Critical Fit
The Science of Interviewing

The Interviewing System for **BETTER** Hires

Fast Fact: Improving practices for recruiting and retention by one point on a five-point scale yields 7.9% in an organization's market value.

Executive Perspective: Workforce talent is critical for driving firm performance. Knowledge-driven firms in particular are relying more heavily than ever on their human capital as a competitive advantage to generate billable revenue, innovate new products and outperform the competition.

Therefore, executives must think more broadly about staffing, not only in terms of the skills and qualifications they are looking for, but also in terms of the selection techniques they use. Given the fact that salaries as a percentage of operating expenses reached a median of 42% in 2005, improving candidate assessments is one way organizations can maximize their hiring investments.

Critical Fit is an online system that enables you to generate expert behavioral-based interviewing questions based on core competencies. It keeps each manager in the interviewing chain highly focused by providing interview questions and tips that help them focus on hiring better employees.

Our insightful reports then enable the entire hiring team to better rank and compare candidates on the agreed competencies for consistently better hiring decisions.

Read the SHRM article (to follow) on hiring entitled "Using Structured Interviews", compliments of Critical Fit.

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Fast Fact

Improving practices for recruiting and retention by one point on a five-point scale yields 7.9% in an organization's market value.[1]

Executive Perspective

Workforce talent is critical for driving firm performance. Knowledge-driven firms in particular are relying more heavily than ever on their human capital as a competitive advantage to generate billable revenue, innovate new products and outperform the competition. But as industrialized economies become increasingly knowledge-driven, the available pool of qualified labor is shrinking. Executives know that. In fact, a recent Corporate Board report expressed the following reasons why executives are spending more effort toward workforce-planning initiatives:[2]

- The aging workforce and approaching retirement wave.
- Current and projected labor shortages.
- Globalization.
- Growing use of a contingent, flexible workforce.
- The need to leverage human capital to enhance return.
- Mergers and acquisitions.
- Evolution of technology and tools.

The organizational value of intangible assets—primarily its human capital—is overtaking the value of tangible ones. Technologies can be copied, capital can flow easily even during economic downturns, and economies of scale and scope are less critical as small companies can take on large ones. But the persistent labor shortage means the talent engine cannot be sufficiently fueled by traditional staffing means. Therefore, executives must think more broadly about staffing, not only in terms of the skills and qualifications they are looking for, but also in terms of the selection techniques they use. In addition, given the fact that salaries as a percentage of operating expenses reached a median of 42% in 2005, improving candidate assessments is one way organizations can maximize their hiring investments.[3]

Implications for HR Strategy

The knowledge, skills and experience of HR professionals are particularly suited to helping organizations increase productivity by creating hiring processes that select candidates who can perform effectively. One low-cost selection technique is the structured interview, which is characterized by a series of questions that are graded in a formal fashion so that the scores from various interviews can be compared at the end of the process. Each question is then consistently asked of each candidate, and every question is anchored with a superior response and a poor response to facilitate scoring.[4] Unlike unstructured interviews, which are conversational and unplanned in nature, structured interviews have greater validity and reliability. In addition, structured interviews have shown less applicant bias and therefore could be useful to companies when defending any discrimination complaints.[5]

While structured interviews broadly address the format and style of the interview itself, there are additional objective candidate-evaluation methods that relate to the criteria or content of the questions being asked. Table 1 lists 14 types of objective selection criteria and the extent to which they are used in organizations. One or several of them may be used as part of a structured interview process. Behavioral interviews, for example, summarize the qualifications for the job in terms of work habits and behaviors and then ask applicants to describe an example of when they had used this behavior in a work setting. Skills-testing, however, evaluates knowledge that is often more technical in nature, such as accounting or programming skills required for the position.

Often organizations couple a structured interview format with selection techniques to increase the likelihood of selecting a qualified candidate and increasing their return on investment. When developing the selection methods for any given job, it is important that the criteria do not lead to employment discrimination. The Civil Rights Act of 1991 mandates that the employer has to justify any challenged hiring practices by showing that the practice was required due to a business necessity and is consistent with the business activity. Evidence for adverse impact occurs whenever the selection rate for any protected group is less than 80% of the rate for the most selected group.

The following example illustrates one way to demonstrate the return on investment when administering a new selection technique. A large telecommunications manufacturing organization in the Midwest experienced a 30% involuntary turnover rate for senior-level administrative assistants within the first 12 months of hire. Upon further research, it was discovered that 12 of the terminations (75%) were because the administrative assistants were unable to satisfactorily perform complex Excel spreadsheet calculations.

Since the cost to recruit an administrative assistant is $2,500 and orientation of new employees was estimated to be another $2,000, not only was the organization losing $4,500 per administrative assistant, or a total of $54,000 in recruiting and selection costs, but it was also losing untracked costs associated with line and HR managers who were involved in counseling employees during the corrective action process. When this was discovered, the HR department worked with the hiring managers to implement a structured interview process that included technical skills-testing for Excel software to evaluate the applicant's ability to perform complex calculations. As a result was, there were no terminations of newly hired administrative assistants who were selected based on satisfactory interview results using the enhanced skills-testing. This resulted in a net savings of $54,000 in recruiting and orientation costs to the organization.

Conclusion

HR professionals are in a unique position to work closely with line managers in helping them develop selection techniques that can increase the likelihood of hiring a high-performing candidate. While these enhanced practices may provide hiring managers with improved results, it will also be necessary for HR professionals to communicate these results in terms of their financial impact in order to focus executives outside of HR on the importance of using proper selection practices.

Endnotes

[1] Watson Wyatt (2001). Human capital index: Human capital as a lead indicator of shareholder value. New York: Author.

[2] Young, Mary. (2005). Strategic workforce planning: Forecasting human capital needs to executive strategy. New, York: The Conference Board.

[3] Dooney, J., & Smith, N. (2005). SHRM benchmarking study: 2005 executive summary. Alexandria, VA: Society for Human Resource Management.

[4] Foster, C., & Godkin, L. (1998). Employment selection in health care: The case for structured interviewing. Health Care Management Review, 23, 1, 46.

[5] Holly, T. (2003). A hire standard. HR Magazine, 48, 7.

Disclaimer

Table 1: Objective Selection Techniques for Candidate Evaluations

Technique	Percentage of Organizations Using the Technique
Behavioral interviews	55%
Skills-testing (e.g., PC software, diagnostics, blueprint reading, proofreading)	40%
Situational judgment questionnaires (choose a response for a given scenario)	40%
Organizational fit questionnaires (questions that evaluate company-relevant factors such as team-based, entrepreneurial, traditional, etc.)	36%
Work style or occupational personality profiling (e.g., persuasiveness, detail orientation, conscientiousness, rule following, optimism, goal orientation, data rationality, boredom proneness, etc.)	34%
Aptitude testing (e.g., problem solving, critical reasoning, etc.)	26%

Using Structured Interviews to Increase Hiring Investment

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Technique	Percentage of Organizations Using the Technique
Interviews with behaviorally anchored rating scales (answer keys used to evaluate candidate responses, rating methods that produce a numeric score)	24%
Online minimum qualifications screening questionnaires (questions that may knock candidates out of the recruiting process)	23%
Scorable job applications (numeric values placed on experience, skills, etc.)	14%
Biodata questionnaires (standardized questions on verifiable school/work history, reported in scales such as reliability, dependability, safety)	12%
Online realistic job previews (an overview of the job demands with questions to confirm interest in continuing the application process)	11%
Simulations (interactive experience that models job demands)	11%
Assessment centers (formal observation under controlled conditions)	7%
Virtual job tryouts (completing online work samples)	5%