Selection and Assessment for Competitive Advantage

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Staffing in the 21st Century

Staffing should reign supreme

- New economy is dependent on human capital
- Labor/quality challenges
- Diversity
Staffing in the 21st Century

In reality, staffing is often…

- among the most ignored or misunderstood of all HR functions
- generally not seen as a source of strategic competitive advantage
Why is Staffing Ignored?

The wrong outcome (job performance)
The wrong metric (validity)
The wrong level (individual)
The wrong belief (utility)

To demonstrate strategic value, the intervention must show consequences at the firm level.
Human Capital Resources Can Provide Competitive Advantage

Resources will contribute to competitive advantage when they are:

- Rare
- Valuable
- Inimitable
- Non-Substitutable
Paradox of Competitive Advantage

Human Capital Resources

Generic

Specific

Outcomes

Inconsistent

Human Capital Resource

Sustained Competitive Advantage

Inconsistent

KSAOs

Job Performance

Ployhart (2012, Selection Handbook chapter)
Staffing Must Connect to Human Capital Resources

Theory

- How does hiring more capable *individuals* contribute to more effective *organizations*?

Practice

- Individual level outcomes are of little interest to organizational decision makers
- Better convey strategic value
Individual Level Competencies

Firm Level Human Capital Resources

Human Capital Emergence

Selection Practices

Human Capital Advantage

Value Rare Inimitable Non-substitutable

Sustainable Competitive Advantage

Ployhart (2006, JOM)
<table>
<thead>
<tr>
<th></th>
<th>Competitive Disadvantage</th>
<th>Competitive Parity</th>
<th>Competitive Advantage</th>
<th>Sustained Competitive Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing Practice</strong></td>
<td>Not using valid selection procedures</td>
<td>Using selection procedures with validity similar to other firms</td>
<td>Using selection procedures more valid than competitors</td>
<td>Using selection procedures more valid than competitors, <em>and</em> the selection procedures create more valuable forms of human capital than procedures used by competitors</td>
</tr>
<tr>
<td><strong>Human Capital Resource</strong></td>
<td>Valuable</td>
<td>Valuable Rare</td>
<td>Valuable Rare Inimitable Non-substitutable</td>
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</tbody>
</table>
Individual Differences Contribute to Organizational Differences

- Human capital resources → competitive advantage
  - Valuable
  - Rare
  - Inimitable
  - Nonsubstitutable

- Human capital emerges from individual KSAOs

- Selection and assessment are foundations of competitive advantage!
Example 1: Large Retailer

- **Individual KSAOs**: 125,106 applicants
- **Store Level Human Capital**: 1,036 stores
- **Individual Level Performance Ratings**

A one unit increase in store average KSAOs is associated with a $60,000 increase in sales!

Ployhart, Weekley, & Ramsey (2009, *AMJ*)
Example 2: Study of 12 Retail Organizations

Org. Level Human Capital (12) → Job Level Human Capital (85) → Individual Level KSAO (9,603) → Individual Level Performance & Satisfaction

Ployhart, Weekley, & Baughman (2006, AMJ)
Human Capital Direct Effect

Performance

Firm A

Firm B

Predictor
Example 3: Generic & Specific Human Capital Resources

- Change in Generic Human Capital: 0.23*
- Change in Unit-Specific Human Capital: 0.88*
- Change in Unit Service Performance Behavior: 0.54*
- Change in Unit Sales Per Employee

Ployhart, Van Iddekinge, & MacKenzie (2011, AMJ)
Implications & Conclusions

- Selection *practices* cannot create sustainable competitive advantage—only human capital.
- Firm-level “validity” may be different from individual-level validity.
  - “Better” individual KSAOs may not contribute to superior organizational performance.
  - Higher validity may not affect organizational performance.
- HC investments help.
  - Differentiate the organization.
  - Contribute to above-average revenue growth.
- Value lies in people *and* their relationships.
  - New and different metrics to capture this.

Ployhart (2012, *IOP*)
A Different Vision

- Understand how staffing creates competitive advantage

- Understand the psychology of organizational decision makers

- Demonstrate how staffing can be used to create and reinforce the firm’s strategy
Questions to Consider

1. What is the organization’s strategy?
2. What makes the organization profitable?
3. How is the organization differentiated from competitors?
4. How does the selection system support the organization’s strategy, in a way that makes the firm profitable and distinct from competitors?
5. What metrics will be used to define the selection system’s success in achieving these points?
THANK YOU!