

Critical “World Class” Employment Selection Principles

For the last 10 Years, The HR Chally Group has interviewed over 100,000 business customers to identify the most effective or “World Class” companies that serve them. Chally has researched those companies, interviewed their key decision-makers, analyzed their metrics, and benchmarked their best practices to document how they accomplished superior competitive performance. Many of the key differences between World Class companies and their competitors are not obvious. The most important factors are how they managed their employees. These top performing companies have learned several critical operating principles affecting how they manage their key personnel, their number one asset.

“Six Selection Principles”

Principle 1: *Describing a candidate’s or employee’s present skills, traits or characteristics isn’t a very accurate predictor of future performance.*

Principle 2: *You can’t train a person for a job they can’t do.*

Principle 3: *Talent-based skills are very narrowly applied and don’t generalize to other positions.*

Principle 4: *In job analysis and identifying selection criteria, less is more!*

Principle 5: *The famed 80/20 rule in business is the Kiss of Death.*

Principle 6: *Profiling top performers to establish a model for selection or promotion criteria is fatally flawed.*

Principle 1: *Describing a candidate’s or employee’s present skills, traits or characteristics isn’t a very accurate predictor of future performance.*

It doesn’t matter how thorough, accurate, or “amazing” the description is – an example can make the point clear.

Most people are aware of the value of a good medical exam. One of the most comprehensive is provided by the Houston Medical Center. It’s expensive, takes four plus days of “data” collection including blood tests, X-rays, MRIs, stress tests, etc. By the time they are done, they can describe your present health in exquisite detail, down to the chromosomes. They will also give general advice to improve the quality of your life like suggesting diet improvements or better exercise. Any condition you don’t understand can be described in depth. If you have a serious or even life-threatening problem, this exam will find it. BUT, this is only a *description* of your present health. If you were to ask a *predictive* question, like how long you’re going to live, or what are you’re going to die of, they, of course, can’t answer. That is the limitation of all “tests” that only describe. Most interviews, or personality, intelligence and aptitude tests are only descriptive. These may be useful to discover a present problem but are very weak at **predicting** future behavior and weaker still at **predicting** future results.

There is a better answer, of course. Insurance companies need to **predict** how long you’re going to live very accurately. Their profitability depends on it. Descriptive information isn’t enough for them; they have developed “actuarial science” to identify “predictors” of future health and longevity with incredible accuracy. The sta-

tistics they use are available but are expensive to develop. They depend on massive amounts of data and take a long time (for best results, you have to track performance over time). Unfortunately, most look for shortcuts and each shortcut weakens the prediction. The best shortcuts (interviews, short tests, personality assessments, etc.) improve accuracy by only 3-10% and the worst actually work against you.

The good news... The very few actuarially developed *predictive* assessments (such as Chally's) can add upwards of 25% accuracy... and that makes a huge difference to the bottom line.

Principle 2: *You can't train a person for a job they can't do.*

There is a major difference between “learnable” skills and “talent-based” skills. Most sports skills are talent based for example, while many more academic interests or hobbies are learned. Several skills important to business are innate and talent based. These skills can be refined with coaching, mentoring and experience, but can't be trained. Performance research includes Entrepreneurism, Sales, Creative Writing, Advertising, and certain Design Engineering and Computer Programming skills. People with these talents begin showing traits at a young age. People who don't, will never acquire more than weak potential in these areas. The useful rule of thumb for training improvement is the rule of 20%. That is, you can improve a raw talent already at the 80% level to a 96% (a superstar), but all the time and money in the world won't improve a 20% performer to more than 24%.

Principle 3: *Talent-based skills are very narrowly applied and don't generalize to other positions.*

If the position is not critical to your business, very average or “general skills” may be good enough. A sports analogy can make this clear. If you're selecting a baseball player at the lowest levels, i.e., little league, or “T” ball, the goal is not necessarily to win, but rather to train kids in team work, having fun, and getting healthy exercise. Selection criteria are very general and shallow, only two are typically used: 1) that the child isn't ball shy and ducks every time a ball comes close, and, 2) that they have enough dexterity to swing a bat without falling over.

By the time athletes reach high school or college, coaches still have rather general but *more* specific criteria (winning, while theoretically not everything, is important). Here criteria include: running, fielding, throwing, and hitting. As a result, a coach, when pulling the pitcher often puts him in right field because the pitcher is also one of the team's best hitters.

At the pro level where winning is critical, coaches have very different criteria. They recognize that the skills for pitching are so different from playing shortstop, that the positions are not interchangeable. There are very specific criteria for every individual playing those two positions and only a few positions are interchangeable.

In business, success in the talent-based skills is the same. New business development skills are not interchangeable with account management or customer service. And, selection for these positions will depend on very different criteria. This principle of very narrow and specific skill sets for talent-based positions versus the

more generalized and learned skills explains why the most talented “stars” are not good managers and the best managers played and understood the game but weren’t the superstars. Hence the expression “promote your best salesperson (or engineer, artist, designer, etc.) and three bad things happen: you gain a weak manager, lose a great salesperson, and nobody is happy.”

Principle 4: *In job analysis and identifying selection criteria, less is more!*

There is an old parable that explains the existence of a camel as the result of a committee trying to design a horse. Statistical regression analyses when applied to careful, thorough, and objective measures of real job performance skills, almost always substantiate a surprising myth about job descriptions. The more complete a job is described and the more specific skills or competencies are listed; the less likely effective candidates will be selected to fill the job.

It takes a second look to understand why, but it can be explained. When actuarial statistics are run to determine the relative importance of different skills thought to be important to a particular job, only the first four to six most important skills actually contribute to success on the job. Typically, the most important skill will carry a weight of as much as 50% or more in determining the success of any candidate. The next most important factor will contribute half of the first or less and the third skill will be half as valuable or less than the 2nd and so on. The concept of four to six “Critical Success Factors” has long been well documented in other aspects

of business¹, but seldom thought about in job descriptions. Clearly, by the time seven or more factors are included, the selection accuracy is being substantially diluted. Consider the two applicants below. If the hiring decision is based solely on an average of unweighted scores, the second candidate will be selected over the first and could fail miserably, while the first candidate will star... for some other company.

Principle 5: *The famed 80/20 rule in business is the Kiss of Death.*

Most businesses can identify a significant demarcation in many aspects of their operations. It can be recognized as “20% of my customers provide 80% of our profits,” or “80% of our problems come from 20% of our products,” or even “20% of our salespeople bring in 80% of our sales.” While the numbers can vary somewhat...they underlie a troubling challenge. The 80/20 rule describes what is known as a “normal curve” or a “random distribution.” In other words, if all key decisions had been made by the flip of a coin (purely by chance) then the business result would have been the 80/20 rule. In strong economic times, being “average” can be good enough. “A rising sea floats all ships.” But where competition is serious “average” isn’t good enough. From a selection accuracy perspective, consider the bottom line impact of just a 10% improvement. If you’re a mid-sized company with 100 salespeople and \$100,000,000 in sales, and the 80/20 rule (or

¹ Chief Executives define their own data needs, HBR, March-April 1979

close) applies to you, **then your top twenty salespeople** bring in \$80,000,000. Suppose you improve your hiring accuracy by 10% and now you have 30 top performers instead of just 20. The increase in sales would approximate \$40,000,000. Taking the time and cost to select well pays huge dividends.

Principle 6: Profiling top performers to establish a model for selection or promotion criteria is fatally flawed.

This principle is so counter intuitive it almost sounds like heresy. Early government-sponsored research performed by Chally looked for common factors across a sample of over 1,500 top performing salespeople from over 60 different companies. A wide variety

of factors were amassed including: biographical information, education, experience, assessment results, interview information reference data, peer evaluations, and even customer feedback. The results “profiled” 16 factors that most consistently described the total group. Unfortunately, expanding the study one year later to include a similar sized sample of the poorest performing salespeople found that 13 factors on the “poor performing” profile were identical to the “star” sales profile. The critical learning is that “most common sense traits, personality factors, skills, etc., are, in fact, predictive of people who seek a given job, not of how successful they’ll be.”