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In today's highly competitive climate, organisational survival and growth are dependent upon attracting, recruiting and retaining quality people. Companies that are adept at identifying the people who will be high performers in their organisations have a tremendous advantage. This is, of course, easier said than done. Statistically, the most conservative estimate is that poor performers or "miss-hires" cost at least a third of their salary in the first year. Redoing work, poor decisions, managing crises and unhappy co-workers can mean that a poor performer can cost you up to four times their salary for every year you keep them. (*Smart, 1999*)

Yet there are steps you can take to increase your chances of hiring the right person for the right job, at any organisational level. This discussion paper is aimed at capturing some of the key principles, practices and lessons that we have learned from working with dozens of organisations, many market leaders in their industries. This paper specifically centres on graduate hires.

The first part of this paper looks at how organisations can avoid miss-hires by putting in place effective selection systems. We examine the key elements of all efficient selection systems including the use of competencies, which are the building blocks of job performance. The paper then focuses on winning strategies for attracting and retaining graduate talent.

This paper is not intended to be used as a remedial manual, or a prescriptive tome. It is intended to be used as a source of information that facilitates informed discussion and dialogue.

## Recruitment ... how to avoid miss-hires

The selection of a new graduate or an experienced hire is a major investment for your organisation. Research has shown that most companies are only doing a mediocre job at recruiting, with some 32-50 percent of hires being rated as unacceptable (*Smart, 1999*). Recruitment and selection is clearly an area that needs attention.

Companies that understand and apply the principles of effective selection systems are improving their recruitment decisions and ensuring that they 'get it right'. Successful selection systems have three major elements:

- Accuracy
- Equity
- Buy-in

**Accuracy** is the ability of your selection process to predict a candidate's job performance. There is an abundance of research that has shown that 'psychometric assessment is four times more valid than interviewing as a basis of recruitment' and 'using cognitive tests alone will result in an average increase in productivity among new hirers of 9.7 percent'. (*Schmidt & Hunter, 1992*)

**Equity** is the assurance that your selection system gives every qualified candidate a fair and equal chance to be selected. An equitable selection system is based on valid requirements that are applied consistently, uses the same job-related hiring standards for all candidates and screens out candidates for job-related reasons only.

**Buy-in** is the extent to which the candidates involved in the selection process perceive its worth. Candidates buy into a selection system if their time during the selection process is well spent, if they benefit by going through the selection process regardless of the outcome (by gaining insight into their strengths and development needs)

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through the provision of comprehensive feedback), and if the image of the organisation and the dignity of all candidates is preserved.

## Overcoming a common selection problem

One of the most common selection problems that companies experience is that they have not discovered the mission-critical competencies and attributes required for effective performers in given positions. That is, they have not developed a blueprint for success. Companies may have a rigorous recruitment strategy in place but if they have not developed a profile of what they are looking for in their employees, then chances are that their selection processes are well and truly missing the mark.

The first step in an effective selection system is to determine the requirements of the job, or what constitutes success in the role. The following questions are particularly helpful in understanding the dimensions or competencies in a role:

*One of the most common selection problems that companies experience is that they have not discovered the mission-critical competencies and attributes required for effective performers in given positions...*

- What has made the difference between people who have succeeded in this role in the past versus those who have not done so well? Think of examples of what an individual did or did not do.
- Why did the last person leave the role?
- Think about someone who does the job well. What do they do? Come up with examples.
- Think about someone who has done the job poorly. What did they do? Do you have some examples?
- What are the challenges that an individual may face and need to overcome to be effective in the role?

## Competencies

When using assessment it is vital to be equipped with a clear understanding of the competencies, qualities and attributes that are essential for success in a role both immediately and more importantly in the future. If this is not done effectively, then the assessment may be focused on areas that may not be critical to success.

The competencies are an integral part of the selection process. They ensure that:

- All candidates have a fair and reasonable opportunity to demonstrate their 'fit' to the criteria; and
- Reliable and valid methods are used to gather data against the job related competencies, as well as using objective and balanced decision making.

*...the very best graduates will always be choosing between competing offers.*

Equipped with a clear understanding of the competencies, qualities and attributes that drive effective behaviour on the job, assessment is then undertaken to help understand the extent and nature of the gap between actual and desired capability.

## Winning strategies for graduate recruitment

With so many graduate opportunities available to students today, recruiting top talent that fits your organisation isn't always easy. Furthermore, the very best graduates will always be choosing between competing offers, receiving anywhere from 3 to 5 job offers. To get to the best talent, a well thought out selection strategy is vital. We have broken the process down into four major components:

| Defining your graduate success profile  | Developing your sourcing and attraction strategies  | Developing your recruitment and selection strategies  | Developing your retention strategies   |
|---|---|---|--|
| <p><b>Defining what a top performing graduate looks like:</b></p> <ul style="list-style-type: none"> <li>▪ Determine key skills, experience, knowledge and attributes</li> <li>▪ Involve key stakeholders (HR, line management) in the development of the graduate profile</li> <li>▪ Define the graduate competencies</li> </ul> | <p><b>Comprehensive marketing strategy to attract top graduates:</b></p> <ul style="list-style-type: none"> <li>▪ Market to graduates through a variety of channels</li> <li>▪ Have a clear idea of your value proposition and what sets you apart from your competitors</li> <li>▪ Up-date your company website to include information on your graduate program</li> </ul> | <p><b>Design a well integrated and valid recruitment and selection process:</b></p> <ul style="list-style-type: none"> <li>▪ Develop a competency matrix</li> <li>▪ Consider the use of technology to help sift large volumes of applications</li> <li>▪ Choose well researched and validated assessment tools</li> <li>▪ Ensure the data is integrated</li> <li>▪ Implement a candidate care policy</li> </ul> | <p><b>Leveraging new graduates potential:</b></p> <ul style="list-style-type: none"> <li>▪ Implement systems that will develop talent</li> <li>▪ Commit to professional development</li> <li>▪ Consider a formal mentoring system</li> </ul> |

## Defining Your Graduate Success Profile

As previously discussed, prior to embarking on a graduate recruitment campaign it is essential to have a clear idea of what a top performing graduate looks like – “what are the key skills, attributes and abilities that will lead to successful performance in the role?”, “What type of graduate will fit your culture, values and team?” and “What are the factors that may prevent a graduate from performing in your environment?”. Clarity around these issues has obvious and significant implications in terms of the recruitment and retention of your graduates.

The competencies that are necessary for success on the graduate program and in your organisation should be driven by business needs, reflect your culture and values and be assessable, easily managed and prioritised.

Gaining the buy-in and commitment of key line and senior management to the development of the competencies and the graduate program is critical to ensure support and to raise the profile of graduates within the organisation.

Competency-based recruitment and selection ensures that the process:

- Accurately targets the critical capabilities and attributes required for effective performance in the role (accuracy);
- Ensures all applicants have a fair and reasonable opportunity to demonstrate their 'fit' to the criteria (equity); and
- Uses reliable and valid methods to gather data against the job related competencies, as well as using objective and balanced decision making (objective and legally defensible).

Below is an example of a competency:

|  |  |
|--|--|
| <b>TEAMWORK</b>  | <i>Actively participating as a member of a team to help ensure that the team and organisation achieves their objectives.</i> |
| <p><b>Behavioural Indicators</b></p> <p><b>Involves Others:</b> Asks for help from colleagues and offers to help others when appropriate; involves others in decision making process by asking for their input.</p> <p><b>Shares Information:</b> Shares relevant information with colleagues.</p> <p><b>Recognises Others:</b> Acknowledges and appreciates colleagues by demonstrating an understanding of their situation; praising the efforts of others and responding with empathy when others experience frustration or difficulties.</p> |  |

## Developing Your Sourcing and Attraction Strategies

**Sourcing of Candidates:** Placing all your eggs in one basket is not a good strategy to adopt when sourcing candidates. You should promote your company and graduate opportunities in a wide variety of ways. Not only do you need to understand *how* to communicate to the student market, you should also consider the best ways to communicate to them. For example, communication may include the following: print advertising- national print, graduate opportunity handbooks; career and university web-sites; virtual careers fairs; CD-ROMs; social networking sites; creative branding; and work experience promotion.

A targeted sourcing and advertising strategy can also serve to promote your image to future graduates as an organisation serious about selecting the right people. As discussed in the next section of this paper, candidates should be directed to your company's website, where they can not only apply but also find out relevant and realistic information on the graduate opportunities that you are offering.

**Attracting Candidates:** Of course recruitment is always a two-way process. Top graduates can afford to be selective in their choice of a graduate program and organisation as they are usually presented with competing offers. As such, you must have a clear idea of your *value proposition* - what you can offer graduates.

Having an attractive value proposition and promoting yourself as an *employer of choice* is critical to attracting the right graduates to the business. Think about appealing to the RIGHT candidate - and discouraging those with the wrong fit for your organisation. Receiving thousands of applications may not necessarily be a good thing if you are not attracting the right type of candidate.

Key questions to consider are:

- What does your target market want?
- What will attract them to your graduate program?
- What sets your graduate program apart from your competitors?

In order to attract high calibre graduates to your organisation you should be able to clearly articulate:

- Your organisational values, culture and operating style;
- Career opportunities and professional development; and
- Involvement of senior management in the graduate program, e.g. mentoring.

## Developing Your Recruitment and Selection Strategies

As discussed in previous sections of this paper, increasing the effectiveness of the selection process can deliver tremendous gains. Not only does a robust selection process reduce the risk of the wrong hiring decision (the Financial Review reported only a few years ago that one in three hiring decisions are considered incorrect), it also increases the likelihood of being able to differentiate the high performers from the average performers.

One of the greatest challenges faced by organisations receiving large volumes of applications for their graduate recruitment program, is selecting an efficient, cost-effective and valid process for screening large volumes of candidates up-front. This is vital to ensure that only the highest calibre individuals make it through to the latter (often more costly and time consuming) stages of the recruitment and selection process.

### Use of Technology

To overcome this challenge, many organisations are looking to the internet to assist in the recruitment and selection of candidates, particularly in steering candidates through the initial screening stages far more quickly and cost effectively. In fact, in 2002, 91% of the Fortune 500 Companies used corporate websites for recruitment of staff. E-recruitment is seen as an ideal way to sift through large volumes of candidates, particularly in graduate recruitment where large corporates are receiving between 5,000 – 7,500 applications. Shell, Orica, Ford Australia, MIM Holdings, Accenture and Westpac are just a few of the top businesses that have added recruitment functionality to their websites. Candidates can go to the company's web-site to apply on-line and to read information about the graduate program.

### The Assessment Process

A wide range of assessment methods are currently being used by graduate employers. Many of these processes are now being delivered on-line which has transformed the way graduates are being recruited. The cost of the assessment process, in terms of both money and time, has been massively reduced, and the outcome in terms of quality of new recruits has been increased. Popular selection methods include the on-line application form, on-line testing and assessment centres.

### On-line Application Forms

On-line application forms are now becoming the norm in graduate recruitment with recent statistics highlighting that as many as 82% of student applications were made on-line in 2002. Basically, the on-line application form allows for the selection of candidates on the basis of how well their skills, experience and preferred working style fits with the requirements of the organisation. The on-line application form is designed to automatically screen out candidates who do not meet the company's minimum selection criteria.

A well constructed on-line application form has several advantages:

- It overcomes the issue of subjective resume culling – biographical information and behavioural preferences are collected in a standardised manner and are scored objectively against actual job requirements;
- It is fast, efficient and accurate – candidate care is maintained and the image of your organisation is enhanced as correspondence with candidates is timely; and
- Generally, only those candidates who are interested and motivated will take the time to complete the application thereby reducing the number of applications received.

There are a number of 'musts' that need to be considered when designing an on-line application form.

Applications must:

- Be focused on specific competencies;
- Be quick to complete (15-30 minutes maximum to apply);
- Have the ability for the candidate to log out and come back later;
- Be user-friendly, simple and easy to navigate;
- Have the ability for the candidate to attach a resume;
- Allow the candidate access to their personal details after the closing date; and
- Include timely on-line candidate feedback.

Application forms usually consist of a combination of biographical or biodata questions (scoreable information) and competency based questions. Companies are also now using the application form as a self selection tool. That is, businesses are including **self-selection questions** to help pre-qualify the applicants before they start the application form. Examples include: "Are you an Australian citizen or permanent resident?", "Are your qualifications from an Australian University?", and "Are you prepared to travel in your job?".

**Biodata** is a unique behavioural selection method that measures candidate experiences in competency-related tasks and activities. Biodata provides a cost-effective and time-efficient method of identifying candidates with relevant competencies and experience. (*Allworth & Hesketh, 1999*). Of particular interest to organisations who receive large volumes of applications is that including biodata questions in an application form removes the need for someone to analyse and evaluate open-ended responses and resumes of candidates who do not meet the set criteria for selection to the next stage of the process. Biographical questions might revolve around university degree type, university results, leadership positions held and work experience.

The application form may then include a number of **competency based questions**. Responses are normally via free text boxes with limited space in which to answer. The responses are then assessed manually, but only for those candidates who meet the set criteria in the biodata section.

### On-line Testing

The use of technology in the initial recruitment and screening stages has extended to on-line cognitive ability testing. This presents a cost and time effective method of screening large numbers of candidates. Before on-line testing was introduced candidates had to come to the company's offices for testing. Travel costs as well as the time commitment was therefore considerable.

By assessing reasoning skills up-front (e.g. verbal and numerical critical reasoning), organisations can be certain that only those candidates with the intellectual capacity to handle the learning and problem solving demands of the graduate role are progressing to the latter stages of the selection process. It is now becoming a very important part of the selection process as these skills are highly relevant for graduates working in a variety of roles.

A concern for organisations is determining whether the actual candidate has completed the tests, or whether they have accessed additional help, perhaps in the form of a 'brains trust'! To counter this, candidates are made aware that the results will be validated when they complete full versions of the assessments at the

assessment centre stage. This minimises the 'risk of cheating'. When combined with candidate ID numbers and password protected access, this helps to ensure that it is the candidate who is actually completing the test.

A number of studies conducted by SHL show positive correlations between candidate performance on these on-line ability tests and performance on the tests at the assessment centre stage. By using ability testing up-front, you are able to present candidates at the assessment centre who perform at the required benchmarked percentile on standard graduate ability level tests.

After evaluation of the test results and application form, the best candidates are quickly identified and invited to the next stage of the selection process. For many companies this involves an assessment centre.

### Assessment Centres

Research suggests that a combination of assessment tools provides organisations with rich and reliable information around which they can make accurate and effective selection decisions. This is known as the Assessment Centre Method. The approach is based on the application of a range of exercises (e.g. group

| Assessment Validity                   |           |
|---------------------------------------|-----------|
| Assessment Method                     | Validity  |
| Assessment Centres (with simulations) | 0.65      |
| Behavioural Interview <sup>1</sup>    | 0.40-0.61 |
| Work Sample Tests                     | 0.54      |
| Ability Tests <sup>2</sup>            | 0.53      |
| Modern Personality Tests              | 0.39      |
| Biodata                               | 0.38      |
| References                            | 0.23      |
| Traditional Interviews                | 0.05-0.19 |

<sup>1</sup> Dependant on number of interviews, integration process and structure  
<sup>2</sup> Where specific to job requirements

*Source: British Psychological Society/Accord Group*

discussion, role plays, written exercises) and psychometric tools from which the data is integrated and reported back against pre-determined competencies. As shown in the diagram on the following page, assessment centres, when properly constructed, provide accurate information with a high level of predictive validity.

Many leading Australian companies have used and are still using this method including:

- |                         |                          |
|-------------------------|--------------------------|
| Telstra                 | Nestle                   |
| General Motors          | Lend Lease               |
| National Australia Bank | Citigroup                |
| Commonwealth Bank       | AMP                      |
| Australia Post          | Toyota Motor Corporation |
| ANZ                     | Vodafone                 |
| BOC                     | UBS Warburg              |

## Why use assessment centres?

Although assessment centres can require a significant investment in time and resources, they present distinct advantages over and above the use of single methods such as an interview or the sole use of psychometric assessment. For example, some people interview well, while others are good at tests. The length and intensity of an assessment centre can 'get behind the front a candidate presents' to obtain a more accurate assessment of their true qualities and abilities.

Many of the advantages surrounding validity and equity have been discussed in previous sections of this paper. However, from a candidate and organisational perspective, several key advantages and benefits should be noted.

### Candidates:

- Perceive the process as fair and equitable;
- Are provided with the opportunity to demonstrate their skills in a practical manner;
- Gain an insight into the organisation and the graduate program;
- Have an opportunity to meet with current graduates and management; and
- Gain a realistic insight into their strengths and development areas through the assessment process itself, and the provision of feedback.

### Organisations:

- Ensure their selection decisions are legally defensible and based on fair and objective assessment;
- Promote their image as an attractive employer and one willing to invest in people;
- Have an opportunity to market their graduate program to candidates – including presentations during the assessment centre and informal mingling sessions;
- Can achieve cost effectiveness through the ability to assess large numbers of candidates in groups;
- Can reduce costly recruitment mistakes by using valid assessment techniques that assists them identify top performers;
- Can involve line management in the assessment centre, thereby increasing their buy-in to the process and to final selection decisions.

## Developing Your Retention Strategies

Companies who have high graduate retention are those organisations that understand what drives their graduates. Once the graduates are recruited, the focus shifts to keeping them satisfied and developing their talent. Some successful strategies employed by leading graduate employers include:

Providing challenging and meaningful work that taps into the graduate's individual talents and creates opportunities where they can learn;

- Educating their managers to take responsibility for cultivating the talent of the new graduates;
- Committing to professional development and providing coaches and mentors;
- Establishing 'buddy' systems;
- Providing meaningful support;
- Providing clear pathways for advancement;
- Proactively fostering social ties with the company; and
- Offering secondments to clients or other external companies.