

Gut is Out, Simulation is In

More companies are turning to simulation-based assessments to evaluate candidates

By Dave Heine, Ph.D.

It's a hectic day in the life of an executive. First comes a national television news interview to explain a drop in earnings. Next is a meeting with the head of a recent acquisition. After that, she addresses the board on her long-term vision for the company.

All in a day's work? Actually, it's all a simulation to help gauge how well she will perform if hired for the position. Increasingly, organizations are turning to the use of simulation-based assessments to help make critical hiring and promotion decisions.

Apples to Apples

Chief executives recognize that when it comes to evaluating candidates for key positions, it is difficult to make accurate, "apples to apples" comparisons, given all the potential variables involved. And the process of evaluating candidates is rife with subjectivity and potential for error. When both internal and external candidates are involved, bias, hunch and gut instincts become a significant factor. Research from Personnel Decisions International (PDI) shows that in up to 60 percent of cases, leaders have divergent views about someone's qualifications.

Given those inherent challenges, and the substantial costs involved in making poor hiring and promotion decisions, companies seeking more objective and accurate evaluations of candidates are turning to assessment processes to guide their hiring. The centers are used for assessment of entry-level managers all the way up to CEOs. In addition, the same processes can be used as a way to develop existing leaders.

How it Works

Simulation-based assessments function much like a flight simulator. Just as it is important to test a pilot's skills before flying a real plane, business simulations enable observation of leaders in jobs they have not held previously.

The job candidate is immersed in a simulated "day in the life" of the role to which they are aspiring. A current business unit leader under consideration for a senior executive role would face a significant jump in terms of



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Assessment centers allow companies to see first-hand how a candidate handles a fast-paced business environment.

duties and expected performance level, all of which would be reflected in the simulation.

Rather than asking candidates to describe in an interview what they would do in a given situation, assessment centers put them in a simulation of the target job and reveal how they operate first-hand. Assessment consultants play roles in the simulation, ranging from subordinates to board members to televi-

sion interviewers. The consultants observe and measure the candidate's capabilities and leadership style, highlighting both strengths and risk factors.

A Risk Management Tool

Executives and board members know from their own experience and news accounts the perils of hiring the wrong person for a key job.

Shareholder value, market share and overall reputation are all at risk. It is no coincidence that many directors now view CEO succession as their number one job.

From a risk management standpoint, using assessments to put the right person in place is a relatively inexpensive hedge, totaling approximately 3 to 4 percent of annual salary, especially when compared to replacement

costs that can be two to three times annual salary in recruitment fees, salaries and management time.

Conclusion

Simulation-based assessment doesn't replace the judgment of an organization's leaders or board in the hiring or promotion process. Instead, assessment results supple-

ment their decision making with solid data that increases accuracy and helps put candidates on a level playing field. **HC**

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Personnel Decisions International (PDI) is a global human resources consulting firm with distinctive expertise in building leadership talent that provides real competitive advantage. PDI's leadership selection, performance management, development, and succession management recommendations are based on 39 years of experience bringing the art and science of human behavior to bear on business needs.

Using tested strategies, systems, and tools that are unique in the industry, PDI's global network of 300 consultants and 400-plus team members in 28 offices helps clients identify, develop, and deploy leaders capable of sustained, superior performance. PDI's aim is simple but profound: becoming "expert partners" with human resource decision-makers seeking to transform their role into a competitive asset that effectively aligns talent with strategic direction, current competitive priorities, and global challenges.