

Solving the “Goodness of Fit” Problem in Hiring Managers & Executives

Practical Considerations for Emerging and Medium-Sized Businesses

By

James T. Stodd, SPHR

December, 2003

Contact Information:

jtstodd2@cox.net

(949) 551-4377

www.jtstodd.com

Solving the “Goodness of Fit” Problem in Hiring Managers & Executives

Small and emerging business all start out operating with the founder (business owner, entrepreneur, principal thought leader, etc.) at the center of the enterprise. Everything revolves around them, their vision, their skills, their products or ideas, and/or their business contacts. All other staff are largely “delegates” that serve at the interests of the founder. But sooner or later as the business grows and matures, it surpasses the size and complexity that is possible for one person, or even a small group of founders, to effectively manage. Growing past this infancy stage in the life of the enterprise almost always requires development of a professional management team, generally with diverse skills and abilities, to augment, support and supplement the efforts of the founder. In fact, failure to effectively develop this management team can result in a static state where the opportunities of the business are constrained by the amount of leadership that can be applied to capitalizing on new business opportunities. As the management team emerges the founder(s) of course continues to play an indispensable leadership role in the steering and management of the enterprise, but practical necessity will eventually require that the management team take on greater interest and responsibility for growing and leading the business.

Clearly one of the greatest challenges faced by any emerging business is the selection and hiring of management talent for these key roles. Many emerging organizations never manage to successfully cross this great barrier. As a result they are locked into a “small business” mode with a lack of the leadership talent necessary to support the ambitions and visions of the founder(s), or for moving the business further along the organizational continuum. Others venture forward, but with varying degrees of success, and survival. Then there are the “winners” who seem to grow through this stage with grace and poise.

At this sensitive stage in the development of the enterprise, selecting the wrong people for these roles is, under the best case scenario, a significant inconvenience that has undesired ramifications in terms of replacement costs, some measure of lost productivity, and often requires that some unexpecting soul (frequently the business founder) step in to assume “double-duty” until a replacement is found. Moreover, hiring the wrong people in a key leadership role can, and often does, have dire even “life threatening” consequences to the emerging organization. Regardless of the extremity of the outcome, small and emerging businesses can ill afford the costs associated with a hiring mistake to one of these key positions.

For medium-sized businesses, the cost of hiring the “wrong person” to a leadership role rarely results in a significant threat to the viability of the organization...they simply have the resources to accommodate. But even accommodation has undesirable consequences that can be costly and detract from the forward momentum of the business. Most experts indicate that the cost of replacement alone starts at 20% of annual compensation for the position and moves upward from there. In these larger organizations the ramp-up time of the replacement generally takes longer given organizational complexities and relationships. While the costs associated with disruption of the production or customer service functions may not be as dire (in a relative sense) for the medium-sized organization as they might be with the emerging enterprise, in absolute terms the dollars involved can be significantly higher. Moreover, larger

organizations, with deeper pockets, can expect to have more costly legal challenges associated with the removal of a key manager or executive.

The Nature of Selection Failures

In practice, organizations rarely fail to select and hire the right people to key management roles due to a shortage of talent within the workforce. Nor is it because the organization cannot recruit and select a person with the appropriate knowledge, skills, abilities and experience for the position. In fact, more times than not, businesses are keenly successful in hiring people with all the education, training, experience and technical skills necessary to perform well in these roles. Rather, failure generally occurs in finding someone who is a “good fit” with the organization in terms of its culture, vision/mission, values, goals, expectations, leadership style, and/or differences in personal and interpersonal style. These characteristics are understandably more nebulous and difficult to define let alone effectively measure. Nevertheless, the successful selection of management talent often requires significant effort to address these variables. Otherwise, incongruities (followed by commitment, performance and/or personality issues) are likely to develop due to a “lack of fit” on more subtle, yet ultimately critical, criteria.

Seeking “Goodness of Fit”

Fortunately there are a number of things that can be done on a pre-employment basis to ensure a more appropriate fit between the organization and candidates for key management roles. These selection strategies include the following:

1. Job Analysis

Virtually every book written on personnel selection stipulates that the employer must start with a thorough analysis of the job for which we are hiring. Typically this analysis includes a comprehensive identification of the work to be performed in the role as well as memorializing the job in the form of a *position description*. Position descriptions typically include an overall summary of the role, a listing of key duties and responsibilities, and details regarding the knowledge, skills, abilities, and experience requirements of the position. These are the basics!

Despite the fact that job analysis is a routine and basic first step in the selection process, in my own experience I have found many emerging organizations, and even some medium-sized organizations, that fail to take these initial steps to clearly identify the role and the requirements of the position that they are trying to fill. Some just don’t take the time. Others rely on misguided advice provided by some contemporary would-be management gurus who argue that job descriptions have been made passé with the rapid changing business environment. To that I say, “Bull”! Job descriptions are in fact the first tool in defining some reasonable form of organization. They are also acutely important to defining any role in an organization and/or communicating that role to candidates and would be incumbents. Failing to build a comprehensive job description for the position turns personnel selection into an expensive game of “pin the tail on the donkey”, with the likelihood of success about the same as that of a blindfolded kid.

2. Looking Inward

Completing the job analysis and drafting the position description are critical components to success in personnel selection. However, since success in seeking “goodness of fit” more often relies upon more intangible and nebulous criteria, it is important that the business start by looking inward to identify and articulate just who and what it is! Remember that if we are to be successful finding someone who fits with the organization, we have to first determine what “fit” really means. Issues that should be addressed include:

- Mission: Why are we in business?
- Vision: What do we want to become?
- Values: What does the organization deem to be important? Equally important, what values might a person bring to the job that contradict the values of the organization?
- Culture: What are the existing (or intended) behavioral norms of the organization (whether they be set out in established policies and procedures, or exist in more of an informal manner)?
- Expectations: What will the organization expect of the incumbent, and what in turn can the incumbent expect from the organization?
- Leadership Style: Do we have preferences about how people are led and supervised within the organization? Or, do we know what kind of leadership behavior would be inconsistent with expected behavior?
- What is the personal and interpersonal style of the founder(s), and key members of the management team? What personal/interpersonal style would work best in this position?

I am sure that a number of readers have already begun to moan just looking at the above listing. However, the proof is in the pudding! For example let's assume that your organization, while a for-profit enterprise, places its highest value on providing service or products of the highest quality...that is a mandate! Should that be the case, selecting a leadership person who places their highest value upon money and profits could result in a serious incongruence of values and expectations. That person is likely to take and encourage behavior that, while honest, is so focused upon efficiency and profitability that your core value may be compromised. This may also be a conflict that is not easily resolved and results in miscues with customers and clients, inappropriate value communication to subordinates, and ultimately results in the hasty departure of the leader as he/she looks for what they believe is a more “enterprising” organization. Similarly, if your organization typically takes a top-down approach to direction and leadership, hiring a person whose natural style is “bottom-up” or “participative” will ultimately result in disagreements about how people should be managed. To many, style and approach to leadership are non-negotiable. If this is the case with both parties, we now have tension, hurt feelings, and an irreconcilable impasse.

Yes, looking inward and probing the organization on these issues is time consuming, and may even require professional assistance. On the other hand, it is a necessary and critical step to ensuring “goodness of fit”. For without taking an in-depth introspective review, it is very unlikely that we can even define what “fit” really means. And, if we are to be successful in selecting the right people, we have to make sure we understand who we are, in advance, and identify all areas where there may be serious incongruence between any given candidate and the organization.

The good news is that once you make the investment in “looking inward”, that exercise rarely needs to be repeated, except in cases of dramatic change, and its value applies to a broad range of selection decisions for a significant time to come. The next step is to establish personnel selection procedures designed to identify competencies, orientations, values, expectations and behavior styles and preferences of candidates, and look for the match!

The Pre-employment Interview

The standard within our arsenal of pre-employment selection procedures is the interview. Despite its wide use, and the propensity of us all to assume that we are really good at sizing up other people, amongst researchers the record of the pre-employment interview is dismal from the standpoint of reliability and validity in predicting success amongst job candidates. Don't expect that your performance is likely to differ! Under certain conditions, however, the pre-employment interview can be a very effective selection tool. What is important is that we understand what those certain conditions involve, and incorporate those practices into our interview format.

First of all, if there is any chance for interviews to be reliable and valid in predicting behavior, they need to be structured and standardized. That is, all interview questions need to be job-related, and the principal questions repeated in the same fashion and under the same or similar conditions with all candidates. Otherwise, we have no valid means of making candidate comparisons or assuring that we have consistently sought the information we need to make good selection decisions.

Secondly, effective interviews of management and leadership people require a substantial time commitment! A minimum of one hour should be expected if you intend on doing a reasonably good job. Even with this allowance, the time available for the interview is precious and needs to be effectively planned. For this reason, it is important that in conducting the *Looking Inward* analysis, attention has been given to determining those issues upon which your organization is to be relatively strident, versus those issues about which your organization is likely to be flexible and forgiving. Interview time should be spent first and foremost on issues over which your organization will take a firm position, the issues over which incongruence and conflict are most likely to arise. Issues on which the organization, although it may have a preference, is likely to be flexible are not likely causes of incongruence.

Thirdly, when it comes to the more nebulous characteristics noted above, the use of *competency-based questions* and *situational questions* can generate a significant amount of information usable in determining “goodness of fit”. Competency-based questions involve situations that occurred in the candidate's past and are intended to ascertain how that person behaved or responded to the situation. Relying upon the premise that “the best predictor of future behavior is past behavior”, well designed competency-based questions can be very effective in learning about the person's likely behavior in similar situations and the congruence of that behavior with the job and the organization. On the other hand, situational questions are designed to place the candidate in a circumstance they may or may not have been in before, then ascertain how they believe they would behave in that situation. While the situation may or may not resemble a situation from their past, the situational question is designed to provide

insight about what the candidate is likely to do, or not do, and how they would do it. Situational questions arguably provide less valid information than competency-based questions in that the response itself is a prediction, rather than a description. Nevertheless, the behavior described by the candidate produces some useful information concerning the congruency of responses to the requirements of the job and organization.

Finally, once we have obtained behaviorally descriptive information from the candidate, there needs to be some basis for comparison to some objective standard as well as comparison amongst candidates. A simple but highly effective approach would be to use a *critical incident* methodology for rating and comparing responses. A *critical incident* consists of an example of highly effective behavior contrasted with an example of very ineffective, poor or undesirable behavior. Once identified, these critical incidents can then form anchors or polar opposites on a continuum of possible behaviors. The response (behavior described) given by the candidate can then be rated as to where it stands relatively on a continuum ranging from very effective to very ineffective behavior. Similarly, the responses of various candidates can be measured against the standard as well as ranked in terms of preference. That is, Candidate A may provide a more desirable (congruent) response than Candidate B. If this method is used, a critical incident scale should be developed for each type of behavior (behavioral dimension) to be assessed.

Designing effective pre-employment interviews requires knowledge of the job and organizational preferences and mandates. It also requires substantial competency in conducting interviews. That requirement may warrant the training of interviewers, regardless of their level in the organization, to ensure the interviewer is effective in performing their role.

Standardized Tests and Measures

Some time ago standardized tests and measures (also referred to as psychological tests) were widely used in business and industry to aid in the selection of personnel, and predominately managers and leaders. However, over the last decade the predominance of testing has faded, largely due to the insecurities precipitated by regulatory agencies regarding their use. In this regard, the primary culprit behind the insecurity is the EEOC's *Uniform Guidelines on Employee Selection Procedures*, which impose rather heavy validation requirements on selection procedures that result in adverse impact upon protected groups. To the untrained individual, just the language in these guidelines can be rather intimidating and scare people off.

On the other hand, the *Uniform Guidelines on Employee Selection Procedures* actually apply to "all selection procedures", not just standardized tests! Once this is realized, comfort with the use of standardized tests does and should improve. In fact, an employer has a much better chance of defending the use of a professionally developed, professionally administered, and job-related test than it has of defending the use of ill-prepared, unstandardized pre-employment interviews. And, we use these all the time and still live to tell about it! Assuming a professionally developed standardized test meets the "job-related" requirement, it is likely to be much superior to other selection techniques, both in its predictive value and its defensibility.

There are a number of standardized tests on the market that are very appropriate for use in selecting management and leadership personnel. These range from personality tests (such as the Myers-Briggs Type Indicator and the 16PF) that measure a predisposition to act in certain ways, to competency tests (such as the Bar-On-EQ) that measure a set of competencies critical to leadership and effective interpersonal relationships. Most importantly, if a certain type of behavior has been identified as preferred by your organization, a standardized test that is designed to measure that behavioral dimension is a superior tool compared to the pre-employment interview.

There are some reasonable precautions that should be taken, however, before employing tests in personnel selection. First of all, all such testing and test interpretation should be conducted by, or under the direct supervision of, someone with graduate training in psychology and human resource management (i.e., industrial/organizational psychology). It is unlikely that anyone short of this level of training will have the competencies necessary to guide you in the use and interpretation of such tests. Secondly, some candidates may display a certain amount of “skittishness” and apprehension about standardized tests...that happens! However, in my own experience I have found that most candidates, particularly candidates for leadership roles, are more than willing to submit to these tests when administered and interpreted by a competent professional. Finally, there is a cost associated with standardized tests. These costs may restrain the amount of testing that you will want to do and keep it reserved for candidates that are finalists in the selection process. That being said, however, it is quite possible to compile a comprehensive assessment package suitable for most leadership positions for a cost of around \$500 per candidate, sometimes less. When it comes to making the final selection decision, this cost pales in comparison to the cost associated with a hiring mistake, as well as the relative benefits of hiring the candidate most likely to fit!

Personal & Professional References

Like the use of standardized tests, employers have learned to rely less upon references as a valuable source of information concerning candidates. Much of this change in behavior has developed due to the growing reluctance of former employers to provide much information (other than position and dates of employment) due to concerns over the prospects of defamation and slander suits. And there is nothing more difficult than trying to get information from someone who does not want to give it! Subsequently, checking references has fallen into some disfavor. Often the only people willing to provide information are those individuals whose names have been offered by the candidate. Understandably these individuals are likely to provide a positive reference. This, however, should not be a significant deterrent!

First of all, even though a recommended reference (whether that be a professional or personal reference) is likely to say “positive things” about the candidate, that does not mean that the reference cannot or will not provide information about the candidate that is very useful in making an effective hiring decision. Often, these references are individuals who know the candidate very well, and/or have worked most closely with the candidate in the past. Secondly, references offered by the candidate are generally very willing to take the time to talk about the candidate, if we ask. That being the case, it is suggested that these references be asked competency-based and situational questions similar to those discussed above. They are often in a good position to describe behavior

that they have witnessed, and/or intelligently predict how that candidate may respond in various situations. Moreover, most references will be unwitting about the type of behavior we feel would constitute the best fit for our organization, principally because the type of behavior we are asking about is generally not regarded as either good or bad...it is what it is!

To rely upon a previous example, a reference may describe a candidate as having a strong bottom-up and participative leadership style, and feel that they are being very complimentary of the candidate by providing this information. They are not likely to know that we have preference for more of a top-down, decisive leadership style (unless we tell them) and unwittingly provide us very useful information about how the person is likely to behave. As such, well-prepared reference interviews, even of complimentary references, can be very valuable in our search for “goodness-of-fit”.

Summary

For emerging businesses, growing past the infancy stage almost always requires development of a professional management team to augment, support and supplement the efforts of the founder. Failure to effectively develop this management team can result in a static state where the opportunities of the business are constrained by the amount of leadership that can be applied to capitalizing on business opportunities. Seeking “goodness-of-fit” in leadership is a critical success factor for all organizations, and emerging organizations in particular.

Selecting the wrong people for these roles is, at best, a significant and costly inconvenience and often has dire consequences for the enterprise. More times than not, businesses are successful in hiring people with all the education, training, experience and technical skills necessary to perform well in these roles. The failure generally occurs in finding someone who is a “good fit” with the organization in terms of its culture, vision/mission, values, goals, expectations, leadership style, and/or differences in personal and interpersonal style. There are, however, steps that organizations can take to dramatically improve the quality of its selection decisions and better insure an appropriate “fit” between the organization and those it hires into management and leadership positions.

In preparing to recruit and select candidates, it is necessary to conduct a thorough *job analysis* and document the outcome of that analysis in a *position description*. In addition, it is important to take the extra step of *looking inward* to determine the preferences that exist within the organization regarding more subtle characteristics such as mission, vision, culture, style, expectations, etc. Information about these subtle realities is important to determining whether or not individuals will be found to be a “good fit” with the organization.

Several effective tools and techniques exist for improving our ability to find “goodness-of-fit”. These include *structured interviews* that use competency-based and situational questions, *standardized tests*, and the use of well constructed *reference questions* when asked of individuals familiar with the candidate and his/her past job performance. Each of these techniques can be very effective in identifying those candidate characteristics and behavioral preferences that are related to questions of “fit”, and when used

collectively will significantly improve the quality of selection decisions for key management positions.

About the Author

Jim Stodd is a seasoned professional with over 25 years of experience in executive and consulting roles. He has served with reputable international and regional consulting firms including Ernst & Young, LLP, Hay Management Consultants, HR Alternatives, Inc. and First Transitions. In addition to advising clients regarding strategic and administrative human resource issues, he has gained special expertise in organizational planning and development, change management, business process transformation, staff recruitment, selection and retention, compensation and performance management.

Jim has a B.A. in Psychology from Saint Louis University and a M.S. in Industrial/Organizational Psychology from Illinois State University. He also completed extensive post-graduate work at the Industrial Relations Center of the University of Minnesota. Jim has earned lifetime certification as a “Senior Professional in Human Resources” (SPHR) awarded by the Human Resource Certification Institute.

An active speaker and teacher, Jim currently teaches classes in Human Resource Management and Organization Behavior at both the University of California-Irvine and University of Phoenix. He has been a featured speaker for the Louisiana Hospital Association’s annual conference and a keynote speaker for the Annual Conference of the Southern Management Association (American Academy of Management). Finally Jim is a contributing author to The Handbook of Human Resource Management (Blackwell Publishers, 1995).