

WHITE PAPER

Preventing Bad Hires: The Value of Objective Prehire Assessment

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IDC OPINION

Inadequate or outdated hiring practices can cripple organizations, causing them to fall short of reaching their true business potential. Traditional recruiting practices are nearly as likely to fill positions with less than ideal candidates as they are to fill them with stellar candidates. In an increasingly tight labor market, these methods are putting organizations at a competitive disadvantage. The gains from increasing the effectiveness of hiring methods can amount to millions of dollars in savings, improved individual and group performances, and sustainable competitive advantage. At a minimum, a selection process that includes a reliable assessment of an applicant's technology literacy on the most frequently used tools and applications can measurably improve recruiting and organizational success. Microsoft Office Specialist (MOS) certifications, among others, give organizations an opportunity to ensure that a candidate has the technical capabilities and other competencies to make a valuable employee.

SITUATION OVERVIEW

Regardless of company size, the use of bad hiring practices cripples organizations. Timeworn practices such as placing an ad, reviewing resumes, conducting interviews and background checks, and offering a job to the most obvious candidate are ineffective.

Academic research suggests that about half of new hires selected this way are poor performers, which is just about the success rate of flipping a coin.

Some selection methods, such as assessments of candidate interests and amount of education, have very low correlation to high performance. Others, such as handwriting analysis or simple unstructured interviews, are equivalent to hiring randomly. Still others, such as general mental ability (GMA) tests and work sample tests, have high correlation to work performance and job success. When used together, methods such as GMA, work sample, or job knowledge tests and structured interviews have a very high predictive value to job success. (Schmidt and Hunter, 1998.)

However, many employers throughout the world use poor selection methods because they are familiar. In France, Israel, and other countries, new employees are frequently selected based at least in part on handwriting analysis. Many organizations in the United States rely solely on unstructured interviews. (Schmidt and Hunter, 1998.) In an increasingly tight labor pool, these organizations are at a competitive disadvantage. By adopting more valid hiring procedures, companies can increase the likelihood of individual success in a job along with organizational success.

In economic terms, an organization that uses selection methods with low validity could lose millions of dollars as a result of reduced productivity, administrative costs, and wasted effort. Additionally, the remaining workers must work harder, increasing burnout and decreasing loyalty. At the same time, the gains from increasing the validity of hiring methods can amount to literally millions of dollars in savings and improved individual and group performance, not to mention the soft-dollar value associated with a sustainable competitive advantage.

To improve the likelihood of a successful hire and the long-term success of an employee, organizations can use objective, valid assessments and certifications in a variety of ways to ensure a candidate has the appropriate skills to perform.

When evaluating a candidate for job fit, organizations use four criteria: cognitive ability, innovation potential, sociability, and task performance. Certifications and assessments can be effective predictors of each of these criteria. Fully understanding these dimensions of a candidate can result in higher selection success and reduced risk of bad hires.

Back-Office Support: The Backbone of the Office

Back-office support provides an interesting example of the risk and impact of poor hiring decisions. Representing an increasing proportion of the enterprise workforce, administrative support staffs are knowledge workers and typically support 10 or more other employees. Their competence and capability have a direct impact on the work performance of the rest of the customer value chain, and therefore their positions can be considered linchpins to organizational success.

Yet, in spite of the integral nature of these employees, the success rate in hiring is abysmally low. First-year administrative employees have five to seven times the turnover rate of other employees due to performance. A full 15% of new administrative employees are let go in the first year for performance reasons and could be considered bad hires, and nearly 80% of the remaining new hires are not high performers.

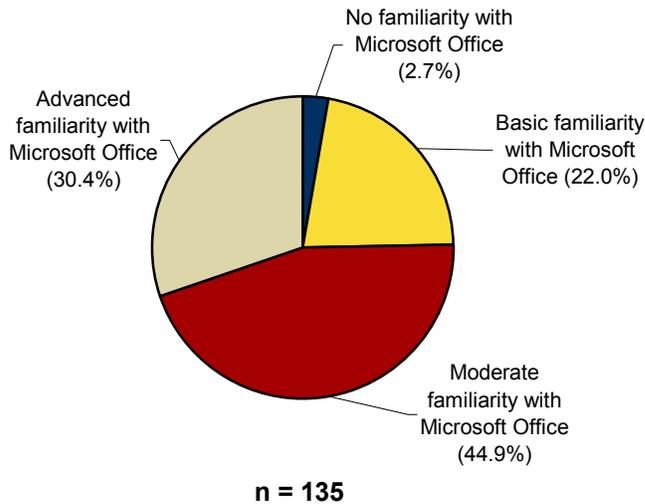
Even though 75% of all administrative employees are required to have either moderate or advanced Microsoft Office skills, less than a third of companies test for job-specific computer capabilities (see Figure 1). The result is that a full quarter of bad hires fail on the job because of inadequate computer or administrative skills. Given that a bad-hire cost is between one and two times an employee's salary, flipping a coin becomes an expensive way to select candidates.

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FIGURE 1

Computer Proficiency Required of Administrative New Hires

Q. Please indicate the percentage of your organization's administrative support roles that require the following levels of proficiency.



Source: IDC's Manager Hiring Survey, 2006

The Solution: Success of the Employee Means Success of the Organization

Improving selection to ensure that a candidate meets the job and organizational requirements is never easy, but the selection process, at a minimum, should include a reliable assessment of the applicant's technology literacy on the tools and applications that are most frequently used. MOS certifications, among others, give hiring managers and supervisors an opportunity to ensure that a candidate has the technical capabilities and other competencies to make a valuable employee. While a solid hiring process is the first step toward ensuring successful employees, other common steps to successfully and fully engage administrative knowledge workers include:

1. **Document a consistent hiring process.** This means clearly defining the outcomes desired from candidates and developing a job description that includes performance responsibilities.
2. **Use assessments and certifications to identify key skills and capabilities.** Depending on the performance responsibilities of a particular role, leverage existing assessments or certifications to consistently identify qualified candidates. "I think the best thing that certification provides me is a shorter training and orientation and getting new hires to full productivity mode," says Mark Smith, president of Smith and Company, an accounting firm in North Dakota.

3. **Align employee capability with organizational goals.** This requires setting clear expectations and providing frequent feedback to ensure that employees are working toward significant organizational goals. Agree on, document, and track personal development goals. Develop a feedback system that helps employees improve areas in which they are not performing as expected. Leverage ongoing development opportunities, including certifications and other professional development, to provide clear advancement opportunities.
4. **Provide meaningful training and development opportunities.** To build a high-performing workforce, organizations must provide ongoing developmental, managerial, or technical training. Enterprises should also leverage certifications and other assessments to consistently measure achievement and capability. For instance, Smith believes that his new hires are prepared to work on client accounts faster after preparing for certification than after receiving more traditional on-the-job training. He estimates that his new hires are ready after 14 days of preparing for certification training as opposed to more than 60 days using an informal approach to learning. In addition, 43% of respondents to IDC's Web-based survey of hiring managers said that investing in employee development reduces turnover, probably because employees have increased job satisfaction and feelings of increased engagement.
5. **Recognize contributions and achievement.** This includes equitable pay to ensure a loyal, dedicated workforce. Developmental milestones must be recognized through the assignment of additional responsibilities that leverage new and acquired skills. An effective recognition system also includes frequent, informal recognition of accomplishments and contribution to organizational goals. Anderson Strathern, a 250-person law firm in Scotland, provides financial rewards to employees who pass the MOS certifications. Jane Rutherford, training manager at Anderson Strathern, says this is justified because both the company and the employee benefit from the skills a certification recognizes: "We believe in developing our people and giving them the best chance to improve. Microsoft Office certification goes into the depth and detail that they really need." Certification even results in promotion opportunities for the certified employee.
6. **End the relationship if an employee fails to perform to expected levels.** Regardless of the tools used, not every selection will be successful. Organizations that can quickly identify and remove nonperforming employees increase the morale of the remaining employees and demonstrate commitment to organizational success. But this option is a last resort: "It costs a whole lot of money to train employees and to support them if they're going to be productive for you," says Smith. It is expensive to lose employees for whatever reason, so organizations should use every termination as an opportunity to analyze all steps in the hiring and development process.

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The Impact: Successful Engagement

Continuous improvement in workforce quality that comes from solid, valid hiring and development practices can boost organizational productivity and can increase customer service levels. Reduced turnover rates clearly cut hiring time and costs and can ultimately enhance both top- and bottom-line results.

Most companies do not track data at the level of detail needed to compute the return on investment (ROI) generated by using certifications and assessments to improve hiring success. But there are obvious (if difficult to quantify) benefits that include:

- ☒ The value of making better hiring decisions and avoiding bad hires
- ☒ The value of increased staff productivity

Investment in employee development and commitment to organizational success can have some real benefits for an organization. "Before training, it took an hour and a half to complete task X, but after the training, the time was reduced to 45 minutes," says Eileen Tan, general manager at Stone Forest IT (SFIT), a provider of integrated IT solutions in Singapore. At one accounting firm, MOS-certified staff complete about 30% more work than noncertified employees with similar experience.

Certifications Correlate to Individual Capability and Teamwork

GMA tests and even end-user certifications are correlated to divergent thinking abilities, suggesting that individuals who achieve success with these measures can cope better with changing work roles and are more adaptive and innovative. In the United Kingdom, preparing students for work is a central tenet of the education system. Computer skills are increasingly important for graduating students: "When we chose MOS [certification] as our curriculum, we thought this is what companies want to see," says Lesley Croft, ITC instructor at Sawtry Community College in the United Kingdom.

Certification can positively impact both an employee's individual capability and his or her ability to work within a team. For example, a third of supervisors believe that MOS-certified employees are more competent and more productive than other employees. Moreover, MOS-certified employees require less supervision and are able to accept additional responsibilities more often than noncertified employees. Smith agrees: "The more trained employees are, the more independently they can work [and] the less oversight they need." Smith also believes his trained and certified employees can accomplish tasks 30% faster than his less trained employees.

MOS-certified employees require less supervision than noncertified employees.

In increasingly "team-oriented" work environments, individuals who are certified exhibit the characteristics employers find valuable. Managers believe that when working in teams, employees who are certified have greater credibility and are valued as a resource both internally and externally. For the law firm Anderson Strathern, individuals, partners, and clients all benefit. "Our staff benefit because we want to see them move forward and develop. Also, the lawyers benefit when they get work turned out more quickly and accurately. And clients get well-presented documents back in good time and it makes it clearer for them," asserts Anderson Strathern's Rutherford.

Certified employees have greater credibility and are valued as a resource both internally and externally.

These individual and team capabilities are in addition to the more straightforward implications of Microsoft Office certification. Supervisors believe that MOS-certified employees demonstrate appropriate computer skills and have the knowledge of the Microsoft Office suite they need. "You hire someone because of their communications skills, their work history, and overall competency. [Certification] provides an increased level of trust that I can have in them," says Smith, who believes that his clients notice the difference in the initial accuracy and the time it takes his staff to answer or resolve questions.

Given that the single biggest reason for a bad hire is inadequate computer or administrative skills, organizations should leverage MOS certification as both a measure of computer skills and a highly efficient predictor of an employee's value to the organization.

In fact, nearly 80% of MOS-certified workers play an important role in setting the work process standards in their organizations. "My people come away from the experience of becoming a Microsoft Office Specialist with more than a certification. There's a whole different level of trust from my standpoint. I feel like I can turn to them more rapidly. I have to worry about them less. It's just a competency thing from my point of view," concludes Smith.

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FUTURE OUTLOOK

Back-office workers produce more when they are empowered to leverage their skills. Administrative support staffs typically work on many projects simultaneously, which magnifies the impact of their capabilities or their deficiencies. Organizations that are increasingly designed to support knowledge workers will integrate independent, team-oriented work environments along with knowledge sharing to ensure a fully engaged workforce performing at its maximum capability.

As workplaces become less structured and individual employees have to demonstrate initiative and work in teams, the importance of tests that measure capability and independence is likely to increase. But this increase will require a change in effort on the part of employers: "It takes quite an investment of time for people to get through this [certification] and also a bit of nurturing as well," believes Anderson Strathern's Rutherford.

CONCLUSION

Appropriate selection techniques can obviously improve the success rate of new hires, but organizations and their employees benefit in other ways. With appropriate selection and ongoing training, organizations:

- Reduce turnover, which leads to increased organizational capability
- Achieve strategic objectives with proper staffing
- Position themselves for competitive advantage in an increasingly tight labor pool by exhibiting behaviors of "an employer of choice"

Being properly trained and continuously developed, employees benefit by:

- Being recognized for performing to a high standard
- Being more likely to achieve balance between work and personal lives
- Exhibiting increased job satisfaction, which helps them remain fully engaged and increases their loyalty to the company

IDC believes that measures of both general and specific ability are likely to increase in importance in the selection of new employees. Tests of general ability and certifications are strongly correlated to divergent thinking abilities, suggesting that individuals who achieve success with these measures cope better with changing work roles and are more adaptive and innovative. As workplaces become less structured and individual employees have to demonstrate initiative and work-process creativity, hiring managers and HR practitioners will need to evaluate specific capabilities of prospective employees. The importance and role of valid tests, particularly tests of computer skills, will increase during the selection process and throughout an employee's professional development.

Learn More

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