

PREDICTIVE HIRING: THE KEY TO TALENT ACQUISITION SUCCESS

Ebook - 2020



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Overview

The use of predictive hiring analytics is rising. As HR departments keep facing budget constraints, the cost of bad hires is too substantial and HR leaders can't keep ignoring new recruiting methods that are proving to be more reliable than good, old (and often very flawed) intuition.

In fact, hiring and retaining top talent keeps getting harder. According to an IBM study¹, HR leaders and hiring managers say they would rehire only 61 percent of their recent hires. As such, companies are starting to pay attention to the power of data and analytics and to how it can be used to improve talent acquisition.

When it comes to getting the right talent in the right roles, traditional hiring methods are not good enough, anymore. Hiring managers and recruiters need to push further, and using a data-driven hiring strategy can definitely improve decision making and help onboard the best talent in a faster and more efficient way.

As bringing in a new hire is always a risk, a top priority for any organisation is to reduce the chance of making the wrong decisions. Thus, any tool that helps identify a better hiring decision is invaluable, and predictive hiring technology offers the best approach to talent acquisition.

¹ <https://www.ibm.com/downloads/cas/K2YVXPOK>

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What is predictive hiring?

Predictive hiring is a recruiting technology that uses data and analytics to improve recruitment outcomes by recommending best-fit candidates to recruiters and hiring managers. It is a form of predictive analytics which consists of an automated process that takes existing data and analyses it to predict likely - and unlikely - outcomes. Organisations can use predictive analytics in various business domains including in recruiting, to make more informed decisions, avoid risk and leverage opportunities made evident by complex algorithms analysis and processing power.

While traditional hiring practices are often based on brief resume screenings and the recruiter's gut-feeling during interviews, predictive analytics for hiring leverages historical data, statistical algorithms and machine learning techniques to identify the likelihood of future outcomes. The goal is to go beyond knowing what has happened to providing a best assessment of what will happen in the future.

Supported by machine learning, predictive hiring technology detects patterns among current employees through a combination of data and assessment science, allowing companies to use their own data or data from third-party sources, to make predictions about candidates and improve the talent acquisition process through data-driven decision making.

With a large enough pool of data available, hiring managers and recruiters can gather valuable information that can help to identify top talent or tailor job descriptions, for instance. Predictive hiring can be used to identify candidates who are more likely to stay in your company in the long run and discover which channels are more effective to reach potential hires, for instance.

Thanks to predictive talent acquisition software, companies can screen huge amounts of CVs in a short time and not depend on the hiring manager or recruiter's intuition to spot the best-fit candidates for a given position. Instead, they use AI-powered algorithms that do that in a faster and more efficient way.

Why predictive hiring is the future in recruitment

It is common knowledge that screening resumes fast and efficiently is especially hard for recruiters. In fact, 44% of HR professionals say that improving overall efficiency in the screening process is one of their biggest challenges². Recruiters often manage more than one job opening at a time. Job application statistics indicate that around 250 candidates³ apply when a position opens up in a large corporation. Unfortunately, most candidates don't meet the basic job requirements, which goes to show the smashing amount of time recruiters waste manually sifting through unfitted CVs.

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44% of HR professionals say that improving overall efficiency in the screening process is one of their biggest challenges.

This is precisely one of the aspects that predictive analytics can improve making the hiring process more efficient. However, there are other key benefits of using predictive hiring in your talent acquisition:

² https://www.hireright.com/emea/assets/uploads/files/2019_EMEA_Benchmark_Report_online_FINAL.pdf?utm_source=resources&utm_medium=website&utm_campaign=CRF

³ <https://www.smallbizgenius.net/by-the-numbers/recruitment-statistics/#gref>

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1 - Predicting job performance - screening candidates based on their CV only is not the right way to drive the selection process. Why? Mostly because there's more to a candidate than education and experience which is what you can usually find in a CV. Hard skills and past experiences are getting less relevant every day and don't predict future success on their own. In today's world, soft skills and cognitive ability are what makes people thrive in a role.

2- Improving the quality of hire - AI-based predictive hiring allows companies to identify which traits are predictive of performance and engagement in the job they're hiring for and to match the profiles of candidates against that predictive model. It allows recruiters to run evidence-based talent acquisition and make better hiring decisions.

3 - Reducing staff turnover - sometimes, candidates that seem to be a good fit leave after a few months in the job. Survey data from the advisory firm Corporate Executive Board revealed that nearly a quarter of all new hires⁴ leave their company within a year of the start date. Hence, knowing more about the candidates cultural fit, their personality, motivations and reasoning capabilities allows recruiters to hire for the long run.

4 - Making consistent hiring decisions - by making data-driven hiring decisions and removing intuition from the equation, predictive hiring will result in a more consistent decision-making process.

5 - Speeding up the recruitment process - by automating the recruitment process, from CV screening to pre-employment assessments with AI, predictive hiring technology makes the entire recruitment cycle more efficient and faster. Additionally, hiring decisions also take less time to make given that predictive talent acquisition software will provide data to help hiring managers and recruiters decide who to move to the next stages. Taking into consideration that the best candidates are off the market within 10 days⁵, this is a very important aspect.

6. Providing an excellent candidate experience and boosting your employer brand - an improved talent acquisition process helps companies to provide a better candidate experience which, ultimately, will benefit their employer brand. By freeing recruiters and hiring managers from repetitive, manual tasks that can be automated, there's more time to engage and interact with candidates and go the extra mile. Moreover, candidates also value companies that use better ways to assess them and make data-based decisions.

⁴ <https://www.theatlantic.com/magazine/archive/2013/12/theyre-watching-you-at-work/354681/>

⁵ <https://officevibe.com/blog/12-recruiting-stats#:~:text=12%20recruiting%20statistics%20to%20change%20the%20way%20you%20hire&text=It%20takes%20an%20average%20of,the%20market%20within%2010%20days.&text=60%25%20of%20candidates%20have%20quit,more%20effort%20into%20the%20job.>

Business challenges that predictive hiring can tackle

Talent acquisition is extremely important for any organisation, as finding and hiring the right people is essential for business success. Without skilled, experienced and motivated employees, any business is likely to struggle and lose its competitive advantage.

Incorporating predictive hiring in your talent acquisition strategy is key to help you build amazing teams that move your company forward. Here are some of the challenges that predictive hiring can help you with:

Faster recruiting process - the use of predictive analytics in your recruitment process can save recruiters up to 23 hours of manual labor a week, mainly in terms of the time it takes to shortlist and pre-screen candidates, according to Ideal⁶. Given the huge amount of applications many employers receive per opening, this gives recruiters and hiring managers the possibility to review more candidates without having to screen more CVs.

Avoid the Cost of Bad Hires - it is estimated that up to 75% of all hiring decisions result in a mis-hire. In most cases, the cost of a bad hire goes up to roughly 3.5 x their annual salary⁷ which clearly has a negative impact on business. Hence, predictive hiring can help companies

make better hiring decisions thanks to automated candidate screening and soft skills assessments.

Talent shortages - filling some roles can be a true nightmare due to talent shortages. However, predictive talent acquisition software can help recruiters find suitable candidates that could otherwise go unnoticed in the middle of a sea of unfit applications.

Removing bias from the process - even though most times it is unconscious, bias is widespread across traditional recruitment processes. However, predictive hiring technology can be set up to remove bias in the screening and selection stages to ensure more fair and unbiased talent acquisition.

Increasing diversity and inclusion - building diverse and inclusive teams is increasingly among companies' hiring goals as it brings organisations a competitive advantage. However, the traditional recruitment process doesn't make it easy to bring candidates from less popular sources to the table. Predictive hiring technology, on the contrary, helps you expand the reach of your recruiting due to its capacity to screen massive applications in an unbiased way.

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⁶ <https://ideal.com/predictive-recruitment-analytics/>

⁷ <https://www.understandingrecruitment.co.uk/blog/2018/10/how-much-are-bad-hires-really-costing-you>

There are many benefits linked with the use of predictive hiring technology in talent acquisition. It helps uncover candidates' true potential providing recruiters with a holistic view of each candidate and matching it against a job's desired profile.



How does predictive technology help hire top talent?

In simplest terms, a predictive hiring process incorporates the factors that are the most predictive of job outcomes. We can call it evidence-based hiring given that it uses the evidence compiled from extensive research in industrial organisational psychology as a basis to determine scientifically which factors are more likely to predict job performance than others.

By building a hiring process that incorporates more predictive factors and weights them more heavily, organisations can improve their hiring outcomes. Over time, this should improve the entire makeup of the company. For this reason, evidence-based hiring has solidified itself as a best-in-class practice for Fortune 500s and beyond.

Yet, when it comes to recruitment, past work experience keeps being the most used criteria to assess whether a candidate is suitable or not for a position. Recruiters usually look for candidates with some degree of experience in regard to the number of years in the workplace, the role seniority, the type of companies they worked for and the schools they attended.

However, job experience has been deemed a poor predictor of future performance. According to research⁸, years of experience can only predict 3% of the differences in performance between the best and worst hires. Hence,

why do recruiters believe that candidates that previously worked in a particular type of company for a certain period of time will most likely succeed in a new role in their organisation?

In an interview to Harvard Business Review (HBR)⁹, Chad H. Van Iddekinge, a researcher at Florida State University who co-authored a recent study about the validity of job experience as screening criteria explained that his research shows that there's a very weak relationship between pre hire experience and performance, both in training and on the job. The researcher also stated that there's no correlation between work experience with earlier employers and retention, or the likelihood that a person would stick with his or her new organisation.

Although the study found that even when people had completed tasks, held roles, or worked in functions or industries relevant to their current ones, it did not translate into better performance, the researcher said that it's understandable why so many organisations keep using job experience as a screening criterion: experience is easy to assess. Past performance and existing knowledge and skills are more difficult to figure out, especially if all that recruiters have is an application or a résumé, Van Iddekinge concluded.

8 https://www.researchgate.net/publication/309203898_The_Validity_and_Utility_of_Selection_Methods_in_Personnel_Psychology_Practical_and_Theoretical_Implications_of_100_Years_of_Research_Findings

9 <https://hbr.org/2019/09/experience-doesnt-predict-a-new-hires-success>

Past behaviour predicts future behaviour, but the researcher points that pre hire experience isn't a measure of behaviour. The person might have failed or stagnated in previous jobs he explains. As such, recruiters should take experience into account but maybe do a better job of delving into pre hire performance. It's important to know whether candidates have learned from their prior experiences. Finally, let's not forget that experience in one organisation might not help, or might even hurt, performance in another if they don't operate the same way or have similar cultures.

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Therefore, companies need to realise that job experience alone doesn't help to predict future job performance and that they need to push further to access the best talent and avoid making bad hires.

“Another reason employers look for hires with experience is that they think previous jobs have helped those people build up knowledge and skills. They might even think that candidates who have done certain types of work have particularly desirable personality traits. But we'd recommend focusing on the knowledge, skills, and traits directly rather than using experience or even education as a proxy.”

Chad H. Van Iddekinge, researcher @ Florida State University

Predictive assessments

A study¹⁰ from 2016 by Frank L. Schmidt, which explores practical and theoretical implications of 100 years of research findings regarding selection methods in personnel psychology, found that job experience alone only allows to predict job performance with 16% accuracy, whereas the combination of cognitive ability with personality allows 78% accuracy in future performance prediction. Meaning, there are other criteria which can better determine a candidate's ability to successfully perform in a role.

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What this research by Schmidt shows clearly is that experience alone is not a strong performance predictor, however, if combined with cognitive ability and personality traits assessments, then it can portrait a candidate's job knowledge and help predict future job success with more accuracy.

Van Iddekinge, in turn, said in his interview with HBR that another reason employers look for hires with experience is that they think previous jobs have helped those people build up knowledge and skills. According to the researcher, employers might even think that candidates who have done certain types of work have particularly desirable personality traits. However, researchers recommend focusing on the knowledge, skills, and traits directly rather than using experience or even education as a proxy.

¹⁰ https://www.researchgate.net/publication/309203898_The_Validity_and_Utility_of_Selection_Methods_in_Personnel_Psychology_Practical_and_Theoretical_Implications_of_100_Years_of_Research_Findings

Job experience alone only allows to predict job performance with 16% accuracy, whereas the combination of cognitive ability with personality allows 78% accuracy in future performance prediction.

There are stronger performance predictors that recruiters should focus on:

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Reasoning ability

According to research, an individual's level of reasoning is more reliable as an indicator of future job performance than experience. Analysing the general intelligence factor allows obtaining precise, decontextualized and intersectional indicators of an individual's reasoning capabilities. The general intelligence factor is the variable that best explains and illustrates a collaborator's performance at work, especially in roles with highly complex tasks, allowing recruiters to learn how candidates think and make decisions.

Personality

Research also shows that personality measures are useful predictors of future job performance. Questionnaires based on the scientifically proven "Big Five" theoretical model, for instance, provide insightful information about the candidates' personality and about how it will impact their workplace behaviour allowing recruiters to understand how candidates relate to others, how they approach and solve problems and how they manage their emotions.

Motivation

The evaluation of motivations is currently a major topic in work psychology. According to Schmidt's study, motivation assessment also proved to be an efficient selection technique, either as a standalone method or combined with cognitive ability assessment. A motivation assessment helps recruiters identify the things that motivate candidates on a daily basis, evaluating the candidates' fit with activities, leadership styles and workplace culture. It allows recruiters to understand the types of activities and contexts that make candidates want to invest themselves in their work.

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“The crucial part of predictive hiring is being able to identify which traits are predictive of performance and engagement in the job you want to hire for and to match the profiles of each one of your candidates with that predictive model.”

David Bernard, President and CEO @ AssessFirst¹¹

11 <https://www.hrtechnologist.com/interviews/recruitment-onboarding/david-bernard-assessfirst-predictive-hiring/>

Leveraging a predictive hiring approach

Given the weak correlation between previous work experience and future job performance, hiring managers should recognise and harness the power of data in the selection process through a predictive hiring approach. Predictive hiring uses data and analytics to make better informed hiring decisions instead of relying on intuition or gut feeling which most often ends up leading to a poorly skilled and not so diverse workforce.

Leveraging a rich data set and algorithms, predictive hiring helps hiring managers narrow down candidates considerably before they ever meet them for an interview, which allows them to focus their efforts on engaging with top talent. Predictive analytics can be leveraged for improved candidate screening and pre-selection. Using predictive talent acquisition software makes it easy to invite candidates at the beginning of the recruitment process to do online soft skills assessments in an easy and engaging way. After completing the tests, candidates get a feedback report for each of them so that they know their results, which ultimately contributes to a great experience.

As for recruiters, they also receive a report which includes a matching score calculated by AI algorithms that apply predictive models that draw from historical data, dominant performance patterns among employees who have been

successful in similar roles, and the personality of the candidate, to determine to what extent candidates will fit your organisation and the role they're applying for. This matching helps recruiters better understand which candidates are in fact the best fit instead of solely relying on their intuition, making data-driven hiring decisions.

An important aspect of this approach is candidate assessment. Using the right type of pre-employment assessments is crucial to accurately screen candidates and identify the right person for the job. Like research has shown, past experience is less relevant when it comes to predicting future job performance. On the contrary, soft skills and personality are what makes people thrive in a role. Previous experience alone won't tell hiring managers how well a candidate will perform on the job; how the candidate will behave in the workplace; or what drives the candidate? Hence, assessing your candidates' personality, motivation and cognitive ability is essential to determine whether they'll succeed and thrive in a position and find the right person for the job.

Succeeding in predictive hiring

To incorporate predictive hiring into your talent acquisition strategy and make it work it's important to:

1. Define what you want to improve - the crucial first step of any successful project is to define what that success looks like. And implementing predictive hiring isn't any different. Have a think about the biggest issues your organisation is facing at the moment that better hiring decisions will solve. For example, you might have the issue that a lot of new hires are leaving your organisation after a few months. Or you might have a company culture in need of strengthening and need to hire people who fit with your ideal culture.

2. Find the right partner - understanding the data needed to make an impact and figuring out the best techniques and algorithms to use is difficult. And it can be expensive to hire data scientists, and other key technical personnel needed to implement a full scale HR analytics system. However, there's no need to go for it alone or to do it all at once. Rather than setting up in-house HR analytics teams, most companies choose to engage a vendor who specialises in custom predictive screening and hiring models. Finding a partner that works with you to solve your hiring challenges will significantly cut cost and time to implement.

3. Use predictive hiring as a guide to make better hiring decisions - predictive hiring tools are very insightful, but they're not an ultimate solution in itself. Hiring decisions must still be made by recruiters and hiring managers. The predictive technology is there to provide them data for them to use in their decision-making process.

Finding the right technological partner

Choosing a predictive talent acquisition solution can be challenging as there are a myriad of solutions on the market. Hence, there are a few things hiring managers and recruiters must consider when choosing a provider:

- *How is the data gathered? Is there a reliable and consistent data input?*
- *Do they provide a comprehensive talent acquisition solution?*
- *What kind of software training and support do they provide?*
- *Can the software be customised according to your company's changing hiring needs?*

Most of all, it is important to work with a partner with deep expertise of both the technology and the talent market. To best leverage predictive analytics, it must be a part of your overall talent acquisition software and not a separate solution. In the war for talent, using the power of data to make better hires, faster is the only way to stay ahead.

About **skeeled**

skeeled helps companies hire the right people faster with predictive talent acquisition software. Our mission is to bring to the job market the most modern and innovative hiring process with a new approach towards how candidates apply and how recruiters can be supported.

We offer an all-in-one online solution that digitalises and automates the first steps of the recruitment process, saving recruiters a great amount of time and allowing them to focus on the best talent.

Our innovative technology includes great features such as automated publishing of job offers, automated CV screening, personality evaluation assessment, structured video interviews, collaborative commenting tools, advanced tracking functionalities and many others.

From corporations to small businesses, recruitment teams love working with **skeeled**.



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