

WHAT YOU SHOULD TAKE INTO CONSIDERATION WHEN SELECTING EMPLOYEES

Practical Application: Introduction of a Competence-Oriented Selection Process at VIVATIS Holding AG

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Does knowledge of human nature come naturally?

Which factors have influenced your hiring decisions in the past? You certainly looked at the candidate's skills and experience very closely. But what else has guided your decision-making? One of the candidates might have attended the same school as you did, or might have been born in the same province. Or maybe you had friends in common or the candidate shared one of your hobbies?

Several studies have proven that personal experience and personal preference have a great influence on our hiring decisions. One of the findings of the above-mentioned studies was that inexperienced interviewers make their hiring decision as early as in the first 30 seconds of an interview and use the remaining time to confirm their first impression.

The following observations are an attempt at showing how important it is to give professional recruiting the place it deserves.

How is body height reflected in one's salary?

Did you know that body height has an influence on our being found suitable for a specific job or not? Two studies support this thesis:

- Malcolm Gladwell took a look at Fortune 500 CEOs and made the following observation: all these companies' CEOs are not only Caucasian, but they are also taller than the average American. The average height of Fortune 500 CEOs is 182 cm (6'00"), whereas the average white male American is only 175 cm (5'7") tall. Hence, the average difference in height is 7.6 cm (3 inches).
- A group of researchers led by Timothy Judge analyzed the pay of thousands of Americans. Adjusted for gender and age, the numbers yielded the following: each inch (2.54 cm) in height amounts to \$789 more a year in pay. Otherwise said, this means that someone who is 10 cm (4 inches) taller than the average person is well positioned to make an additional \$3,100 per year - at least in the US.¹

I believe that the findings of this study can be applied to Europe without limitation. How reliable is your intuition when it comes to selecting employees? The designated chief executive at Telekom, Boris Nemsic, recently said in an interview for the Austrian newspaper "Der Standard" that his decisions are guided by his intuition, but that his intuition is based on knowledge, experience and emotions. Nemsic thus provided a good summary of today's scientific state of knowledge regarding intuitive decisions. Our intuition is reliable as long as we have previous experience and knowledge about the

¹ Malcolm Gladwell: Blink, New York 2005, p. 86 ff

issue in question. It follows that in those cases, we are in a good position to make quick decisions without having to analyze all data and facts and without having to provide rational reasons for our decision.

As a consequence, our behavior often anticipates our patterns of explanation - this is what we call "intuition". Our intuition is a reliable source for decision-making provided that it is based on previous knowledge and experience.

A practical example will help elucidate the interaction of experience and intuition. When learning to drive, we start out knowing nothing and being totally unknowledgeable. But you don't know that before you try to drive a car for the very first time. You take driving lessons and while doing so, find out that you have no idea how to drive a car. With time, you get practice and you end up handling the car well, but you still have to make a conscious effort to hit the clutch before changing gears. At some point, you will even be able to talk on the phone while driving - hopefully using a hands-free kit.☺ I believe that in order to reach this "unconscious skill", you first have to go through three preceding phases.

Once you realize this, you will see that it greatly influences your way of selecting employees. As mentioned above, decisions are sometimes made in the first 30 seconds of an interview. Very often, people use the remaining hour for the sole purpose of confirming their first impression. Even people who have done a lot of recruiting before, but never learned to ask the right questions, will eventually make the wrong decision. We often let superficialities and our inner prejudices and preconceptions guide us in our decision-making.

Does the following situation sound familiar to you? During a job interview you are conducting, you end up "chatting away" with somebody and tell yourself at several points: "yes, this is exactly how I see it, too". Before long, you are convinced that the person you are interviewing is perfect for the open position. This is why Americans recommend the following: "THINK AGAIN!" You should analyze your own decision closely especially if someone makes a very good impression on you from the very first minute: the candidate in question might just have been born in your province, or he or she might just be an excellent speaker. However, all this tells you nothing about the candidate's leadership skills or if he or she has the knowledge about your company's market.

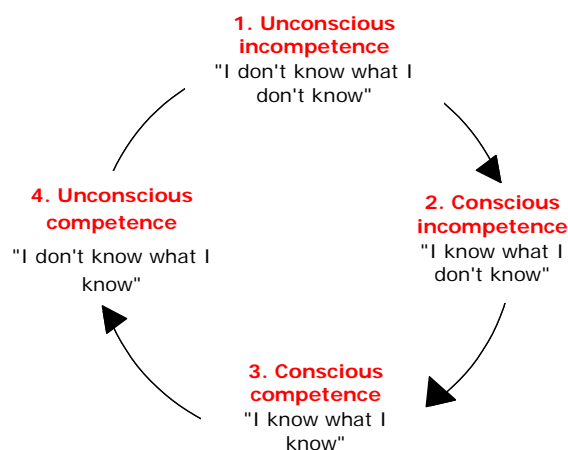


Chart 1: Learning cycle

INTRODUCTION OF A COMPETENCE-ORIENTED RECRUITING PROCESS AT VIVATIS HOLDING AG

Initial situation

VIVATIS group currently has 1,670 employees including approximately 150 executives. One important executive duty is selecting qualified and suitable staff members.

All affiliates in the group are in charge of their own recruiting processes. There is no intention to change this. However, an effort will be made to find a consistent approach to recruitment processes and job interviews. The goal is for both to become more professional and efficient. In the future, more employees will be involved in the selection process, whereas the final decision will remain with the supervisor.

Objectives

The initiative's overarching objective is "keeping the number of position-employee mismatches to a minimum while further increasing the attractiveness of VIVATIS as an employer".

In order to reach these goals, the following subgoals were defined:

1. Standardize and develop competences required in the entire corporation.
2. Develop a consistent recruiting process for the entire holding company.
3. Provide training in "competence-oriented selection processes" for all executives and all those responsible for the recruitment process.

Phases 1 and 2 have already been successfully concluded. Phase 3 - that is, the training of all executives - is underway and will probably be concluded by the end of this year.

The Process

The process we have selected in order to reach these goals can roughly be divided into three phases:

Phase 2: Which competences do employees need in order to reach corporate goals?

Our first thought was that we needed to look at the company's strategy first. However, this wasn't an easy thing to do because VIVATIS believes in decentralization as well as independent leadership and decision-making at its affiliates companies, which means that there is no overall VIVATIS strategy. This phase focused on directing the executives' attention towards the future of VIVATIS Holding AG: what are the challenges of the future?

- What are the challenges of the future?

- What is happening in the industry? Which changes are taking place in retail business? What are competitors up to?
- What specific challenges await the company's subsidiaries?

We started with the strategy of Gourmet, a VIVATIS subsidiary, asking the general managers of all subsidiaries to define competences required for reaching the goals Gourmet has set for the future. Only then did we, in a second step, ask all general managers to focus on the strategy of their own company and to add those skills needed to reach their vision. We were thus able to determine the highest common denominator, the so-called "VIVATIS set of competences".

Phase 2: How can competences be observed in daily business?

Managers nominated employees in different business sectors who joined us to develop ways of observing competences in daily business. For example: how does someone, who has "*taken on responsibility*" (one of the 38 competences developed), behave? In the view of VIVATIS, someone who has taken on responsibility "*is no 'shirker'; someone who makes decisions, who acts and accepts responsibility for these actions; someone who is willing to accept calculated risk in his or her area of responsibility and who acknowledges mistakes if things go wrong...*" This example shows that work on these issues also extends to work on corporate culture.

Phase 3: What kind of questions should you ask in interviews?

Anybody who has ever conducted an interview knows how difficult it is to really assess a person's in an hour or two. We therefore recommend having as many people as possible participate in the interview - other than the supervisor, these persons could be the supervisor's co-worker(s) or co-workers of the future employee, but never people who would eventually report to the candidate. It is furthermore of utmost importance that the group of persons conducting the interview agrees on skills they want to look for in the candidate and inquire about these skills in the interview.

When doing so, we recommend starting with the following assumption: "Behavior shown in certain situations in the past is likely to be shown again when a similar situation arises. This is why, when asking our questions, we almost always ask the candidate to provide specific examples for the pattern of behavior in question. This may sound very easy, but it really is not. It has been our experience that even seasoned interviewers often ask fictitious questions, which prompts skillful candidates to recite "beautifully rehearsed" answers.

At this point, insiders of the systemic world might ask how systemic questions can be used in the recruiting process. Many of these questions cannot be used in interviews because interviews are not about coaching people. However, questions including "How would your current boss see this?" or "How would your current co-workers describe you?" can of course be put to excellent use in job interviews.

Chart 2: Process steps

Process steps	Competences inferred from corporate strategy	Translation of competences into observable behavior	Recruiting training for all executives and human resources managers
Makeup of team	<u>Decision-making committee:</u> <ul style="list-style-type: none"> General managers at affiliates Executive director Corporate human resources manager 	<u>Microcosmos at Vivatis:</u> <ul style="list-style-type: none"> 5 employees of different affiliates Corporate human resources manager 	<u>Phase 1:</u> <ul style="list-style-type: none"> All general managers <u>Phase 2:</u> <ul style="list-style-type: none"> Executive director and corporate headquarters <u>Phase 3:</u> <ul style="list-style-type: none"> All executives involved in hiring decisions and all directors of human resources
Key question in this phase	"Which <ul style="list-style-type: none"> social skills, leadership skills and management skills will employees need in the future in order to implement the corporate strategy?" 	<ul style="list-style-type: none"> "How can competences regarded as important by Vivatis general managers be observed in daily business?" How does an employee who has this competence behave?" 	<ul style="list-style-type: none"> "Which questions need to be asked in order to assess if the future employee has previously shown the competence in question?"
Challenges	<ul style="list-style-type: none"> All Vivatis affiliates have their own corporate strategy. We used one corporate strategy to deduce required competences. Only then did we, in a second step, add further competences required by other affiliates. 	<ul style="list-style-type: none"> We were confronted with different approaches used by the corporation's affiliates, which nevertheless resulted in a very "fruitful" exchange of experiences. 	<ul style="list-style-type: none"> Our initial idea was to train in-house co-trainers to conduct subsequent trainings. However, these co-trainers would most certainly just have been employed in his or her own affiliate, so it wasn't worth the effort.

Other than in recruiting, where can competences be put to use?

Mr. Seher, executive director of VIVATIS Holding AG, very much appreciated the chart shown on the right-hand side. I think the reason he liked it so much was that it clearly shows that one can use competences – once they have been determined – in all processes of human resources development. Once you have determined what you want your employees to know, you can support them accordingly, promote them and evaluate and develop entire teams with the help of these criteria.



Chart 3: Practical use of competences

Last but not least, there is another important thing I would like to point out: "Each and every cent spent on training is in vain if you do not have the right people in the right positions."

With this in mind, "HAVE A NICE INTERVIEW."

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Afterword by Fritz Seher, executive director of VIVATIS Holding AG

Selecting the right employees is one of the main responsibilities of leaders. In order to do the best possible job in fulfilling this duty, a professional and well-structured recruiting process is a must. The "competence-oriented selection process" developed by TRAIN Consulting provides executives at VIVATIS Holding AG affiliates with a very good and highly practical tool for the recruitment process.

We expect this competence-oriented selection process to give way to well-founded hiring decisions that the company will benefit from on a long-term basis. The competences we have pinpointed are based on our affiliates' strategies and the challenges we will be facing in the future.

Each and every candidate who is invited to a personal interview at any company in our group is entitled to a fair and professionally conducted job interview. Another benefit of our tool is that it will help decrease fluctuation in the first six months after the position has been filled, decreasing ensuing expenses.

Our long-term goal is to use these competences not only for selecting future employees, but also in other areas of human resources development including employee review sessions, 360° feedback system etc.

We are positive that the "competence-oriented selection process" by TRAIN Consulting will serve as a realistic and sophisticated tool for selecting employees within our corporation.

Afterword by Petra Aigner, human resources developer at VIVATIS Holding AG

In-house preparations for the project "Implementation of a Competence-Oriented Selection Process at VIVATIS Group" started in April 2005. The project kick-off involved a lot of talking because our general managers had been invited to pinpoint strategic competences during a two-day training session. Thanks to these "competence talks",

participants quickly realized that those involved in hiring decisions often talk about social and technical skills without hardly ever meaning the same thing. As a next step, these competences were refined by a development team consisting of human resource managers at our corporation. This involved finding patterns of behavior for previously defined competences that can actually be observed. These behaviors were then expressed in clear and unambiguous words.

After having defined these competences, we started the project roll-out at all affiliates last March. Even though it was a top-down-process, convincing executives of the project's relevance was a crucial factor for its success.

Given the very, very positive feedback on the part of general managers and executives who have already been trained, it is safe to assume that the "competence-oriented selection process" has been wholeheartedly accepted and is being used as a tool for human resources development on an everyday basis.