Strategic Staffing
Chapter 9 – Assessing External Candidates

Jean Phillips & Stanley Gully

Learning Objectives

After studying this chapter, you should be able to:

- Identify different external assessment goals.

- Describe what is meant by an assessment plan.

- Describe different assessment methods and how each is best used.

- Discuss how to evaluate external assessment methods.

- Identify ways to reduce the adverse impact of an assessment method.

External Assessment Goals

- Maximize fit

- Accurate assessment

- Maximize return on investment

- Generate positive stakeholder reactions

- Support talent philosophy and business strategy

- Establish and reinforce employer image

- Identify development needs

- Assess ethically

- Ensure legal compliance

Types of Fit	Possible Dimensions of Fit
Person-Job Fit	Intelligence Job-related skills and competencies Job knowledge Previous experience Personality
Person-Group Fit	Teamwork skills Expertise relative to other team members Preference for team-based work Communication skills
Person-Supervisor Fit	Values Personality Goals
Person-Organization Fit	Alignment between personal motivations and organizational purpose Values Goals
Person-Vocation Fit	Aptitudes Interests Personal values Long-term goals

Person-Job Fit

Person   Job

Talents	Requirements
Motivations	Rewards

Complementary and Supplementary Fit

- *Complementary fit*: when a person adds something that is missing in the organization or workgroup by being different from the others

- *Supplementary fit*: when a person has characteristics that are similar to those that already exist in the organization

Possible Assessment Outcomes

	Poor Performer	Good Performer
Hired	*False Positive* ☹	*True Positive* ☺
Not Hired	*True Negative* ☺	*False Negative* ☹

Dollar Return on Investment

Economic Value of Improved Performance $= (T * N_h * r_{xy} * Z_y) - (N_a * C_y)$
Savings from Avoiding Bad Hires $= (N_h * HA * CBH) - (N_a * C_y)$
ROI = (Economic Value of Improved Performance + Savings from Avoiding Bad Hires)

T = Average number of years employees stay in the position
N_h = Number of people hired
r_{xy} = Correlation between assessment method and job performance (the amount of improvement in job performance from using the assessment method)
Z_y = Dollar value of improved job performance using the new assessment method (default value = 40% of average base salary)
N_a = Number of job candidates assessed
C_y = Cost per assessment
HA = Percentage of bad hires avoided (default value 5% (.05))
CBH = Average cost of a bad hire (default value $7,500)
ROI = Dollar return on the assessment method investment

Return on Investment

- The savings from avoiding bad hires reflects the fact that bad hires can actually cost the organization money.
- The return on investment from a new assessment method is the sum of the economic value of improved performance and the savings from avoiding bad hires.
- Although staffing should be seen as an investment rather than a cost, cost is still important for many companies that simply don't have the money to invest in more expensive systems even if they are more accurate at identifying the best new hires.
- The formula provides a way to estimate the return on investment of any new assessment method.

Identify Development Needs

- Assessment tests can also identify new hires' developmental needs.
  - If a top candidate's assessment scores show that his or her organization and time management skills are good but their customer service skills need further development, post-hire training can improve these skills.
- Some assessment methods even identify applicants' preferred learning style, which can decrease training time, improve training effectiveness, and increase retention.

Legal Compliance (from the UGESP)

- A test of knowledge and abilities may be used if it measures a representative sample of knowledge, skills, or abilities that are necessary to perform the job and are operationally defined.
- Knowledges
  - Must be defined in terms of behavior.
  - Each knowledge must be part of a body of learned information that is used in and necessary for necessary and observable job behaviors.
- Abilities
  - Must be defined in terms of observable aspects of job behavior.
  - Each ability should be necessary for the performance of important work behaviors.
  - Any selection procedure measuring an ability should closely approximate an observable work behavior.
- To the extent that the setting and manner of the administration of the selection procedure fail to resemble the work situation, the less likely it is that the selection procedure is content valid, and the greater the need for other validity evidence.

Hiring Stages

- When people first apply for a job, they are considered *job applicants* and are evaluated against the minimum acceptable criteria for the job, such as relevant education and skills.

- Those applicants passing the initial screen are considered *job candidates* and are assessed in more depth to evaluate their characteristics and qualifications as defined by the job specification as well as on dimensions relevant to person-organization and even person-group and person-supervisor fit.

  – A series of evaluative assessments is often performed, with the lowest performing candidates being screened out after each phase.

- The organization then makes its hiring decision from the group of *finalists* that remains after all assessment methods have been completed.

Some External Assessment Methods

- Screening Methods
  - Resumes and cover letters
  - Background checks
  - Reference checks
  - Biographical information
  - Telephone screens
- Evaluative Methods
  - Job applications
  - Job simulations
  - Assessment centers
  - Cognitive and noncognitive ability tests
  - Personality and value assessments
  - Integrity tests
  - Job knowledge tests
  - Interviews (structured and unstructured)
  - Situational judgment tests
- Contingent Methods
  - Medical and drug tests

Comparison of Commonly Used Assessment Methods

Table 9-3

Assessment Method	Average Validity[44]*	Applicant Reactions[45]	Relative Costs[46] (Development/ Administration)	Adverse Impact	Usability
Assessment centers	.37	Good	High/High	Low	Difficult
Cognitive ability tests	.51	OK	Low/Low	High	Easy
Integrity tests	.41	OK	Low/Low	Low	Easy
Job knowledge tests	.48	OK	High/Low	Low	Easy
Reference checks	.26	OK	Low/Low	Low	Easy
Situational judgment tests	.34	Good	High/Low	Low	Moderate
Structured interviews	.51–.63	Good	High/High	Mixed	Moderate
Unstructured interviews	.20–.38	OK	Low/High	Mixed	Easy
Personality testing	−.13–.33	OK	High/Low	Low	Easy
Biodata	.35	OK	High/Low	Low	Easy
Weighted application forms	.50	Good	High/Low	Low	Easy
Simulations	.54	Good	High/High	Low	Difficult
Work samples	.33	Good	High/High	Low	Difficult

*Validity values range from −1 to 1, with numbers closer to −1 or +1 reflecting better prediction of job performance.

Steps in Crafting a Structured Interview

Table 9-7

1. For the job requirements to be measured by a structured interview, identify the actions and behaviors that illustrate each qualification. For example, what does *leadership skills* mean in the context of the job being filled? What do people with good and bad leadership skills do? What is the impact of different leadership strategies? Are different leadership approaches equally effective?

2. Write questions that will generate relevant information about the degree to which candidates possess each job requirement.

3. Create an answer key with benchmark responses for at least the high, middle, and low scores on the scale.

4. Weight the benchmark responses based on the importance of each question relative to the others. Give more important questions greater weight relative to the other questions.

5. Select and train interviewers to increase the interview's standardization, reliability, and validity.

6. Evaluate the effectiveness of the structured interview in terms of its validity and the reactions of stakeholders, including how fair and job related they perceive it to be.

Types of Structured Interviews

- *Behavioral interviews*: using information about what the applicant has done in the past to predict future behaviors

- *Situational interviews*: asking people how they might react to hypothetical situations

- Both types outperform unstructured interviews and result in scores that can be used to compare candidates

Behavioral Interview Rating Scale

Table 9-8

Question: Tell me about a time when you were working on a project that you felt was important but that others thought was a waste of time. What did you do, and what was the result?

5—*Excellent:* I pursued the project despite the obstacles because I really believed in it. I wanted the project to succeed and I tried to find ways around problems.

4

3—*Marginal:* I continued working on the project but shifted my focus to other projects that had higher probabilities of success.

2

1—*Poor:* Once I felt that the project had low support, I stopped working on it.

Evaluating an Assessment Method's Effectiveness

- *Validity*—whether the assessment method predicts relevant components of job performance

- *Return on investment*—whether the assessment method generates a financial return that exceeds the cost associated with using it

- *Applicant reactions*—including the perceived job relatedness and fairness of the assessment method; perceiving sufficient opportunity to perform, or believing that one had an adequate opportunity to demonstrate one's ability to do the job, influences perceptions of the fairness of the selection process, particularly if the person is rejected for the job

Evaluating an Assessment Method's Effectiveness

- *Selection ratio*—having a low selection ratio means hiring only a few applicants, which allows an assessment method to have maximal impact in improving the performance of the people hired

- *Usability*—people in the organization must be willing and able to use the method consistently and correctly

- *Return on investment*—the financial return on the company's investment in the assessment method

- *Adverse impact*—an assessment method is more effective if it predicts job performance and other important hiring outcomes without discriminating against members of a protected class

Reducing Adverse Impact

- Using targeted recruitment to increase the numbers of qualified minority applicants

- Expanding the definition of job performance to include areas of contextual performance such as commitment and reliability in addition to task performance

- Combining predictors can reduce adverse impact – if a cognitive ability test predicts job performance but discriminates against women, using it in conjunction with another valid assessment method that either does not have any adverse impact based on sex or that discriminates against men can reduce or eliminate the adverse impact of the cognitive ability test

- Using well-developed simulations rather than cognitive ability tests

Reducing Adverse Impact

- If only a few applicants are ultimately hired (low selection ratio), using assessment methods with less adverse impact early in the selection process and those with greater adverse impact later in the process

- Using **banding** and assigning the same score to applicants who score in a range on the assessment
  - Think of grades – students scoring from 93 to 100% are placed in the A band, from 85 to 95% are placed into the B band, etc.
  - Only the banded score (A, B, C, etc.) is used to compare applicants
  - This technique can reduce an assessment's adverse impact but will also reduce the validity of the test

Assessment Plan

- After creating a job requirements matrix, the next step is to identify the best way of assessing each important job qualification.

- The *assessment plan* describes:
  - *Which assessment method(s)* will be used to assess each of the characteristics on which applicants will be evaluated
  - *In what sequence* the assessments will take place
  - *What weight each assessment will receive* in determining an overall score for that characteristic based on the importance of each characteristic to job performance.

- Characteristics that will be trained after hire are not assigned to any assessment method, but any existing qualifications required to qualify for the training program should be listed.

Assessment Plan

Table 9-10

	IMPORTANCE OF CHARACTERISTIC TO JOB PERFORMANCE (1 = MOST IMPORTANT)	SELECT (S) TRAIN (T)	ASSESSMENT METHOD AND ITS SEQUENCE IN THE ASSESSMENT PROCESS					
CHARACTERISTIC			RÉSUMÉ	PHONE SCREEN	ACCOUNTING AND BUDGETING TEST	RECRUITER INTERVIEW	SIMULATION	HIRING MANAGER INTERVIEW
Customer focus	1	S	1 (.15)	2 (.15)		3 (.20)	4 (.25)	5 (.25)
Accounting skills	1	S	1 (.15)	2 (.15)	3 (.40)		4 (.30)	
Budgeting skills	1	S	1 (.20)	2 (.20)	3 (.25)		4 (.35)	
Time management skills	2	S				1 (.30)	2 (.40)	3 (.30)
Delegating skills	2	S		1 (.20)		2 (.40)	3 (.40)	
Ability to use company's accounting software	3	T						
Attention to detail	3	S		1 (.25)		2 (.25)	3 (.50)	

The weights to be given each assessment score are in parentheses next to each number and total 100% across each row.

Choosing Assessment Methods

- The choice should be based on which methods best assess the applicant characteristics or competencies identified as important during the job analysis as well as the ability of the assessment method to meet other important goals of the external assessment process.

- Because different methods are good at assessing different things, and differ in their cost, validity, applicant reactions, and adverse impact, it is often necessary to use more than one assessment method.

- Just because an assessment method results in adverse impact, if it does a good job predicting job performance it may be worthwhile to investigate the usefulness of various strategies to reduce its adverse impact so that it can continue to be used.

Discussion Questions

- When should employers reassess the assessment methods they use in hiring?

- Discuss the advantages and disadvantages of both structured and unstructured interviews. Which would you prefer to use? Why?

- Why go to all the trouble of sometimes costly and time-consuming assessments when there are no guarantees they will result in a successful hire?

Discussion Questions

- What do you feel are the least effective external assessment methods? Why?

- Do you think that it is appropriate for employers to research applicants' backgrounds? What about credit histories? Why or why not?

Opening Vignette Exercise

Southwest Airlines believes that it needs employees with creativity, humor, and the ability to work well with others to successfully execute its differentiation strategy. This chapter's opening vignette provided some information about how the company currently assesses job candidates on these dimensions. Reread the opening vignette and its conclusion, and answer the following questions in a group of 3-5 people. Be prepared to share your answers with the class.

- Do you think it's appropriate for Southwest Airlines to assess creativity and humor during its assessment process?

- How would you react if you went through Southwest's assessment process? Identify some things that you would both like and dislike and explain why.

- Identify two other assessment methods you think Southwest could use to assess applicants' humor and creativity.