

PEOs Can Help Clients Meet the Hiring Challenge for the Next Economic Expansion

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Professional employer organizations, like any other business service providers, give the greatest value to their clients by proactively singling out a need before it is apparent, then providing the solution to keep clients ahead of their competition. In today's employment market, where small to medium-sized employers are still coping with recession, PEOs have a golden opportunity to help these companies prepare for the coming economic upturn. Companies with 100 or fewer employees will inevitably lead the next expansion, as they have before. But the recession's human toll has shown us that when smart companies begin hiring again, they must seek to identify, hire, and develop the best human talent.

Analytical Tools

Think back to when businesses were last hiring, just several years ago. Was every job being filled with the right candidate for the right reason? Were new hires really analyzed based on valid work-related criteria and job fit, or was the hiring process unstructured and haphazard? Small businesses often depend on the



100-year-old practice of the unstructured interview, relying on past experience and individual intuition, despite the availability of reliable and valid decision aids. Here is where PEOs can get ahead of the curve and help their clients do the same: by bringing to the hiring table the same analytical tools that the most successful global companies use.

A 2008 story in *The Wall Street Journal* reported that more than 80 percent of midsize and large companies use personality and ability assessments of new hires for entry and mid-level positions. The formal aim of the tests may be to help the employer hire a specific type of indi-

vidual for a job that requires particular traits, or to rule out someone with traits likely to mean job failure. Either way, by identifying candidates with the potential to excel and the type of top performers they can be, personality testing makes hiring a systematic process, not a hit-and-miss effort.

'Stubborn Reliance'

Yet "hit and miss" is what smaller companies do in hiring. Research shows that employers continue to rely primarily on unstructured interviews when deciding which job candidates to hire, despite the shortcomings of unstructured interviews when compared to analytical personality assessment tools. For example, one recent study of more than 200 HR professionals, reported in *Industrial and Organizational Psychology* (in an article aptly titled "Stubborn Reliance on Intuition and Subjectivity in Employee Selection") revealed that by a factor of more than three to one they believed that unstructured interviews allowed them to learn more about candidates by "reading between the lines."

in a nutshell

- Small businesses often depend on the 100-year-old practice of the unstructured interview, relying on past experience and individual intuition, despite the availability of reliable and valid decision aids.
- The problem is not one of candidates presenting their best face and attempting to create a good impression by responding, either deliberately or unintentionally, in a socially desirable manner, but rather with the interviewer's skill limitations in accurately measuring the most important factors that account for success in the workplace.
- Online methods of conducting and analyzing the tests can make the process of analyzing results and implementing solutions simple and effective in virtually any organization.

The simple fact, however—proved time and again in academic research—is that there is no such thing as intuitive expertise in the prediction of human behavior. The myth continues despite considerable research over the past 20 years that experience does not improve predictions of human behavior, even among tenured employment interviewers. In fact, this same journal article cites a study showing that the predictive reliability of traditional unstructured interviews is so low that, even when they use perfectly valid criteria, the interview-based judgments cannot account for more than 10 percent of the variance in job performance.

The problem is not one of candidates presenting their best face and attempting to create a good impression by responding, either deliberately or unintentionally, in a socially desirable manner, but rather with the interviewer's skill limitations in accurately measuring the most important factors that account for success in the workplace. Especially for managerial and technical jobs, these factors are general mental ability, specific skill sets, and personality and motivational factors that are expressed in a range of behaviors in the workplace setting. The interviewer's perceptual filters and experience, and the judgments based on them, may in fact be more of a hindrance than an aid in finding the right person for the job.

Integrated Approach

"Testing" can cover a wide range of structured programs.¹ PEOs should identify and evaluate a battery of assessments, from general mental ability and skills (the "can do" type of tests) to personality assessment (the "will do" evaluation). If a personality assessment categorizes individuals based solely on aptitude characteristics and omits all of the situational factors for the jobs, the result is an incomplete picture. Similarly, assessments that do not account for the intensity of

each personality trait measured, or how different situations that arise on the job raise or lower intensity level, will throw no light on how a person will react to stressful versus normal job situations, no matter what their skills for the job.

The sweet spot for the PEO is learning how the best tests work and recommending them to client companies as a hiring practice that outperforms traditional unstructured interviews. This gives real value to clients, which in turn can mean additional revenue and profitability streams for the PEO. In addition, by creating a better job fit, turnover will be reduced, thus potentially helping the PEO's unemployment tax position over time. The testing focus should be on measuring and understanding the interaction between employee personality traits and job requirements, including the ability to productively work with or effectively lead others by accepting feedback, advancing teamwork efforts, and demonstrating commitment. Testing takes the guesswork out of hiring productive employees, and thus can be a true competitive edge in the next expansion.

Measurement Standards

Not all personality testing is the same. The more an assessment measures, the more useful it is to predict workplace behavior and the greater insight it provides into how new hires will perform on their new teams. The most comprehensive personality testing should measure the three factors most critical to job satisfaction and resulting job performance: individual characteristics, job situations, and how individuals and situations interact. Consider these things to use tests effectively:

- Look for a comprehensive test. The more an assessment measures, the more useful it is to boost the performance of individuals and the teams of which they're a part.
- Use testing to reinforce team dynamics. Testing results support assigning

team members to jobs that they want and excel at. Such enthusiasm will create an environment where employees support the employer brand, even in the midst of restructuring.

- Ensure that testing measures the three factors most critical to job satisfaction and resulting job performance. These are individual characteristics, job situations, and how individuals and situations interact to get the right person in the right place.
- Maintain objectivity. Tests should be a confidential assessment, offering each person the chance to communicate honestly in a no-blame environment.

Best-Practice Reward

Personality testing is not a rigid, by-the-numbers process; in reality, it offers considerable flexibility in how good hiring decisions can be made to align the right person with the right job. Neither is personality testing a high expense proposition. Online methods of conducting and analyzing the tests can make the process of analyzing results and implementing solutions simple and effective in virtually any organization. When presented as a value-added service, this can be an additional source of administrative revenue for the PEO. With these benefits, personality testing makes hiring a systematic process that identifies which people have the potential to excel and the type of excellent performers they can be. The PEO that adds testing to its mix of services stands to reap the reward that belongs to best-practice solution providers. ●

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¹ Always remember that there are legal limitations on pre-employment testing. For more information, see the *NAPEO Legal Review*TM at www.napeo.org/members/secureDocument.cfm?docID=636.