Hire the best candidate every time!
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One of the most challenging tasks for managers and executives is putting a selection process together that truly selects the best candidate for a given position. If you polled 100 companies, you would likely find that each company has its own distinct process and that the results over time from that process have been mixed at best. The most important aspect of the hiring process is its predictive value: the ability to predict the future job performance of a given candidate. So what hiring practices have the highest predictive value? Decades of research on selection processes has resulted in extremely valuable knowledge about the utility of various selection methods and the superiority of specific selection assessments for making the best hiring decisions.

Research over the past 25 years has shown that variability in work performance among incumbent workers is very large. One way to standardize this variability is by measuring the dollar value of output. The accepted formula to measure the dollar value of output is a 40% standard deviation of the mean salary of the job (Schmidt & Hunter, 1998). For example, if the average salary for a job is $40,000, then superior workers (those producing in the 84th percentile for their job, or one standard deviation above the average) produce $16,000 more than an "average" employee and $32,000 more than a "poor" performer. Therefore, managers can increase the economic value of candidates hired by creating a process that reduces the inherent variability among performance of those hired; i.e. by improving the likelihood of hiring a 'high performer.'

What does the optimal process look like? Almost 100 years of employment research concludes that the most valid single predictor of future job performance is General Mental Ability (GMA). Among the various assessment procedures used across all types and levels of occupations, GMA has the combined highest validity and lowest application cost (Moscoso, 2000). As a stand-alone assessment technique, a work sample has slightly higher predictive validity but is much more costly than a measure of GMA. For professional-managerial jobs, GMA predicts roughly 34% of performance success in that job. For lower level administrative jobs, it predicts 26%. For this reason, any selection process should use some measure of general mental ability as a primary differentiator between candidates. From there the question is which procedure(s) will add substantial incremental validity above GMA without prohibitive costs?

Assessment Centers (AC's), a strategy employed by numerous selection processes, meet the first criteria but not the second. A 1998 review of hundreds of assessment procedure studies found that AC's have substantial predictive validity themselves but only add a 2% increase in validity when combined with a measure of GMA. In other words, applicants who score well on measures of intelligence typically also perform well in AC's, so there is little to no additional value in putting candidates through expensive assessment centers, which typically cost thousands of dollars per candidate.

On the other hand, both work sample tests and structured interviews offer the same predictive value as GMA, and significant incremental value when used in conjunction with GMA. A well-designed work sample test will predict approximately 29% of a candidate's performance and a structured interview can predict 26%. Additionally, the incremental value of each is 27% and 24%, respectively. Averaged across

occupations, a measure of GMA plus a well-designed work sample test will predict 42% of a candidate's performance; GMA combined with a structured interview will predict 40%. A further advantage of both of these processes is their versatility in the selection of entry level or experienced workers. However, work samples are easier to create for lower-level workers, who typically have much more tangible results compared to higher-level managers. For example, it is much easier to use a work sample to count how many widgets a line operator produces than it is to measure how well an HR director handles a conflict situation.

For this reason, structured interviews typically are used in place of work samples for candidates at the manager level or above. Structured interviews are highly versatile in that they offer a fixed format, can be designed through a job analysis, and may have an accompanying scoring manual. Conventional structured interviews typically consist of a series of questions focusing on job responsibilities, knowledge, and achievements in previous jobs; however, they generally are not based on a formal job analysis. Two types of structured interview techniques that do rely on job analysis are the Situational Interview (SI) and the Patterned Behavior Description Interview (PBDI). In the former, the interview questions involve specific work dilemmas designed to elicit the applicant's intentions as a measure of their future behavior. The PBDI, in contrast, is based on the premise that the best predictor of future behavior is past behavior. Candidates are presented with some criterion relevant to the job and are asked to recall a relevant past incident and to describe their specific behaviors in that incident. One added benefit of the PBDI, also referred to generally as behavioral interviewing, is its flexibility in allowing candidates to use examples from community engagement, volunteering experiences, and educational history in addition to examples from work.

Regardless of the format, both conventional and structured interviews demonstrate significant predictive value. In fact, research has shown that the structured interview is one of the best predictors of job performance and training proficiency, and it generalizes across occupations and organizations.

In economic terms, the gains from increasing the validity of hiring methods can amount over time to literally millions of dollars. Many organizations rely solely on unstructured interviews for hiring decisions. In a competitive world, these organizations are creating an unnecessary disadvantage for themselves. By adopting more valid hiring procedures, specifically a combination of general mental ability and either a work sample or a structured interview, they could drastically improve their competitive advantage.

Our selection assessments at Roselle Leadership Strategies, Inc. include four ability tests aimed at calculating a candidate's true GMA, as well as personality tests, proprietary open-ended sentences and a structured interview aimed at determining how a candidate is likely to act and perform on a day-to-day basis. Our primary objective is to reduce the variability in performance of employees hired in order to increase dramatically the economic value of each hire, specifically, and of the organization, generally.

Works Cited

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