NO MORE SQUARE PEGS

HOW TO HIRE WINNERS FOR YOUR BUSINESS

Rob McKay

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About the author

Author Rob McKay is one of New Zealand's leading authorities on the process of employee recruitment. He's the founder of AssessSystems, an Auckland–based consultancy that provides systems, tests and coaching to companies committed to hiring the best people. Rob has a BA in Business Psychology and an MA (Hons) in Industrial & Organisational Psychology from Massey University, but combines his knowledge with many years of hands–on business experience. He spent more than 25 years owning and managing radio stations on both sides of the Tasman, in an industry dependent on people performance.

What business leaders say about *No More Square Pegs*

'Compulsive reading for all who hire . . . the strategies in this book saved me so many times.' — *Brent Impey, former CEO, Mediaworks*.

'Great practical advice, easy to read and seriously handy.' — *Marc Burns, General Manager Human Resources, Canon NZ.*

'If you're responsible for hiring staff, read this book now.' — *Diane Foreman, CEO Emerald Group and 2009 NZ Entrepreneur of the Year*.

'I have become a firm advocate of using psychometric testing. Why? Because it works! Chapter 6 is a must read.' — *Sir David Levene, Chairman Quadrant Properties, and laureate of NZ Business Hall of Fame*.

'A brilliant tool for managers new to recruiting.' — *Marilyn Manning, Human Resources Manager, Les Mills New Zealand*.

1. MAKING THE RIGHT DECISION

People are your most important asset

Hiring new people is a chore. Smart business owners have realised the pitfalls of hiring people based on emotion, 'gut feeling' or the recommendation of others. So get it right the first time. Here's how to make the winning choices.

The cost of making a bad decision

In recent years, the quarterly staff turnover rate for all New Zealand business is 18.8% on average, according to the Department of Statistics. The cost to business to replace those who leave ranges from 25% to 50% of the employees' annual wages. For managerial and professional positions, the cost of replacement can run as high as the whole of the annual salary or more. About 80% of the real cost of staff turnover is hidden. Because those doing the hiring don't necessarily see the physical results of a poor decision, it is easy to lose sight of the impact on the bottom line.

Staff turnover is driven by two key factors — bad treatment, whether perceived or not and bad hiring decisions.

Responsibility for staff turnover and business failures sits firmly on the shoulders of those responsible for employing staff. It all starts at the top — the board of directors who hired the

Chief Executive Officer, and the CEO who hired the executives as well as the managers who hired the down–the–line staff.

Why do employees quit or fail in their jobs?

❶ Most individuals who quit within six months were hired through an inadequate staff selection process — there was no structure and hence, no 'job fit'. There is a job for every person; the critical component to job success is whether the employee 'fits' the job role. Usually, when employees fail to perform, it is not the employee's fault. The hiring manager is to blame. She chose the wrong person.

❷ Those that quit six to nine months into the job usually had poor staff orientation or initial induction training. In today's competitive business world managers are continually pressured for instant results. Many new employees are 'thrown to the wolves' and expected to deliver immediately. Often they can't, particularly sales people. Yes, they may have sales ability, but it takes time to understand a new organisation's products, customers and culture.

❸ Those who quit between nine and 12 months were not given a realistic job preview, in other words, right at the start of the selection process management did not fully explain what the job was about and what was expected — they were 'sold' on the position. Once again, this is often true in sales roles. Promises of money and quick promotions that don't eventuate are a sure–fire way to lose talent.

❹ Those who quit after 12 months have experienced poor leadership and management. It was the boss who was poorly recruited! As I said up front, an organisation with high turnover and poor results usually has poor leadership. The high turnover usually occurs first and can drift on for years, but will eventually

impact on the bottom line. The board of directors starts asking questions. The leader fends this off with a multitude of reasons. But in the end, if the leadership hasn't got the right people on the bus it's the leadership that should go.

Why is it so easy to hire a horror story?

Many business owners and managers spend valuable management time trying to coach and train the new employee into the role or, realising their mistake, spend many painstaking hours attempting to manage the poor performer out of the position.

Worse still, many managers ignore the poor performance problem hoping it will go away, or get better. It never does.

Many hiring managers have the illusion that it's easy to hire someone, believing they have an ability to 'read people'; they can pick the right people instantly by the way they present and communicate. In other words they rely totally on gut instinct, first impressions, or worse still, personal bias and stereotyping.

Are you guilty of practising these selection prejudices?

— *Fat people are lazy people*
— *Those kinds of people can't be trusted*
— *Short people make poor leaders*
— *People with weak handshakes lack assertion/confidence*
— *A woman would be too emotional for this position*
— *A woman with a young family will be unreliable*
—*Dirty shoes correlates with poor organisational skills*
— *Men with earrings are gay — gay workers cause problems*
I'm sure you could add to the list!

There's nothing wrong with gut instinct as a final persuader, providing you have gathered all the evidence and weighed up all the options with a solid base of investigative research. It is easy to hire someone on emotional intuition — but are you prepared to take this gamble knowing it is almost impossible to reverse that decision without a drain on management time, employee moral and money?

The problem with the traditional hiring process is that it is usually performed under the pressure of time. We need to find someone now! This leads to short–cuts and emotional decisions based on how the manager 'feels' about the candidate.

An unstructured approach allows emotive decisions to be made unchecked, without any real consideration as to the candidate's ability to perform satisfactorily within the group of competencies — the performance factors critical to the job's success. (More about 'competency development' in Chapter 3).

Hiring a good performer is not easy. In today's job market many managers are finding it difficult to attract any applicants, let alone those that have the knowledge, skills and abilities to do the job. A retail store manager quipped to me during a recent seminar, 'the next applicant that walks in, if they have a pulse I'll hire them.' Frightening, but true. In today's job market, competent employees at any level are hard to find.

Having said this, the 'employee ocean' is not full of barracudas. You have to change your recruiting methodologies to deliver the right catch. Gone are the days when we could just bang an advertisement in the local newspaper and get flooded will a host of strong applicants. Recruitment advertising is not working in the same way it did before.

When it comes to recruitment, gone are the days of being

the hunted; successful organisations realise when it comes to finding the best talent, they are the ones that have to go hunting.

The truly successful recruiters think outside the square. Recruitment is an ongoing process. The trouble with many organisations is they wait until they have a vacancy before deciding to start looking for a replacement — more on proactive recruitment in the next chapter.

Few managers have been trained in the selection process. Many base their methodology on how they were hired. Many have no systemised process and as such rely on a 'hit and miss' approach.

During my years in this business I have identified a distinct pattern. When I talk to people about what we do at AssessSystems I get a lot of positive reaction:

'You guys must be in great demand; everybody needs to know how to hire the right people first time.'

'With today's employment laws we can't afford to make a mistake, your services would be really helpful.'

Or, 'Now I understand psychological profiling and have experienced its power I can't understand why more businesses don't use these tools.'

The fact is, most managers feel selecting the right person first time is an easy process, albeit time consuming. 'Why spend a few bucks getting our applicants assessed? Why spend $150 on background checking etc? I know how to pick competent people'.

Nobody can 'pick' or 'read' people and their abilities to perform the job through casual one–hour chit chat. This is a lazy excuse for a job interview. In most cases our clients come to us because they have failed in their previous attempt to

'read' the last employee and this has cost them dearly, both in employment grievance dollars and valuable management time.

Some hiring managers have no time to do it right first time, but somehow find plenty of time (and money) to do it poorly over and over again!

Unfortunately, when it comes to recruitment, most businesses are more consumed with meeting the budget than giving forward consideration to how they actually select their most precious assets, their people. If managers spent more time, effort and (here's the off–putting part for many) a little bit of money up front in setting up a standardised hiring system, those budgets would be delivered more often and with less stress. Competent, motivated staff is the differentiating factor in any successful business, no matter what the size.

What are the common hiring mistakes?

How do you rate yourself as a hiring manager? Here is a list of the most common mistakes made before and during the hiring process — not in any order or an extensive list. Are you guilty of any of these sinful hiring practices?

❶ **Hiring under pressure.** Recruitment is an on going process. Too often, hiring managers think about potential applicants only when a staff member gives notice. Recruitment is continuous, especially for high turnover roles like sales, call centres, hospitality and retail.

❷ **Replacing staff unnecessarily.** When an employee gives notice this is not an automatic signal to replace. Here is an opportunity to evaluate your business and restructure the job role. Ask yourself, 'Is there a need to replace this position?'

❸ **Hiring close to home.** Hiring family members and buddies

(or friends of buddies)? Yes, sometimes this works, if you're the Mafia, but most of the time it's a dangerous practice — nepotism and business are a poor mix. You are not a government agency hell bent on wiping out unemployment!

❹ **Unstructured interviews.** Do you conduct unstructured one–on–one chit chats? Unstructured interviews are the most expensive and least valid of any hiring tool, yet the most popular. We cover interviewing in depth in a later chapter.

❺ **Poor reference checking.** Are you guilty of not having a structured and disciplined reference procedure? Once a hiring manager has gone down the long path of vetting candidates and has decided who they want to hire, the last thing he wants to hear are negative comments from previous employers. Are you guilty of only listening to the positive points and fooling yourself that the negative areas can be easily addressed, or fixed?

❻ **Narrowing the field.** Do you concentrate on a narrow source of recruitment avenues? To catch the best and biggest fish you have to cast your net wide. Relying on the situation vacant ads in the newspaper or a posting on an internet job site is not the panacea to recruitment. Once again, it's usually the most expensive and dirtiest pool to fish in!

❼ **Deciding what you really want?** Do you know the performance factors (competencies) you want your new recruits to have? Many hiring managers dive into the hiring process without any documented guideline of what they are actually looking for in the new recruit. There is a total lack of planning. Winging it seems to be the common approach.

❽ **Fixed thinking.** Are you guilty of stereotyping in your recruitment process? Many hiring managers have a predetermined mindset on the 'type' of person that can do the job — usually a person that is similar to them. This tends

to negate older people, young women, women with children, people with disabilities etc. Think outside the square. In many cases, hiring on attitude and not aptitude works best in non–technical roles. It is easy to teach people how to do a job — for example, in a sales role, we can teach people how to prospect, present and close, but it is difficult to teach optimism, resilience, assertiveness and willingness to confront opposition etc.

9 **Hiring on emotion.** This is what I call, 'candidate infatuation' or, in other words, hiring candidates who look the part, dress well, are pleasant and communicative. These attributes don't necessarily identify abilities to be successful in the job. Nice, easy to get along with people are not necessarily good performers.

10 **Bending the rules.** When you set up a structured hiring system in your business, never bend the rules. This has been the downfall of many well–intentioned managers. For instance, if the candidate is a friend of one of our trusted staff, do we need to spend money on getting them profiled? Can't we rely on their word? To keep it legal, everybody must be treated the same way and be subjected to the same process. Irrespective of who the applicant is. Always follow your set selection process. Remember you are trying to compare apples with apples!

11 **Getting stuck in the 'referring' syndrome.** Sometimes excellent candidates come through referrals. This shouldn't be negated, but there is a down side — 'like tend to refer like'. Diversity in the workplace should be encouraged.

12 **Lack of training.** Most managers have never had any formal training in the hiring process. For example, how to frame interview questions, how to conduct a behavioural based interview, how employee profiling works, how this can benefit the hiring decision or how to conduct a valid reference check.

13 **Hiring on experience instead of ability.** It's easy to identify if a person CAN do the job, but the resumé and interview will not identify HOW they will do it. This is the domain of employee profiling. Psychometric testing is covered in Chapter 6.

14 **Talking too much during interviews.** Managers tend to 'sell' the benefits of working for their business rather than listening for the benefits the candidate will add to their business.

The above 14 points should scare you into deciding to systemise your hiring practices. This applies irrespective of the size of your business or the roles for which you are recruiting.

I'm a great believer in hiring tough and managing easy!

The three opportunities

As business owners we have three opportunities to do something about our employees' work performance:

❒ **Opportunity 1: Let the poor performer(s) go**

This is an almost impossible task if the poor performance was not initially addressed and several months, or even years, have slipped by. It is also expensive and demoralising for the said individual and those that work with him or her.

Poor performance rarely gets better. Most of us hate conflict and it is too easy to avoid addressing an employee's bad performance. If poor performance is not addressed immediately it will get worse. You will become more frustrated and the employee will glide on thinking they are producing acceptable work.

When the situation is finally addressed, conflict usually escalates and managers are prone to act impulsively. Result, wrongful dismissal and several thousand dollars off the bottom line through a personal grievance claim! You get what you

reward. If you reward poor performance by not addressing it, that behaviour will continue.

❒ **Opportunity 2: Fix the poor performance**

After you hire, can you improve performance with training? My short answer is 'no'. You can't train your way out of a bad hiring decision. You will be throwing good money after bad. If you have hired a poor performer, the sooner you face up to your mistake the less money you will lose. Take a good hard look in the mirror, admit you got it wrong and revert to number one above!

❒ **Opportunity 3. Don't let the bad apple in**

The easiest place to prevent a problem hire is at the front door. If you proceed through a structured hiring system your chances of hiring a horror story will be greatly reduced. You'll also find the process less stressful and more economical in time and money.

People fear what they will lose, rather than what they will gain, so my focus in this book is not about hiring the right people, but rather on avoiding hiring a horror story.

The classic trio

Although getting the right person is critical to the success of any business, most businesses still place heavy reliance on traditional hiring practices, what I call the 'classic selection trio':

❒ **A CV or resumé.** Forget them! At best they will show you only how good a writer the candidate or somebody else is! An Application Form is more efficient, it collects the information you want in a structured manner so you can measure 'apples with apples'. A CV only gives you the information the applicant wants you to have.

It has been estimated that 68% of CVs contain untruths.

❒ **An unstructured interview**

This is nothing more than a basic chit chat, with the employer doing most of the talking! Final judgement will always be based on emotion and 'gut feel'. As of today, promise yourself you have done your last 'coffee bar' interview. Interviews need to be structured and conducted by at least two interviewers.

❒ **A cursory reference check**

This is usually done at the end of the process. At this stage the hiring manager has made up their mind and only listens to the positive comments, dismissing negative issues as being 'able to be dealt with via management and training'. Reference checks become more valid when structured — more in Chapter 9.

Businesses, large and small, shortchange the hiring process because they think a more thorough, comprehensive process will be too costly, or time consuming. When it comes to hiring, the daily pressures of 'getting things done' takes precedence over spending time to apply due diligence to the process.

The cost of hiring the wrong person far exceeds the costs involved in following a comprehensive, systematic hiring process involving sound recruiting, astute screening, a validated employment test, a structured behavioural interview conducted by two or more people, and a diligent reference and/or background check.

Like fishing, if you understand the process, are disciplined and develop your skills, you'll be successful most of the time, not just some of the time. Avoiding hiring the wrong person has a two–way pay–off.

Obviously when the right people are 'on the bus' the business will be more successful because competent people are helping you develop your business strategy, applying the appropriate tactics that will produce the desired outcomes — a healthy

profit margin. Even more exciting is that your employees will be highly motivated because they are successful in a job that allows them to use their knowledge, skills, experience and innate personality characteristics. They are doing something they love and when you love doing what you are doing, you tend to do it well. That's a win–win combination!

The tree analogy

A good visual way to understand the total selection process is by thinking of a tree. The fruits of the tree represent the knowledge, skill and experience to do the job. These three qualities are observable, coachable and trainable and as such, can be tested through a structured interview, responses on the Application Form or CV, through reference/background checking, skills testing and work sample tests.

The fruits of the tree represent what a person CAN do (see Figure 1).

The roots of the tree represent the candidate's values, attitudes, mental ability, motives and personality. These attributes are innate, that is, they are basically developed by the time we are in our late teens. Latest research tells us the child we see at age 3 will be the adult we see at 30, a frightening prospect if you have an unruly 3 year old!

Whilst we may have the ability to adapt our behaviour in specific situations, we will always revert back to 'home base'. The roots can only be tested through valid and reliable psychometric assessment (an employee profile) — such as personality, attitudes and mental ability tests. The roots of the tree represent who the person is. By understanding the roots we get a better understand of knowing HOW the candidate will do the job. Most managers will hire on the fruits, but usually
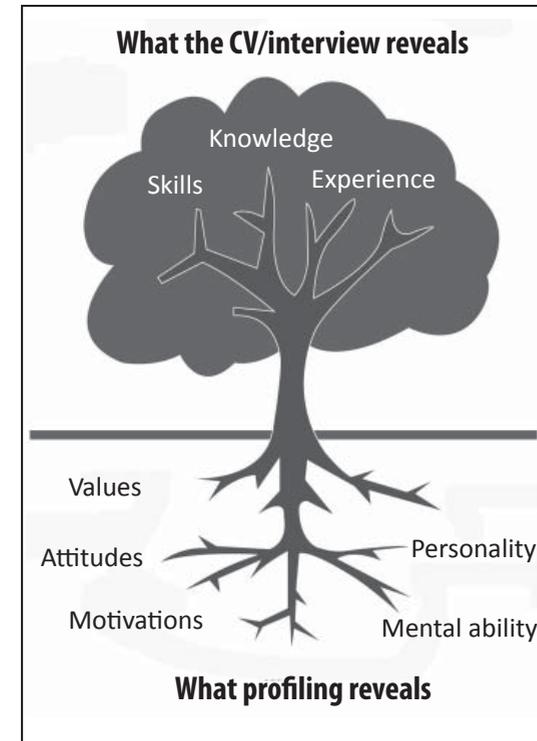

Figure 1: Resumes and interviews show you the fruits, but profiling shows you the roots.

terminate, or have problem employees based on the roots of the tree.

It's all about JOB FIT. Having the right levels of **S**kill, **K**nowledge, **A**ttitudes, **M**ental ability, **P**ersonality and **E**xperience (I have a quick acronym for this, SKAMPE) will ensure the candidate is successful in the role.

This is to the benefit of both the organisation and the potential employee.