiatives. In this paper, we have outlined an approach that aligns the recruiting process to the overall goals and strategy of the company. This approach, coupled with the use of human capital analytics, provides the means to quantitatively link recruiting efforts to financial success. To learn how Theodolite Human Capital can partner with your company to address this or other recruiting, leadership enhancement, strategic alignment, organizational development, or human capital analytic needs, please contact us at 877-817-0741 or visit our website at www.theodolitehc.com.

About Theodolite Human Capital, LLC

Theodolite partners with client companies to realize their unique competitive edge by aligning human capital with well-defined goals and strategy. We bring to bear extensive expertise in organizational development, executive recruiting, leadership development, performance management, corporate strategy, and analytics to formulate custom solutions that bring companies and their people to the next level.

Figure 1: Conceptual Framework for Applying Human Capital Analytics to Measure ROI of Human Resource Initiatives



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