



## Governance Rules!

By James Connolly

Good Governance  
is Key to Hiring  
Systems that Yield  
Great Candidates,  
Steer Clear of  
Headaches and  
Litigation.

*When the nation's largest drugstore chain settled a racial discrimination lawsuit for \$24 million, it was just the latest example of the pitfalls companies face in hiring and promoting employees.*

*As Naomi C. Earp, chairwoman of the Equal Employment Opportunity Commission (EEOC) explained, "Corporate America needs to do a better job of proactively preventing discrimination and addressing complaints promptly and effectively." In 2007, the EEOC received 83,000 private-sector discrimination filings, a nine percent increase from the prior year. The agency collected \$345 million in payments to discrimination victims.*

### The Wild West of Personnel Selection

While the case volume and large payouts are eye-opening, what's equally astounding is the lack of procedures in place to prevent a problem from occurring in the first place. Human resources and staffing experts say that current procedures of personnel selection can be like the Wild West, characterized by a lack of policies, processes and training.

Even as organizations struggle to manage the personnel-selection systems they need to avoid problems, they are facing unprecedented challenges. The workforce is growing older and more diverse. New areas of concern, such as discrimination based on genetic screening, are emerging. While the world and the workplace have changed dramatically, hiring practices have not always kept pace.

Too many companies have seemingly lost sight of the fact that the purpose of recruiting is to bring in talent, not screen it out. Moreover, the interview, the mostly widely used selection tool, is often conducted by people who are not adequately trained and monitored. Taken together, all these factors add up to a selection process that can be vulnerable as well as ineffective.

### Using Governance to Maximize Results, Minimize Risk

What can be done, then, to ensure that the selection process is fair, effective and legal? What's needed is a personnel-selection system that is the exact opposite of the current Wild West approach. Specifically, it must have a strong focus on governance. It must be carefully designed, consistently executed, monitored and tested on an ongoing basis. Roles and responsibilities must be clearly defined and carried out. Recruiters and hiring managers must follow a defined process model.

The right personnel-selection system not only helps avoid litigation, it also offers a competitive advantage. Proper governance ensures that the selection system yields the best-quality applicants in the shortest amount of time. Resources are used efficiently and both the candidates and the employers have a positive experience.

### Some Organizations Seek Outside Expertise

While many companies recruit, interview and hire in-house, a growing number are looking to outside vendors. Specifically, they have turned to Recruitment Process Outsourcing (RPO), in which all or part of the hiring function is performed by an external partner. The growth of RPO is attributable to several factors, including the changing nature of the workforce and the growing complexity of employment laws and regulations.

Competition for talent is also increasing as large numbers of Baby Boomers become eligible for retirement. In addition, human resources executives are looking for ways to free up their staffs to do more strategic and less transactional work. RPO can encompass the entire recruiting, hiring and onboarding process – called Enterprise RPO – or be limited to specific functions, called Selective RPO.

## Start with an Assessment

Whether a company uses RPO or does its hiring in-house, it must abandon the Wild West model in favor of a deliberate, controlled, replicable process. There are a number of ways companies can professionalize and improve their selection process. The first step is a review of the existing system. Companies are advised, for example, to assess when they last:

- Changed their interview questions, or assessment items.
- Audited their interview system to ensure that the process was being followed properly.
- Validated their selection system.
- Analyzed metrics to link selection systems with business outcomes.

## Four Strategies to Build Strong Governance

Once the initial assessment has been completed, there are four key steps to building a strong governance solution for personnel selection. They are:

1. Educate yourself on relevant employment laws.
2. Develop and implement personnel-selection systems that are closely aligned to overall business goals. Monitor them to ensure they are valid, reliable, free of bias and minimize adverse impact.
3. Maximize delivery through effective online testing and interviewing.
4. Measure the effectiveness (i.e., ROI) of your selection systems.

These steps are discussed in more detail below.

### 1. Be savvy about relevant laws

It is critical to train all employees who are authorized to make a personnel decision (e.g., hiring, firing, promotion, compensation, etc.) on employment laws and the proper use of selection systems. A good place to start in “preventing” discrimination is to review several landmark laws. They include Title VII of the Civil Rights Act of 1964; the Equal Pay Act of 1963; the Age Discrimination Act of 1967; the American with Disabilities Act of 1990; and the Civil Rights Act of 1991.

These laws are modified constantly and new ones are added periodically. Therefore, it is important to stay current on public policy and court cases in employment law.

### 2. Align Business Goals with Personnel-Selection Systems

Does your selection process achieve the intended objectives? What are your organization’s goals? Do you need to fill open positions, reduce turnover or upgrade the quality of talent to increase employee productivity?

Defining business goals is an important step in instituting proper governance. Begin by conducting an objective job analysis that identifies the important aspects of the job, including the required knowledge, skills and abilities (KSAs). Then select an assessment method that measures those qualifications. Pilot test the assessment and continually review its performance (e.g., reliability, validity, adverse impact, etc.) to ensure that it’s contributing to the overall objectives.

For expert advice in the field of personnel selection, you may want to consider consulting with experienced members of the Society for Industrial/Organizational Psychology (SIOP).

### 3. Maximize Delivery of the Selection System: Focus on Online Testing, Interviewing

**Online-testing tips:** An optimal hiring experience for both the employer and the candidate combines the latest online technology with a state-of-the-art selection system. As technology has made job hunting faster and easier, organizations are often inundated with candidates. To help screen a large number of applicants, many organizations use online assessments. Advances in technology have made it possible to standardize test administration, scoring and data storage. The tests can be either self-administered or proctored.

To ensure that testing is fair and effective, create a standard operating procedure and train staff on its implementation. For example, train staff on administering and scoring tests, protect the confidentiality of results, and systematically update questions.

**Interviewing tips:** Almost every organization uses interviews as part of the selection process. Many use behavioral structured interviews but surprisingly few use them properly. Governance is a very important aspect of maintaining a valid interview selection system. Interviewers should be carefully trained and monitored on an ongoing basis.

### 4. Measure Effectiveness and ROI

Measurement is critical. A properly working system should consistently identify well-qualified applicants who will be good employees. Ongoing validation studies provide longer-term confirmation. Research has suggested that there is about a 40 percent deviation in job performance for any job in terms of salary. That is, the top employees perform 40 percent better in terms of their output measured by their salary, and low performers 40 percent less than the average. For example, take an average-performing phone sales representative earning \$40,000. A high-performing phone sales representative would return 40 percent more to the organization in productivity, or \$56,000. A low-performing employee would only return \$24,000. So there is a significant difference on a return on investment for selecting higher performing employees in terms of their productivity.

The case for taming the Wild West of personnel-selection systems is clear. The benefits are huge and the downside is substantial. By combining valid selection systems and strong governance, organizations can recruit and hire high-quality, productive candidates—with significantly less risk. For all the organizations out there grappling with the Wild West approach, there's good news. The governance posse has come to town.

#### LAWS THAT GOVERN EMPLOYMENT

- *Title VII of the Civil Rights Act of 1964 prohibits discrimination based on race, color, religion, sex, or national origin.*
- *The Equal Pay Act of 1963 covers equal pay for equal work regardless of your gender. This Act traces its origins back to 1942, where the National War Labor Board during World War II, ordered equal pay for women performing similar work formerly completed by men.*
- *The Age Discrimination Act of 1967 protects individuals whose age is 40 years or over. In 1987, the ceiling age of 70 was eliminated, now all ages are protected.*
- *The American Disabilities Act of 1990 covers individuals who are disabled and who can, with or without reasonable accommodation, perform the essential functions of the job.*
- *A major impact of the Civil Rights Act of 1991 was the authorization of jury trials and legal relief to Title VII cases.*

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