FUTURE OF TALENT INSTITUTE

QUALITY OF HIRE:
Myth or Measurement



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Quality of Hire: Myth or Measurement?

Introduction

Most of us believe that we can tell great candidates from poorer ones, especially when given a chance to interview them or even in some cases by a simple meeting. If this were true, we would not have an average turnover exceeding 50% nor would we have as many disgruntled hiring managers complaining about low quality candidates, or dissatisfied employees seeking better jobs.

Recruiters and hiring managers alike have assumptions and subconscious prejudices that predetermine how they rank one candidate over another. Rarely are these assumptions articulated or the prejudices uncovered, so inevitably recruiters or hiring managers judge based on their assumptions and prejudices, backed by an interview and evaluation process that seeks to rationalize or justify those assumptions. Objective, repeatable measures of candidate quality are rare.

Cognitive dissonance, the tension created when one holds two conflicting thoughts simultaneously, plays a large part in selection. For example, what does a hiring manager do if he believes that graduates of a particular university are of poor quality and then is shown reliable data from credible sources that show this to be false? Psychologist Leon Festinger proved decades ago that he will most likely remain unconvinced and find many ways to rationalize maintaining his original belief. Carol Tavris and Elliot Aronson wrote a recent book about this entitled, *Mistakes Were Made (but not by me)* which provides many examples of this behavior. Recruiters are also just as susceptible to being fooled by their own beliefs.

This is why it is important to find more objective methods for evaluating candidates and for determining what constitutes quality.

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Overview

While thousands of candidates are currently on the job market, managers are frustrated at the inability of recruiters to find what they consider quality talent. Positions remain open longer and hiring managers ask for more resumes to review, not being satisfied with those the recruiters provide. And while recruiters focus on costs, hiring managers assess recruiters by how quickly they present a qualified candidate and by that candidate's perceived level of quality.

Skilled talent remains hard to find, and educational and demographic projections indicate a long-term swing toward a candidate-driven market. If you are in Europe or recruit for European operations, the aging workforce and the lack of fresh, skilled talent has to be a major concern. In Asia, while populations are huge by American and European standards, education is available to a very small percentage. There is no country with an excess of skilled talent and there is a net shortage globally.

Organizations end up simply trading workers, many of whom are weary of corporate life and seek alternatives through self-employment as consultants or by re-engaging with employers through contracts. There has been little net gain in the number of people available in most fields for more than a decade.

The search for talent is hampered by lack of clear definition of quality of candidate. One manager may define a quality employee as a "yes" person who is compliant with their wishes, while another prefers someone who comes to work on time and stays after hours. Some managers look at volume of work processed or at customer satisfaction. Others may define a quality candidate as the one who went to Harvard, had a 4.0 GPA, or worked for his former employer for five years.

In this paper, we look at the historic problems with measuring quality, present a new lens for looking at the challenge, and a three-step process that hiring managers can use to proceed in a more effective way.

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Quality is Core to Long Term Success

For too long, attempts to measure quality have been perceived as overly complex or not important. Yet it is more important than ever as hundreds of people apply for almost every position, but only a small number have the quality that will make them and the organization successful. How do you find that quality candidate?

For managers, having a good candidate available when they need one is much more important than how much it costs to get him or her. Therefore, the decision to outsource is often based on speed and on the quality of candidates that are presented, with cost being a third and less important factor.

But one hurdle looms over all of this, and that is defining what we mean when we say that one candidate is "better" than another. Who defines quality, and how can it be tracked? These are the tough questions that need answers.

The good news is that both employee and candidate quality can be defined—with the caveat that this process must be done for each type of position in your organization.

Quality of Manufacturing, Design & Hire

How concerned are you about warranties for a television, radio or even a computer? A warranty is usually a minor concern because our experience tells us that most products are well made and are unlikely to fail and, if they do, manufacturers will replace them quickly with no questions. But it took thirty years and the quality movement to get us here.

Thirty years ago, the nascent quality movement struggled to define the quality of manufacturing and to convince managers that it was worth bothering about. Just as recruiters do today, product managers felt it was unrealistic to measure and control for quality. Their approach was to do the best you could and then fix defective products after they were made. This led to automobiles that were constantly breaking down, and the infamous adage to never buy a car made on a Monday because the workers had been partying all weekend and weren't up to speed on Monday morning.

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The first shot in that battle was perhaps fired by Phil Crosby, author of the book *Quality is Free*, where he argued that building quality into a product was cheaper than fixing it later on. Toyota took that to an extreme and pioneered the automobile that almost never needed to be fixed. Today we take manufacturing quality for granted and no one questions the concepts of Six Sigma manufacturing.

For the past several years, quality focus in manufacturing has shifted to better understanding and defining quality of design. Apple epitomizes this effort, creating products that are beautiful, simple, and easy to use because of the way they are designed. Well-designed services or products are easier to make and sell. The goal of many designers is to produce software or hardware that is so intuitive and easy to use that it requires no handbook or manual.

Human Resources remains the one function that has done very little to grasp the concepts of quality, or to define and act on improving the Quality of Hire or any other service. This frontier can take many lessons from these earlier efforts.

Quality Defined

In manufacturing, quality is generally defined as removing variations in tolerance that a user or consumer would care about. Seth Godin recently cited FedEx as a good example of this. FedEx promises next day delivery, but generally not at a specific time; if you mail a package on Monday and it arrives on Tuesday, you are pleased and quality is high. If it arrives on Wednesday, you care a lot. But whether it arrives at 9 AM or 2 PM usually makes little difference. Quality is not about perfection, it is about reducing the variations that people are concerned about and that make a difference to performance.

Using a similar thought process, we should be able to define our expectations about a candidate or employee and measure the variation from that expectation. This is the core concept of Quality of Hire. Over time, the manufacturing world has developed standards that apply to any particular process. The standards are universal, and one manufacturing process can be compared to another for quality. Eventually, recruiting will be forced to move in the same direction and develop standards for defining quality of hire.

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To begin thinking about this, here is a three-part approach that can be used to begin a practice of defining and delivering high quality candidates.

1: Establish a Definition of Quality for Each Position

Most hiring managers have no definition of a "quality employee," nor do they have a performance management system that provides measurable, actionable data that would guide the hiring of additional people. Some managers maintain that they know a quality employee when they have one, but they struggle to translate that quality into specific attributes, skills, or behaviors.

We need to help managers arrive at a quantified definition based on their expectations and determine, with them, the variance they are willing to tolerate. One place to start is with the characteristics of the best performers. It may also be very useful to look at the worst performers and see what they don't have. By listing the characteristics that are common in the best and in the worst employees in a function, you will begin to develop a profile that can eventually be used for selection, performance management and development. You can also note the variations between people and build those into the definition. Managers can then set their expectations around a chosen, ranked subset of characteristics, such as willingness to compromise, an open attitude toward new ideas, innovative approaches to problem solving, or frugality in business dealings. Target attributes could be skills such as the ability to create spreadsheets within a certain timeframe, the capability to edit complex documents, or possessing an expert level of knowledge in a particular area or process. Other factors might be the ability to influence others, cultural competence, or ease of fitting into unfamiliar groups.

Definitions of quality would most likely include elements from each of these categories and would form a distribution across the elements listed in **Diagram 1**. Whatever factors are identified should all be output-based measures, i.e. measures that can be seen, demonstrated and/or measured in the work an employee does. These are the opposite of input-based measures such as length of experience or level of education, which tell you very little about the quality of a person's performance.

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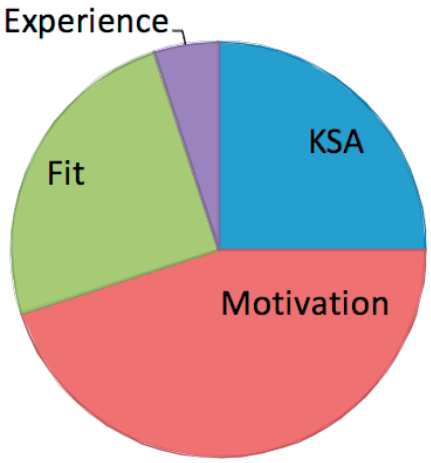


Diagram 1

Diagram 1 shows the four elements that are usually considered subconsciously when making a hiring decision. Each position has a different ideal mix of these elements. For example, if you were hiring a nuclear engineer, you would most likely want someone with considerable knowledge and skills as well as experience; motivation and fit might be secondary factors. On the other hand, if you were hiring a salesperson, you would select for motivation and experience more than for particular knowledge or even cultural fit.

You will need to partner with the hiring managers and perhaps with a human resources generalist to determine this mix for each position. It takes time and willingness for all players to partner in this process. The result, though, will be more acceptable candidates presented to the hiring managers resulting in less wasted time and effort.

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2: Develop Standards to Measure Quality of Hire

Recruiters can add value by developing standard methods for assessing candidates that are acceptable to hiring managers and can be validated by results.

Over time, common elements will surface that can serve as standards against which to compare candidates. For example, there may be a direct and measureable correlation between performance of a candidate and his or her score on an aptitude test. In that case a base test score could be used as a standard against which all candidates would have to compete. This would only be effective if there were solid quantitative proof that the score measured what you thought it did.

The first step is to establish criteria such as those mentioned above in partnership with the managers. Managers can help determine how to weight the criteria, and can provide recommendations on who are the best performers in order to identify common factors in the employees' attitudes or backgrounds that can be tested for in candidates.

Standard tests, simulations and other tools can gather the data you need to make predictions about the potential quality (how well they meet expectations) of a candidate.

Psychologists who specialize in these areas could help you craft a set of tests and measures that would reduce candidate variations to acceptable levels.

3: Investigate and Experiment with New Screening and Selection Tools

It is still a bit surprising to me that very few firms are taking advantage of the many online tools that are emerging to help screen candidates before investing a large amount of time in interviews. By using the Internet and your corporate website, you can ask candidates to engage in a dialogue and mutual assessment process. While you review their skills and fit, they can look at your organization and make decisions on whether or not they like what they see. Many people I have spoken to have seen one side of an organization while interviewing, and another less attractive one after they are hired. There is still value in letting candidates email other employees for information about the company and work life. There

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is a need for job previews and better job descriptions that are based on reality, not what we wish were true.

By defining up front what constitutes a quality candidate you can remove much of the present frustration candidates have over why they were not chosen for an interview, and you can also reduce the number of unqualified candidates who apply. Many do so because they do not know or understand your definition of quality.

Quality of hire is not an abstract term. The myth that work and people are too complex to be measured does not stand up to rigorous analysis. To prevent our own prejudices and assumptions from clouding the picture it is important to define and measure the elements of candidate quality. By working with hiring managers, getting them to write down and define for you the skills, behaviors, and traits of successful employees, and by putting those to use in your screening and interviewing processes, you can improve candidate quality in a measurable way—and your business will benefit from the addition of people who are happier and more productive in their work.

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About the Future of Talent Institute

The Future of Talent Institute began with a vision of bringing together like-minded talent leaders to uncover and explore the trends and issues that will have a significant effect on people, work, and community 3-5 years in the future.

Beginning with our first 3-day retreat in 2005, Future of Talent Institute began evolving as an international community of leaders in talent, learning, human resources, and academia working on leading edge talent strategies.

Today, The Future of Talent Institute is a research organization focused on emerging trends in talent and learning, supported by corporate members worldwide.

Visit our web site at www.FutureOfTalent.org to learn more about us and about registration for the annual retreat.

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