

## Recruiting and Hiring

### COMPONENTS OF AN EFFECTIVE HIRING SYSTEM

The need for a specific hiring system is critical to the development and growth of any organization. Numerous studies and surveys have indicated that companies struggle with the ability to hire and retain outstanding people. Five thousand CEOs of The Executive Committee (TEC) stated in 2001 that their most pressing issue was recruiting and hiring (Adler, 2002). Hiring has never been easy. Even in 207 B.C., approximately two thousand years ago, archaeological records show attempts at trying to create a hiring process through detailed job descriptions for civil servants (Fernandez-Araoz, 1999). Why is it that today organizations still struggle with an effective hiring model? To create an effective hiring system or model it requires two key components: time and discipline.

### WHY TAKE THE TIME TO PUT TOGETHER A HIRING SYSTEM?

A system provides a checklist of proven procedures and processes that are known to work. For example, when a pilot flies an airplane, a pre-flight checklist is used prior to every flight. This preflight system ensures the safety of the aircraft as well as the safety of the passengers. It simply is a life or death matter whether the plane safely takes off, stays airborne and safely lands. Do all pilots always pre-flight their airplanes? The truth is, no. It takes discipline and time. The same is true for a hiring system. The steps for effective hiring have been proven. Organizations that do not follow a checklist of proven procedures incur financial and emotional strains within the organization (Nixon, 2002). It is a life or death matter for the organization. Nixon states that “poor hiring practices can cost a company in lost productivity, theft, and at the extreme end, workplace violence incidents that can cost lives, damage the company’s reputation and depress future earnings” (p. 94). Nixon continues to say that a business must minimize their risk of incidents by “implementing a well-crafted hiring process” (p.94).

In addition to extreme situations that may occur, costs are also incurred to an organization by losing talented, potential candidates, hiring the wrong person resulting in having to start over, hiring at the wrong time, or simply not making the decision to hire when the need is great. All of these situations are costly to the organization. First-class hiring does not happen by accident. According to a labor department study (Yate, 1987), 50% of new hires last only six months in their new jobs. This unfortunate statistic is primarily the result of poor hiring practices. The Gates Rubber plant in Siloam Springs, Arkansas experienced first hand the costs of not having an effective process in place. According to Burt Hoefs, the plant manager, “Gates biggest expense was bad hiring” (Gendron, 1994, p.10). As a result of carefully planning out a system to prevent costly hiring mistakes, Gates Rubber reduced their annual turnover to 8% compared to a similar plant’s

turnover running nearly 100%.

The Gates situation clearly demonstrates the gain over the pain of implementing an effective hiring process. Even though following the model takes time and discipline upfront to implement, the payback to the organization is significant. Hoefs sums it up by stating,

Now, it's not a line item, but when you add up the cost of quality mistakes, injuries, work slowdowns as a result of incompetence or just plain newness on the job, and overtime costs, well, there's no doubt that our investment in hiring pays off. (Gendron, 1994, p.10)

## **RECOMMENDED METHODS FOR AN EFFECTIVE HIRING SYSTEM**

### ***Start With an Effective Hirer***

If you want to attract first-rate candidates then you have to be a first-rate hirer (McConnell, 2003, p.49). The hirer must be clear on how the open position will fulfill the vision, mission and needs of the organization. "How we hire is a reflection of ourselves. Many hirer's have difficulty being objective. Making an objective assessment is important to hiring effectively" (Rashmila & Kleiner, 2002, pg. 60). Rashmila & Kleiner affirm the most common mistakes made from the hirer include not analyzing job competencies, ineffectively reading resumes, not checking references, talking too much, getting emotionally involved and secretly feeling threatened by a competent member joining the team. Many organizations select the hirer based on the hierarchy in the organization instead of selecting the person with the greatest skill for hiring effectively. The first step to following an effective hiring model is to ensure the person or persons responsible for hiring are qualified.

### ***Prepare a Realistic Job Description***

According to numerous experts in the human resources field, (Adler, 2002; Fernandez-Aroaz, 1999; Min & Kliner, 2001) unrealistic job descriptions are one of the top hiring problems that occur prior to a candidate even walking in the door. The tendency is to create too long of a list of job requirements and omit the competencies that will be required for a successful hire to take place. To prevent this common hiring mistake from occurring in the organization, this step requires the most planning. To start, the current and future requirements of the position must be identified. Fernandez- Aroaz, (p.115) suggests answering questions like, a) Two years from now, how is the organization going to tell whether the new position has been successful? b) What is expected of this candidate, and how should they go about doing it in the organization? c) If an incentive system were implemented for this position, what key variables would be most important? d) What three barriers will the person filling this position encounter? As a result of more than one person from the organization answering these questions a trend of priorities will evolve. At this point a team of people (research team) have identified specific information that is critical to the open position instead of general requirements that may be too broad or outdated.

The next step to an effective job description is identifying approximately six key competencies. Fernandez-Araoz (1999) recommends [six competencies](#) “or else you’re in danger of creating unrealistic expectations (p. 117). Competencies are behaviors that are required for the position in order for the organization to be profitable. A competency is “a single or set of characteristics that differentiates and predicts superior performance in any given job or role (Schultz, 2003, p. 53). The purpose of identifying these competencies of outstanding performance as a part of the job description is to set the stage for conducting a “behavioral event interview (BEI)” that will provide the hirer with a 72% edge on getting the right person in the right position (Adler, 2002). The completed list of key competencies must include personal and interpersonal factors for success. For example, at least two competencies that are critical to success would be in the area of emotional intelligence (Fernandez-Araoz, pp. 113-117). Being a team player is a common competency that members in an organization require for a new hire. To effectively define a key competency it must be written where everyone understands the expectations to be gained from fulfilling the competency. Therefore, team player could be defined as the ability to handle difficult people and differences of opinion with diplomacy, professional language and tact.

### ***Finding the Right Candidate***

With the focus of attracting the right candidate for a small business, research indicates that employee referrals yield higher-quality workers than putting a display or classified ad in the newspaper (see Appendix A for complete results). Studies also show that college placement services will provide motivated, eager to please talent. Some 201 HR executives were surveyed to determine which recruiting methods produce the best employees for their organizations. Appendix A indicates that out of nine recruiting sources employee referrals, college recruiting and executive search firms seem more likely to produce multiskilled, motivated workers (Terpstra, 1996). If ad placement becomes a resource that is needed to fill a position, the rule of thumb is to spend the money on a display ad for a management position. Classified ads tend to attract the attention of non-management workers.

### ***Screening Resumes***

The goal of recruiting is to find the best candidate rather than the best applicant. McConnell (2003, p.49) differentiates the two terms by defining a candidate as one who seeks a job and is deserving of one, whereas an applicant is one who applies for a job.

The first step to attracting the best candidate is to keep only those resumes that state a job objective that is consistent with the job description. While reviewing the resume, match the key competencies defined in the job description to the education and skills described by the candidate. After looking for consistent advancement, gaps in employment history and the overall look of the resume, a prioritized stack of resumes will be finalized for potential candidates. Remember

to write down questions on each resume as they are reviewed to clarify with the candidate during the interview. Once resumes have been prioritized, select the top five to ten and ask the research team to review them and note their observations.

In summary, the screening step of the hiring model is of high importance as “the objective of a resume is to generate enough interest to get an interview” (Rashmila & Kleiner, 2002, p. 62). Therefore, it is important to remember a resume rarely gives an accurate picture of a candidate. When the hirer takes the time to plan and prepare specific questions to a potential candidate’s resume, the odds of the next step being successful dramatically goes up.

### ***Interviewing Strategies***

Pressure to fill an open position often creates shortcuts in the hiring process. When it comes to interviewing, numerous mistakes are often made resulting in poor hiring selection. After researching many approaches and methods to interviewing, the following strategies tend to be the ones that offer reliable results without sacrificing time and quality candidates.

*Phone interview.* The first step to achieving an effective interview is to conduct a phone interview (Rashmila & Kleiner, 2002). The phone interview is a pre-screening method that may automatically eliminate some candidates. Begin the phone interview by utilizing the resume questions that have already been created by the research team. Continue the interview with questions that determine if the candidate may fit the job description key competencies.

As the interviewer questions the candidate about competencies, questions that are off the subject are important to include in the phone interview in order to discover how the candidate will respond. Listen for the candidate’s natural instincts and responses to indicate whether or not they will match the identified competencies for the job. Microsoft is absorbed in hiring the right employee (Rashmila & Kleiner, 2002). For their phone interviews they ask a series of open-ended questions about how people use their time, how they feel about a project that doesn’t get done and questions that have nothing to do with programming. For example, out of the blue, they will ask the candidate to pick a number between 1 and 100. The candidate is told if they have guessed too high or low. Microsoft believes that a candidate should guess the right number in about seven guesses. They use this mathematical strategy to determine if the candidate is smart or a quick thinker. These type of questions are randomly thrown in during the interview. The phone interview is a time saver. By reducing the number of candidates to a qualified pool, studies have shown that the hiring time per position can be cut approximately 75% (Schultz, 2003, p. 53).

*Planning the structured interview.* A structured interview is one that is planned ahead of time. The majority of interviews in organizations are ineffective because the interviewer shoots from the hip and focuses more on whether they connect with the candidate rather than will the candidate be able to do the job, be motivated to do the job and be manageable once they have the job (Yate, 1987).

A recent Wall Street Journal article stated that “chemistry” represents 70% of the hiring decision and was the primary cause of interviewing error (Strategic Resources, n.d.). Structured interviews are formulated by taking the [six key competencies](#) from the job description and generating specific behavioral questions for each competency (see Appendix B). Yate states that holding an unstructured interview creates a variable process and yields variable results. For example, people are hired at face value, the interviewer allows the interview to stay stuck on a topic they like to talk about, and the decision making of the hirer becomes inconsistent based on inconsistent interviews. This cycle continues throughout the research team as interviewer #1 communicates their opinions of the candidate and influences interview #2.

In a behavior event interview (BEI) the interviewer hones in on the candidate’s competencies and assesses how they would address the key competencies defined in the job description. Linda Pittenger, CEO of People 3, states a typical, unstructured, one-on-one interview has a 19% chance of making a good match for the job. The success rate rises to 35 % during unstructured team interviews and jumps to 72% with the BEI structure interview model.

In addition to planning questions that correlate with the key competencies it is important to incorporate integrity questions into an interview. Integrity questions are formulated and used late in the interview after a rapport had been developed. Since organizations must have leaders and associates that will share and live their values this part of the interview is of critical importance (Byham, 2004, p36, see Appendix C for examples of appropriate integrity questions).

*Holding the interview.* Structured interviews are best when conducted by a research team. First hand experience from Fernandez-Aroaaz, (1999) has shown that a second interview evaluation reduces the possibility of a hiring error from 50% to 10%. A third evaluation practically guarantees a good decision. In addition to frequency, the interviewers must interview the candidate autonomously. Each interviewer holds an independent interview based on the questions they have developed from the key competencies. It is important that the questions from each interviewer are not identical questions but questions that are based on the same competencies. A summary from each interviewer is submitted to the research team with their impressions and recommendations.

### ***Checking References and Backgrounds***

After final candidates have been narrowed down to potential hires, the next step to the hiring system is to check references and backgrounds. Laura Donahue and Brenda Coulson (2004), PAW course colleagues, have found that too many times the recruiter is fooled by believing a candidate’s qualifications and often the references provide inaccurate, glowing reports. Even through this may be the case, Donahue and Coulson both recommend from their experience that reference and background checks be completed on all final candidates. According to Yancey (2000, p.13), references are one of the poorest predictors of future job performance. He too agrees that references are not a true picture of what the candidate will actually provide to the organization. However, one way to improve the power of

references is to ask each reference the same competency based questions that were formulated for the structured interview (Schultz, 2003, p. 53). This provides the reference the opportunity to comment on skills relating to the job the candidate is seeking rather than feeling uncomfortable with being asked questions about the personal nature of the candidate. The ineffective, personal questions that interviewers ask are the cause of insignificant reference checks (Garcia, Meador & Kleiner, 2003, p. 10).

Like references, background checks are intended to reveal past behavior in a potential candidate. In addition a background check also shows that the employer has made a good faith effort to avoid hiring employees that may harm others (Nixon, 2002, p. 95). Nixon stresses the point that employers can be held liable for negligent hiring if they do not check references. Wal-Mart Stores, Inc. announced "it is planning to begin conducting criminal background checks on job candidates as a result of two assault cases" (Zimmerman, 2004, pg. A.3). Nixon cites, "the courts have consistently ruled against employers that have failed to check the backgrounds of candidates that have threatened the safety of others". To avoid potential liability it is recommended that an employer fully disclose the intent to check a candidate's background by providing a clear and visible statement that a background check will be required of all candidates prior to a job offer. Candidates should be asked to sign a reference check release, authorization form and liability waiver form to protect the prospective employer. Nixon concludes the importance of consulting a labor attorney to approve all forms prior to utilizing the background process with a prospective candidate as well as reviewing the proper usage of back ground research on potential candidates.

In Zimmerman's (2004) article in *The Wall Street Journal* the author cites, Lewis Maltby, president of the National Workrights Institute assuring employers that background checks aren't to be feared, "Done properly, it can be a good management tool, because there are certain circumstances when past criminal convictions make a person unsuitable for a job". This statement appears to be absurd, however, the article makes the point that organizations are using a "zero-tolerance" approach and refusing to hire employees that may have ever been convicted of a crime.

An interesting note that is quite alarming is the recommendation from Nixon (2002) to not hire temps. He states, "Most agencies do not automatically include background checks. Thus, the organization should require such checks as a part of the service contract with the employment agency (pg. 98). As a result of the research obtained on this controversial subject an effective hiring model would include background checks that are appropriate to fulfilling the open position requirements.

### ***Testing***

Much discussion and debate has occurred over the years in relationship to the value of intelligence or general mental ability (GMA) testing of candidates. The argument involves the thinking that work samples, references, and unstruc-

tured interviews are a more palatable manner of attracting sought after candidates. There is also a concern of ability testing in connection with discrimination claims. Therefore, many employers have stayed away from GMA testing fearing legal ramifications. Rynes, Brown & Colbert (2002 (16) refute this thinking by concluding:

Research evidence for the validity of GMA measure for predicting job performance is stronger than that for any other method . . . literally thousands of studies have been conducted over the last nine decades . . . Because of its special status, GMA can be considered the primary personnel measure for hiring decisions. (p. 94)

Rynes, Brown & Colbert indicate the best GMA tests are paper-and-pencil test instruments such as the Total View or Wonderlic Personnel Test that measures general ability and personality. These tests are legally defensible from an employer's standpoint and protect the company and the potential candidate from have an adverse impact on a protected class. Rymes, Brown & Colbert also recommend using integrity tests with the GMA to reduce the amount of adverse impact to the organization's hiring system. They state, "The highest overall validity for any combination of two selection methods appears to be obtained by using integrity tests in conjunction with tests of GMA. (p. 97)

### ***Making the Final Decision***

After all the steps to the hiring system have been effectively completed the decision is quite easy. There are just a few candidates that are a match and sometimes there is only one that completing matches the organization's criteria. Losyk, (2003) suggests when struggling with more than one candidate make your final decision based on three objectives: a) can the candidate do the job, b) will the candidate perform up to the set competencies and c) does the candidate fit into the organization.

## **CONCLUSION**

Poor hiring decisions affect organizations in many ways. Each year companies spend time, money and energy on newly hired employees that according to the Labor Department over half of them move on within the first six months of employment. The cost of turnover and hidden costs such as training, unproductive time, etc., averages about 1.5 times the annual salary of the position (Phillips, 1990.) An effective hiring model that attracts quality talent is an organization's most important tool for increasing productivity, growth, and staying ahead of the competition. Members that are responsible for hiring within an organization must invest the time and effort to follow the hiring system and refrain from shortcuts

## REFERENCES

- Adler, L. (2002). After the first interview. In L. Adler, *Hire With Your Head: Using power hiring to build great companies*, (pp. 150-177). Hoboken, NJ: John Wiley & Sons.
- Byham, W.C. (2004, May/April). Can you interview for integrity? *Across The Board*, 41 (2), pp34-38.
- Coulson, B. Response to Electronic Mail Questionnaire, August 30, 2004.
- Donahue, L. Response to Electronic Mail Questionnaire, August 29, 2004.
- Fernandez-Araoz, C. (1999, July/August). Hiring without firing. *Harvard Business Review*, 77(4), 109-120.
- Garcia, B., Meador, M. & Kleiner, B. (2003, March/April). How to hire the right person the first time. *Nonprofit World*, 21 (2), 9 – 12.
- Gendron, G. (1994, March). Best practices: Hiring. *Inc.*, 16(3), p. 10.
- Losyk, B. (2003, June). How to hire the right people. *Public Management*, 85 (2), 24 – 27.
- McConnell, J.H. (2003). Obtaining qualified candidates. In J. H. McConnell, *Hunting Heads: How to find and keep the best people*, (pp. 49-84). Kiplinger Books.
- Min, J. & Kleiner, B. (2001). How to hire employees effectively. *Management Research News*, 24 (12), 31 – 39.
- Nixon, W.B. (2002, April). What you don't know can hurt you. *Security Management*, 46 (4), pp. 94-100.
- Phillips, J. (1990). The price tag on turnover. *Personnel Journal*, 72 (1).
- Pittenger, L. (n.d) Strategic Resources (n.d.). Employee interview techniques. Retrieved on August 3, 2004, from <http://www.strategicresources.com>.
- Rashmila G. & Kleiner B. (2002). Effective hiring. *Management Research News*, 25 (6/7), pp 60-69.
- Rynes, S.L., Brown, K.G. & Colbert, A.E. (2002). Seven common misconceptions about human resource practices. *Academy of Management Executive*, 16(3), 92-103.
- Schultz, B. (2003, August 18). Interviewing acumen. *Network World*, 20 (33), pp. 53-55.
- Strategic Resources (n.d.). Employee interview techniques. Retrieved on August 3, 2004, from <http://www.strategicresources.com>.
- Terpstra, D. (1996, May). The search for effective methods. *HR Focus*, 73 (5), 16-17.
- Yancey, G.B., & Austin, M.R. (2000, July/Aug.). The predictive power of hiring tools. *Credit Union Executive Journal*, 40 (4), pp.12 -18.
- Yate, M. J., (1987). *A manager's guide to effective interviewing*. Avon, MA: Adams Media Corporation.
- Zimmerman, A. (2004, August 12). Wal-Mart to toughen job screening; criminal-history check of potential employees follow two assault cases. *The Wall Street Journal*, pg. A.3.