

In Search of Competence: Structured Behavior Interviews

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Recent management research has confirmed that the most widely used selection tool, the traditional hiring interview, has only a 15-20 percent chance of accurately predicting job performance. The staffing process in some organizations requires change, and tools now available can make executives and managers more effective in predicting the job performance of potential employees.

The financial impact that a competent versus a marginal performer can have on a corporation can be substantial. On a recently completed staffing assignment for a director of international tax planning, it was estimated that a potential productivity gain of \$3 million in taxes saved over three years could be realized by hiring a highly competent versus an average international tax director.

The more senior the position, the greater the productivity impact from hiring a competent performer. The key is being able to define and measure effective behavior that produces bottom-line results, and to distinguish the average from the highly competent performer in a systematic and defensible staffing process.

LACK OF DUE DILIGENCE: COSTING MILLIONS

Over-selling a position creates an “expectation gap” between reality and what candidates need to hear to accept an offer of employment. The result of this approach is often a high turnover rate.

A mismatch of skills, knowledge, and motivation in a new employee that results in turnover is more expensive than many organizations realize. A benchmark is a cost factor of three to four times salary if the new employee leaves in the first year. In many cases it is a negative return on investment-when you include the staffing and training costs minus the dollar value of accom-

plishments the employee achieved before resigning or being terminated.

Executives and managers may be in a hurry to make a hiring decision so they can get on with leading and managing.

But staffing the corporation is a fundamental part of an executive's role. Racing through the staffing process with little concern for hiring a highly competent versus an average performer will inhibit corporate productivity.

Executives may not have fully thought through key tasks, -responsibilities, and performance measurements in hiring for a new position. In response to this challenge, executives sometimes suggest that new employees write their own position descriptions after they are hired. This approach carries a number of dangers. If the skills, knowledge, and other behaviors required to be effective in the position are not well defined, there is no framework from which to accurately predict job performance when hiring.

This lack of due diligence occurs at all levels in the corporation. Patricia O'Toole, author of *Corporate Messiah* (1985), notes, “Eager to find a hero, the board search committee often puts more energy into persuading the candidate to take the position than in considering how well he/she will mesh with the organization.”

Without the ability to accurately differentiate the average from the highly competent performer in a defensible candidate assessment process, some executive search firms are providing little

Structured Behavior Interviews give executives a better picture of the competence of job candidates than other types of selection procedures.

Figure 1
Ability to Predict Job Performance Based on a Review
of Published and Unpublished Research Studies

Selection Tools	Mean Predictive Validity
1) Traditional One-on-One Interview	.20
2) Reference Check	.26
3) Assessment Centers	.36
4) Traditional Board Interview	.37
5) Cognitive Ability Testing	.53
6) Structured Behavior Interview	.70

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more than an introduction service. Few executive search firms and internal human resource departments are equipped to provide qualified expertise in position analysis, job design, and job-related behavioral assessment of candidates.

Peter Drucker's observation (1986) about "picking people" is an accurate reflection of today's hiring practices:

Executives spend more time on managing people and making people decisions than on anything else. And yet by and large they make poor promotion and staffing decisions. By all accounts their batting average is no better than .333. In no other area of management would we

put up with such miserable performance. Indeed we need not and should not, because in no other area of management do we know so much.

UNSTRUCTURED INTERVIEW:
POOR PREDICTOR OF JOB PERFORMANCE

Despite its limitations, the traditional selection interview is the most widely used method for staffing a corporation. Research by numerous industrial psychologists shows a validity coefficient for the unstructured one-on-one interview for predicting job performance in a .15 to .20 range. This means the ability to predict job performance is very low.

Some candidates who present very well in an interview don't perform effectively on the job. Some candidates who present poorly in an interview and are dismissed on the basis of presentation, race, or gender would be superior performers if hired. When reflecting upon a completed interview, executives sometimes feel they do not have enough specific information to accurately predict an individual's performance, so they use their gut feel.

Figure 1 is a review of the most recent research on predicting job performance. Although the predictive validities are statistical averages and should be interpreted as such, they do provide an overview of what we know about different tools for predicting job performance.

Recent research by industrial psychologists has investigated the impact of a structured behavior-based interview, with the structure being guided by a formal position analysis of the job to be filled. This selection method, known as Structured Behavior Interviewing, has been empirically validated and produced validity results in predicting job performance in a .55 to .70 range. This is higher than either psychological testing (.53) or assessment centers (.36). It gives the line executive a selection tool that can effectively predict performance without the awkwardness, time, or cost involved in requiring a potential candidate or applicant to undertake a battery of tests or a two-day assessment center.

Research on assessment centers published in the *Journal of Applied Psychology* (1987) indicated that a management assessment center is a better technique for predicting management potential (mean predictive validity .53) than for predicting actual job performance (mean predictive validity .36). To accurately predict job performance we need to measure results and the behavior that produced those results.

The basis for building a Structured Behavior Interview format is a Strategic Position Analysis. The first step in a Strategic Position Analysis is to identify the key performance measures for the

Figure 2
Performance Dimensions

LEADERSHIP SKILLS

Vision
Values Building
Environmental Scanning
Strategic Planning
Establishing Goals and Objectives
Policy Setting
Strategic Issues Management
Crisis Management
Change Management
External Relations and Media Control
Cultivating Networks
Agenda Setting
Empowerment
Risk Assessment
Bureaucracy - Busting

MANAGEMENT SKILLS

Organization Design
Job Design
Management Systems Design
Project / Task Force Management
Information Technology Integration
Staffing (Hiring, Firing, and Promoting)
Coaching and Developing People
Mentoring
Planning and Organizing (7 levels)
Team Building
Motivating and Delegating
Performance Appraisal
Budgeting and Resource Allocation
Priority Setting
Time Management
Meeting/Committee Management
Attention to Detail and Follow-up
Administrating
Consulting

COGNITIVE SKILLS

Information Evaluation and Synthesis
Innovation and Lateral Thinking
Creativity
Conceptual Thinking
Financial and Quantitative Analysis
Resourcefulness
Opportunity Identification and Analysis
Problem Identification and Analysis
Intuition
Problem Solving (7 levels of complexity)
Decision Making (7 levels of complexity)

INTERPERSONAL SKILLS

Conflict and Confrontation Resolution
Consensus Building
Relationship Building
Influence
Selling
Negotiating
Awareness, Sensitivity, and Empathy
Political

COMMUNICATION SKILLS

Media Selection
Oral Communication
Presentation
Written Communication
Informing
Probing
Listening
Feedback

OCCUPATIONAL KNOWLEDGE

International Business
Industry
Organization
Functional Area
Job Specific

TRANSITION ABILITY

Managing Task Complexity (8 levels)
Stress and Pressure Tolerance
Ambiguity Tolerance
Managing Uncertainty
Willingness and Capacity to Learn
Personal Flexibility
Shifting Perspective

MOTIVATION & VALUES

Job Satisfaction
Job Dissatisfaction
Results versus Politics and People
Competitiveness
Proactive and Opportunistic
Risk Taking
Confidence
Roll up the Sleeves Attitude
Sense of Urgency
Energy Level and Stamina
Personal Drive and Ambition
Discipline and Effectiveness
Realism of Expectations and Ego
Humility
Ethics, Integrity, and Trust
Need For Control or Power
Need For Autonomy
Accountability
Sense of Humor

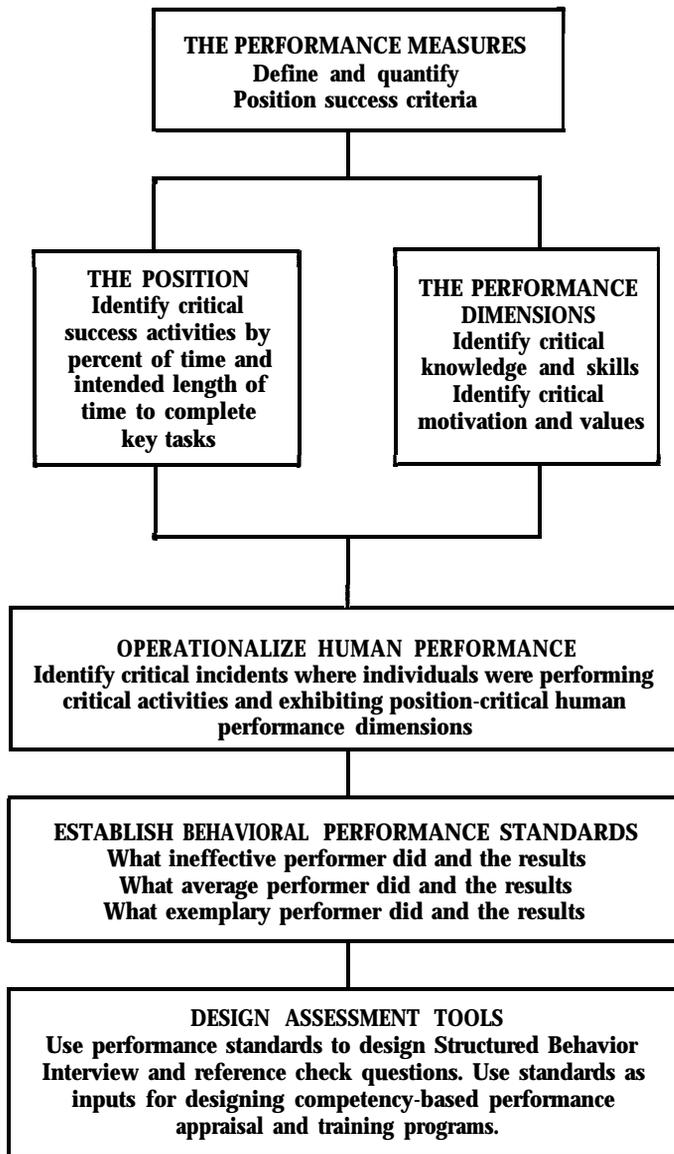
position. This includes results you want and the critical success factors that will tell you the results were accomplished. The second step is to identify critical success activities and the estimated percent of time spent on those activities that will lead to successful performance. The third step is to match performance dimensions to tasks. These include leadership and management skills, cognitive skills, interpersonal skills, communication skills, occupational knowledge, transition ability, motivation, and values.

Figure 2 is a job aid that presents more than 90 performance dimensions that may be critical to job performance and success. The important task is identifying and prioritizing the appropriate performance dimensions into two or three groups based on how critical the dimensions are to position effectiveness.

Identifying the essential performance dimensions can be difficult. Focusing too much on occupational knowledge and failing to identify the most important leadership and management skills for executive level positions is a common error. Not assessing transition ability for individuals who will manage a merger or acquisition has led to selection mistakes. Hiring individuals who have the appropriate knowledge and skills but lack the required motivation and value dimensions has resulted in new employees not fitting in.

The next step is to operationalize the task and performance dimensions into human behavior. Exemplary performers or managers of exemplary performers identify critical incidents in which an individual performed a key task and exhibited one or more of the performance di-

Figure 3
Strategic Position Analysis



mensions. What the individual did, how he or she did it, and the results are all identified. Behavior is then ranked as ineffective, average, or exemplary, establishing an approximate behavior-based guide for rating performance.

Two exemplary performers in the same position may not agree completely on which dimensions are important and how they would rank them. Those dimensions where there is consensus of high priority for job effectiveness are placed into the first group of position performance dimensions.

Structured Behavior Interview questions are then designed based upon the most important tasks, performance dimensions, and observed behavior that has led to exemplary, average, and ineffective performance in the specific position being analyzed. Other dimensions ranked important but not put into group one (highest importance) may be used as assessment criteria in further Structured Behavior Interviews or structured reference checks.

The position analysis can be undertaken in an informal manner when hiring for a single position. When hiring for a job family with numerous employees in the same position (such as regional sales manager, production manager, loan officer, underwriter) a more formal approach can be used, resulting in consistency of hiring across the corporation.

As an example, a strategic position analysis was undertaken for a director of international tax planning (see **Figure 3**). Success measurements for the position were defined. Identified were critical tasks and effective skills, knowledge, and other behaviors that a highly competent international tax director would exhibit over an average international tax director.

The vice president of finance expects the six-person tax department to save the corporation at least \$10 million a year in tax liability. The client conservatively estimated the amount that both the highly competent and the average international tax director could save the corporation in each of the first three years. The net present value of estimated tax savings for the average international tax director was \$3,500,000 as compared to the highly competent international tax director at \$7,000,000 on the same single headcount investment.

Specific behavior events that led to superior performance, as identified in the position analysis, included the ability to: quickly recall specific technical tax information, communicate difficult tax concepts to senior management, verify information before making a tax proposal, and achieve buy-in from line managers in implementing new tax strategies.

The effective skills, knowledge, and other behaviors identified in the formal position analysis then formed the framework of the Structured Behavior Interviews.

The ability to identify, differentiate, and attract the highly competent international tax director versus the average tax director would have measurable impact on the bottom line. The result was that the staffing process is now more measurable. The hiring decision is easier because the line manager knows exactly what performance dimensions lead to job success and what questions need to be asked to accurately assess the competence of candidates.

NEW SKILLS AND COMMITMENT

Structured Behavior Interviewing requires new skills in formal job task-behavior analysis and interviewing. Job evaluation for compensation purposes is very different and should not be confused with job task-behavior analysis. Hiring employees who have demonstrated job-specific effective behavior that results in competent performance is what will positively impact productivity and profits and reduce the chance of a hiring error.

Structured Behavior Interviewing has a number of applications. For example, the skills and knowledge required to lead a market-driven versus a product-driven competitive strategy are different. Structured Behavior Interviewing can select and match executives and managers to the knowledge, skills, and other behaviors required to effectively implement specific corporate strategies.

This assessment technique can also be a powerful tool in managing internal selection during a downsizing or merger. When there is competition among senior executives and managers for similar positions, this systematic and defensible approach will ensure that the most productive employees are retained.

The Structured Behavior Interview may also be used as an assessment tool for succession planning. Based on standards of performance established by the corporation, this assessment approach can identify areas of both strength and development for managers and executives. The results of the Structured Behavior Interview for succession planning are further validated by information gathered through performance appraisals and discussions with peers, superiors, and subordinates. This assessment technique is complementary to assessment centers, less expensive to administer, and has higher predictive validity.

As a validated and defensible selection method, the Structured Behavior Interview will also meet corporate needs in implementing selection systems for equal opportunity employment. The courts have established legal precedent in requiring that a formal job analysis be conducted to define the most important job performance dimensions that should be formally assessed and measured when hiring.

No one selection tool should be seen as a panacea for hiring decision makers. But the use of the Structured Behavior Interview, combined with thorough reference checks

based on job-related performance dimensions, can result in superior selection decisions that can positively affect your bottom line.

For the executive really interested in corporate productivity, and return on management investment (ROMI), Structured Behavior Interviewing will have appeal. There may be some resistance to the Structured Behavior Interviewing approach because it requires time and new skills. What will be required is commitment from the top to change the behavior of executives who are unaware of the negative ROMI and the productivity impact of staffing decisions that do not differentiate between the average and highly competent, motivated performer. □

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