

executivesummary

Recruitment and Selection

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In partnership with:



ELECTRONIC RECRUITING EXCHANGE
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Part I: Overview

Purpose

The objectives of this study were to:

- Identify general practices organizations use to recruit and select employees.
- Determine which recruitment and selection practices are most effective.
- Determine how the practices affect organizational outcomes.

DDI collected data from 573 members of the Electronic Recruiting Exchange. Most respondents performed functions related to the recruitment and selection of employees. They were asked to respond to questions related to the following issues:

- Profile of recruitment and selection strategies.
- Use of specific recruitment and selection practices.
- Barriers to effective recruitment and selection.
- Outcomes of recruitment and selection practices.

Definition

This report focuses on recruiting and selecting individuals for employment in an organization. Recruitment is the process of identifying and attracting a group of potential candidates from within and outside the organization to evaluate for

employment. Once these candidates are identified, the process of selecting appropriate employees for employment can begin. This means collecting, measuring, and evaluating information about candidates' qualifications for specified positions. Organizations use these practices to increase the likelihood of hiring individuals who have the right skills and abilities to be successful in the target job.

General Profile

Finding 1: When filling a mid- or senior-level leadership position, organizations are more likely to hire an external candidate than an internal candidate.

- In general, external candidates were selected more often than internal candidates. External candidates sometimes bring skills that cannot be found within the organization's current workforce.
- In organizations filling a greater number of positions, the percentage of mid- and senior-level positions filled by internal candidates increases (see Figure 1). Those organizations filling more positions (i.e., larger organizations) might have a better chance of finding qualified candidates within their current workforce. Additionally, larger organizations might be more likely to have well-defined succession management systems to prepare internal candidates for promotion.

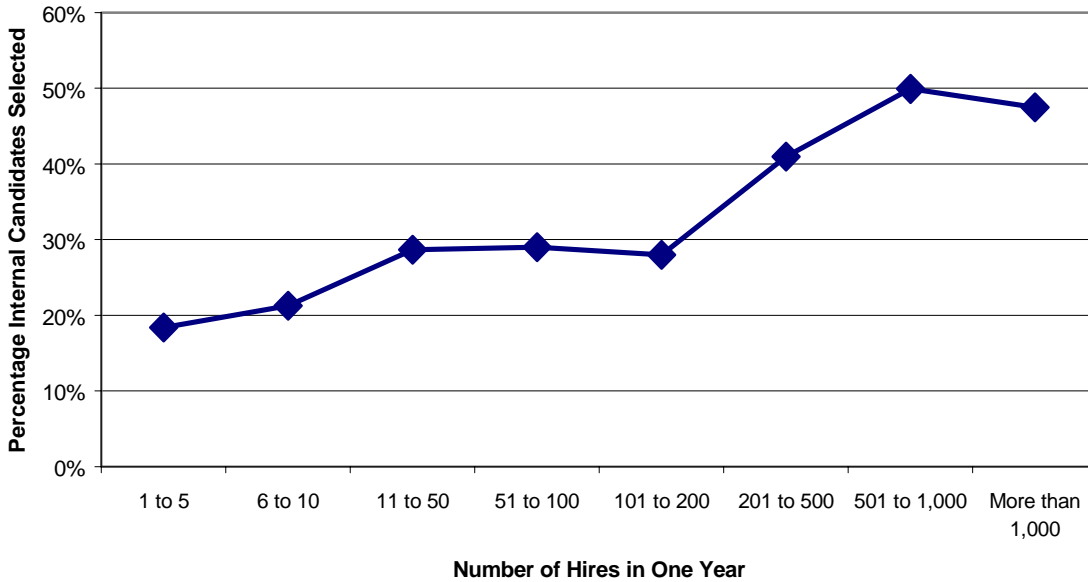
Finding 2: Most organizations plan to increase the money spent on both recruiting and selecting candidates.

- On average, 33 percent of organizations' HR budget is allocated specifically to recruitment and 18 percent is allocated specifically to selection.

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Figure 1: Percentage of Leadership Positions Filled by Internal Candidates



- Over the next two years, most organizations will increase the amount of money they will spend on recruitment and selection. When adjusting for normal increases due to cost inflation, 31 percent of organizations plan to increase spending for recruitment and 22 percent for selection.
- Almost half the respondents (46 percent) indicated that it is easier to recruit people today compared to one year ago. Less than one quarter (22 percent) feel that recruiting has become more difficult.

Finding 3: In the next year, organizations are likely to change their approach to recruitment. Selection practices are not likely to change.

- Overall, organizations perceive their approach to recruitment (mean = 6.9) and selection (mean = 6.6) to be only moderately effective. Ratings were made using a 10-point scale (1 being not at all effective; 10 being extremely effective).
- Figures 2a and 2b show that about one-third (39 percent) of the organizations in our sample plan to significantly change their current approach to recruitment. They were much less likely to change their approach to selection (26 percent).

Figure 2a: Change Recruitment Approach in Next Two Years?

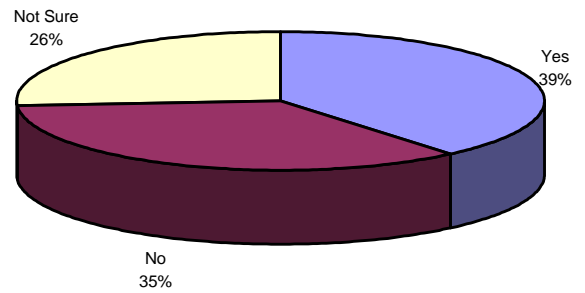
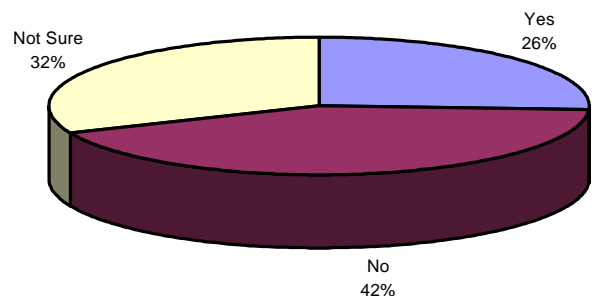


Figure 2b: Change Selection Approach in Next Two Years?



Part II: Recruitment

Strategies

Organizations tailor their recruitment strategies to the specific position(s) they are seeking to fill. These strategies may differ depending on the level of the position. The survey asked respondents what strategies they use and the level of effectiveness. Table 1 lists the percentage of organizations using each of the listed strategies, as well as the average effectiveness of each.

Finding 4: The Internet and employee referrals are the most popular and effective methods for recruiting.

The Internet allows organizations to reach large numbers of candidates easily and efficiently. Thousands of candidates can visit a company web site and submit an application. Similarly, web-based recruiting companies work with organizations to advertise jobs and screen candidates. Although job and company web sites are becoming hot new tools,

Table 1. Use and effectiveness of various recruitment strategies

Advertisements	Percent Using Practice	Average Effectiveness*
Internet (e.g., bulletin or job boards)	90	2.59
Local newspapers	64	1.77
Trade publications and magazines	51	1.81
National newspapers	29	1.48
Direct mail	25	1.73
TV or radio	21	1.60
Movie screens	7	1.22
Agencies or Services		
Employment agencies	60	2.03
Temp agencies	52	1.96
Government employment services	28	1.47
School/College/Community		
Job fairs	66	1.83
College recruiting	59	2.16
School-to-work partnerships/internships	42	2.08
Targeted minority recruiting (e.g., NAACP, minority colleges/organizations)	40	1.74
Partnerships with community organizations	35	1.79
Military recruiting	23	1.76
Retiree job banks	12	1.52
Professional Associations		
Professional organizations	60	2.05
Professional conferences	52	1.97
Internal Resources		
Employee referrals	90	2.57
Company's web site	88	2.26
Internal job postings	78	2.23
Walk-ins, unsolicited resumes	67	1.48
Toll-free number	33	1.58
Other	10	2.58

*Note: 1 = Not Effective; 2 = Moderately Effective; 3 = Very Effective

traditional recruiting methods such as employee referrals are not yet obsolete. Newspapers, job fairs, and professional organizations continue to be preferred methods and are used by well over half the survey respondents.

Finding 5: Organizations rely heavily on internal resources when recruiting candidates.

Overwhelmingly, organizations rely on internal job postings and employee referrals to recruit candidates. Many companies also post job openings on the company's web site to attract candidates. These are relatively easy, yet very effective ways to identify candidates both in and outside of the company. In addition, posting jobs internally is an excellent method of offering promotion opportunities to all employees and minimizing employee complaints of unfair treatment and unlawful discrimination.

Part III: Selection

Current Selection Practices

Organizations use a variety of practices to select their employees. The survey asked respondents to estimate how often they currently use several practices to evaluate candidates in the selection process. Table 2 indicates the percentage of organizations currently using each practice.

Finding 6: Nearly all organizations use resumes and applications as part of the selection process.

The first step in most selection processes involves the collection of basic candidate information. Almost all organizations require job candidates to submit a resume and complete a standard application to summarize education and work history.

Finding 7: Behavior-based interviews are widely used in selection systems.

Ninety-four percent of surveyed organizations use behavior-based interviews to at least some extent when selecting employees.

Almost all of the organizations surveyed use behavior-based interviews to some extent as part of their selection process. In structured behavior-based interviews, candidates are asked to describe specific behavioral examples of their skills. A variety of research studies have been conducted comparing the validity of different interviewing techniques. Behavior- or experience-based interviews were found to predict subsequent job performance better than other interviewing techniques (e.g., situational interviews) (Pulakos & Schmitt, 1995). More organizations are opting to perform such structured interviews as part of the selection process to increase the likelihood of hiring candidates who will be successful in the positions.

Finding 8: Applicant testing and assessment are not widely used in organizations.

Less than 30 percent of organizations reported extensive use any testing or assessment method in the selection process.

On average, the majority of respondent organizations do not use any form of assessment or testing. Only three practices were used by more than 50 percent of the respondents:

- Performance/Work sample tests (for example, writing a computer program under structured testing conditions) are used by 58 percent of organizations.
- Knowledge tests (tests that measure job-specific knowledge) are used by 56 percent of organizations.
- Ability tests (mental, clerical, mechanical, physical, or technical) are used by 52 percent of organizations.

Table 2. Organizations currently using each selection practice.

Selection Practices	Not Used	Used Sometimes	Used Extensively
General			
Reference checks	5	23	72
Applications—forms requesting standard, verifiable information (e.g., education or work experience)	12	13	75
Resume screening—manual	30	24	46
Training and experience evaluations—providing a checklist of specific skills and/or experiences	44	39	17
Resume screening—computerized	58	21	21
Biographical data	79	15	6
Testing and assessment			
Drug Tests	56	15	29
Knowledge tests—tests that measure job-specific knowledge	44	40	16
Performance/ Work sample tests—for example, writing a computer program under structured testing conditions	42	45	13
Ability tests—mental, clerical, mechanical, physical, or technical	48	37	15
Motivational fit inventories—candidate preferences for the job, the organization, and location qualities	58	29	13
Assessments—role plays and simulations	57	34	9
Personality inventories—MMPI, Hogan, Myers-Briggs	68	22	10
Integrity tests	86	11	3
Interviews			
Behavior-based interviews—asking candidates to describe specific examples of their skills	6	39	55
Situational interviews—asking candidates to respond to a hypothetical situation	18	46	36
Computer-assisted interviews—a computer screens candidates based on their responses	80	16	5

The selection practices an organization uses depend on the positions to be filled. Selecting candidates for various positions typically requires different practices or methods. Using tests to measure mechanical, clerical, or other types of abilities might be more appropriate for certain jobs (e.g., plumber, administrative assistant) than for others (e.g., manager). Assessments are typically used for assessing critical competencies required for upper-

level positions and might not be appropriate for lower-level jobs (Byham, 1992).

Thus, organizations that use testing as part of the selection process must be sure that the tests are not only appropriate for the positions under consideration, but also that they are valid measures of the knowledge, skills, and abilities for which they are intended

Future Selection Practices

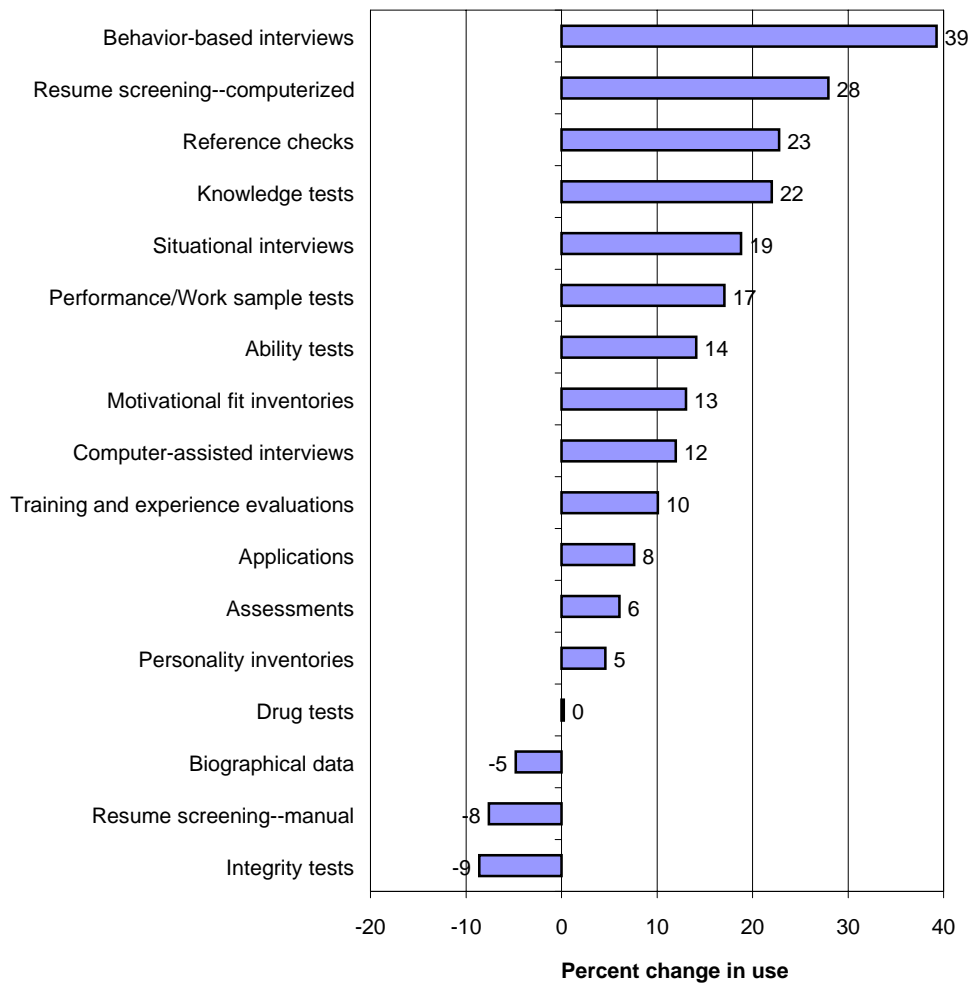
Respondent organizations were asked if they expect to use various selection practices less, about the same, or more over the next three years. Figure 3 shows the net percentage change in use of the practices (i.e., percent indicating more usage use minus percentage indicating less usage).

Finding 9: In the future, organizations will make much greater use of behavior-based interviewing.

Nearly 40 percent of organizations plan to use behavior-based interviews more frequently in the future.

Although most of the surveyed organizations currently use behavior-based interviews to some extent, many plan to use them more frequently in the future. This type of structured interview is applicable to most positions and can be used to validly predict future behavior in competencies critical to success on the job. In addition, this type of interview can have

Figure 3: Future Use of Interview-Based Selection Practices



a positive affect on candidates' attitudes toward an organization. It has been found consistently that the more job-related questions candidates are asked during the interview, the more they are attracted to an organization (Dipboye, 1992). And behavior-based interviews focus on behaviors that are relevant to the target job. Thus, this interviewing technique not only predicts future performance, but is also well received by applicants.

Finding 10: Technology will play a greater role in resume screening and interviewing selection methods.

In the next three years, nearly half of the organizations surveyed will increase their use of computerized resume screening. New technology allows thousands of resumes to be screened in a fraction of the time it takes to screen them manually. Organizations can now receive, store, and review resumes via the computer. Large resume databases can be maintained, and qualified candidates can be identified for specified positions with minimal time and effort. Figure 3 shows that 28 percent more organizations will use computerized resume screening in the next three years.

Additionally, 12 percent will make greater use of computer-assisted interviewing. Computerized selection systems can be used to administer tests and manage data from interviews or other selection tools, thereby streamlining and standardizing the process for collecting information.

Finding 11: In the next three years, organizations will make greater use of testing methods for selection.

Organizations expect to increase their use of various testing and assessment tools in their selection systems. Testing and assessment are structured approaches to assess different skills, abilities, knowledge, or traits and can be used to screen or select applicants for many positions. Although interviews and background information from

reference checks and applications tell us much about job candidates, testing methods can add significant value to the selection process. In the next three years, many organizations will increase their use of knowledge tests (22 percent), performance/work sample tests (17 percent), ability tests (14 percent), and motivational fit inventories (13 percent).

Using standardized measures of skills, abilities, or knowledge can significantly reduce the candidate pool and eliminate those without the minimum qualifications for the job. Work sample tests and assessments are designed to provide candidates with activities that are representative of job tasks. Candidates generally accept these tools as face valid and appropriate for selection. Work sample tests and assessments also give candidates a realistic job preview and can help them determine if the job is right for them.

Best Selection Systems

Respondent organizations were asked to rate the effectiveness of their selection strategy using a 10-point scale (1 being not at all effective; 10 being extremely effective). Then we correlated system effectiveness with use of the various selection practices. The selection practices with significant correlations to overall system effectiveness can be considered best practices overall.

Finding 12: Four practices distinguished effective selection systems from less-effective systems.

Organizations with highly effective selection systems use four practices significantly more extensively than organizations with less-effective systems:

Practice 1: Behavior-Based Interviews

Organizations with highly effective selection systems reported using behavior-based interviews more often than those with less-effective systems. Behavior-based interviews enhance the effectiveness of the selection process by:

- Focusing on job-related behaviors.
- Obtaining accurate behavioral data.
- Using past behavior to predict future behavior.

Practice 2: Motivational Fit Inventories

During the selection process, many organizations focus only on assessing the skills necessary to perform the job. However, skill is only one factor related to job performance. Job motivation and organizational fit also must be taken into consideration (Byham, 1989). A candidate might have all the skills necessary to perform the job tasks, but not be motivated by the factors associated with the particular job or by the company's values and way of doing things. Thus, assessment of these motivations can help identify candidates who not only have the "can do" aspect of the job, but also have the "will do."

Practice 3: Computerized Resume Screening

As mentioned previously, computerized resume screening greatly reduces the time HR professionals must spend sifting through nonstandardized resumes. Now, HR can gather resume data in a standard, computerized format or use special software to scan and process resumes. Large banks of applicant data ensure that when new jobs arise, the database can be easily searched for potential matches.

Practice 4: Training/Experience Evaluations

The premise underlying training and experience (T&E) evaluations is that they assess job-relevant abilities, skills, and motivations. It is assumed that individuals who have successfully performed job-relevant tasks requiring these skills and abilities in the past will also be successful in performing similar tasks in the future. T&E evaluations can be used as a screening device for positions in which previous experience and training are necessary for job

performance. Organizations can use a well-developed T&E evaluations to set minimum qualifications for essential job tasks and skills that are predictive of job performance.

Selection Practices and Outcomes

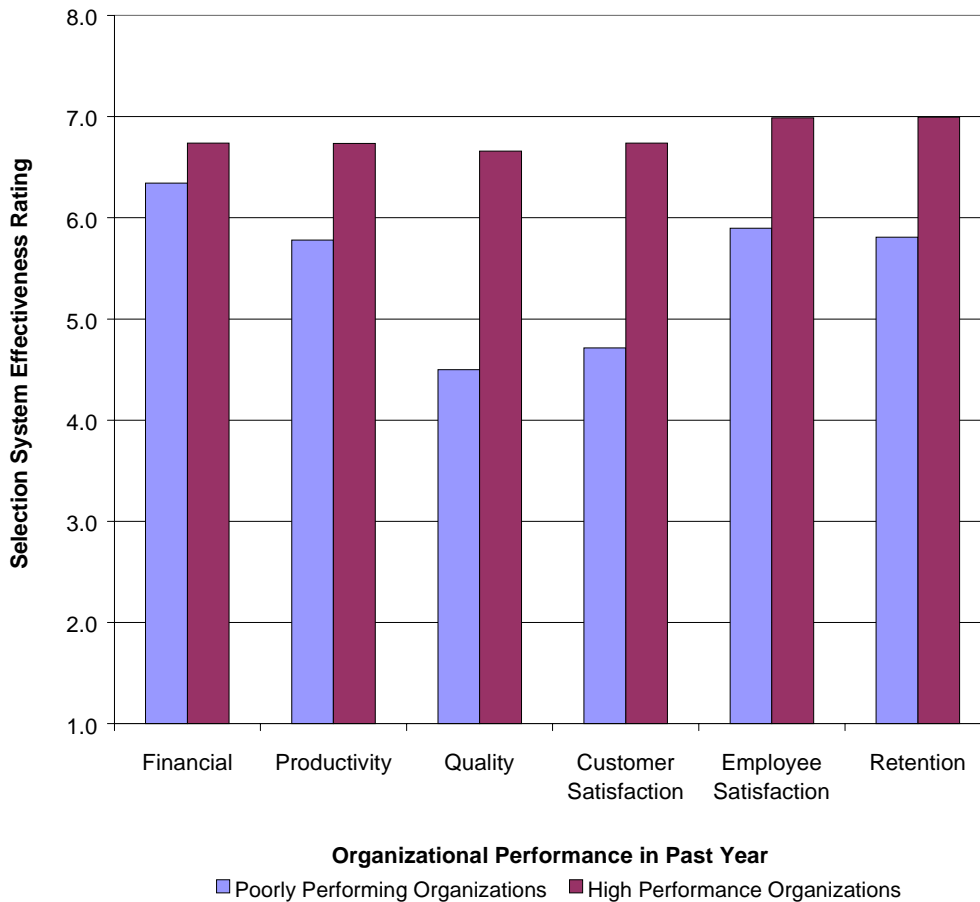
Selection practices might also be linked to organizational success. Survey participants were asked to estimate whether their organization got better, worse, or stayed the same on six key organizational outcomes over the past year (i.e., financial performance, quality of products and services, productivity, customer satisfaction, employee satisfaction, and retention of quality employees). Based on these indices, we tested to see if effectiveness of the selection system was related to organizations' performance in the past year.

Finding 13: Selection system effectiveness was significantly correlated to organizational outcomes.

Analyses revealed that more organizations with highly effective selection systems were significantly more likely to have experienced improvements in business and employee outcomes than organizations with ineffective selection systems (see Figure 4).

Organizations with effective selection systems can better identify and hire employees with the right skills and motivations to succeed in the positions, as well as in the organization. When employees are successful in their jobs, the organization benefits through increased productivity and higher quality products and services. In addition, when the "right" employees are hired initially, they are more likely to be satisfied and remain with the company. Thus, by using a good selection system to hire qualified employees, organizations can reduce turnover, increase employee retention, and ultimately improve critical business outcomes.

Figure 4: Link between effectiveness of selection systems and organizational outcomes



Part IV: Barriers to Effective Recruitment and Selection

Respondents were asked to choose five factors that present the largest barriers to effectively recruiting and selecting candidates for employment (see Table 3).

Finding 14: Finding and competing for qualified applicants are the main barriers to effective recruiting and selection practices.

It appears that there are fewer qualified candidates available for organizations to choose from. First, as the baby boom generation approaches retirement, fewer applicants are in the job market; second,

those who are available might lack the skills organizations are looking for. Thus, it is difficult for organizations to identify and eventually hire potential qualified candidates.

Finding 15: Most candidates who refuse job offers do so for reasons related to compensation.

Once an organization has identified a strong candidate and made a job offer, there is still no guarantee that the candidate will accept. When asked to indicate the most common reasons why candidates refuse offers, most respondents cited problems with compensation (Table 4). However, this does not mean that candidates are interested only in compensation. Previous research has shown that individuals who

Table 3. Top ten barriers to effective recruiting and selection of candidates.

Barriers	Response (%)
Hard to find candidates with specialized skill sets.	68.4%
Other organizations competing for the same applicants.	64.7%
Difficulty in finding and identifying applicants.	49.0%
Fewer qualified applicants available.	45.6%
Job roles are increasing in scope.	42.3%
Selection process is slow or cumbersome.	37.8%
Obtaining management buy-in for selection systems or tools.	25.2%
Insufficient number of human resource staff.	23.3%
Developing or choosing valid selection tools.	22.6%
Other reason (miscellaneous).	12.9%

leave their positions often do so for reasons other than money (Bernthal & Wellins, 2001). However, one’s starting salary can have major implications for long-term earning potential, and candidates often use salary to help decide among similar competing offers.

Table 4. Why candidates refuse job offers.

Refusal Reasons	Response (%)
Pay not competitive.	53.7%
Other offer made first.	33.0%
Relocation too disruptive.	23.8%
Poor cultural fit.	21.3%
Lack of growth opportunity.	18.0%

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