

RAISING THE BAR: Hiring Sales Candidates Who Will Do the Right Thing

By Patricia M. Sherlock

Everywhere I go whether consulting, training or attending conferences, integrity is being discussed: Who has it, who has lost it and who is trying to regain it? The reality of the uphill battle to regain credibility is shown in Gallup's Annual National Honesty and Ethics poll, where bankers had a 12 percentage point decline (from 35% to 23%), the lowest ever registered since the study was first conducted. The Gallup report has bankers, car salesmen and lobbyists fighting neck and neck for the most negative images for integrity in business.

How did this happen? The record decline of Americans' home values and the number of "underwater" mortgages has certainly fueled consumers' pessimism about the financial industry and how sales forces have sold products.

"The challenge faced by many financial lenders is simply: when hiring producers how can we ensure that integrity-based sales people are selected?" says Paul L. Wyner, SVP, Flagstar Bank, Chicago, IL. "Hoping we have the right person is not enough."

"And the bigger issue", according to Mike Jablonski, SVP and National Production Manager, BB&T, Wilson, NC, "is how does the sales organization ensure that integrity is throughout the company and delivered to its customer base?"

This article discusses the results of a 12-month study that our company performed developing a pre-hire sales character profile that identifies sales candidates at risk for low integrity and other negative workplace behaviors. Before the study, the question was: Can we identify producers who are a high risk for integrity issues and other potentially damaging behaviors? The answer is a resounding "Yes"!

A Brief Background

Over the last 10 years, our company has focused on identifying the best practices of top originators and managers and providing predictive assessment products that help companies select above-average candidates. The results of our various validation studies have been discussed in previous MB articles.

What we have learned in the studies is that sales success in retail and wholesale is a function of an individual possessing a certain set of nine personality characteristics. Likewise, top sales managers have 10 competencies that are critical to success in managing sales personnel.

The process of identifying successful producers and managers is similar to how FICO scoring projects the likelihood of loan losses. The analysis is probability based with percentage factors linked with levels of sales performance.

As with FICO scoring, pre-hire assessments are not 100% accurate, but are more precise (70% accurate) than hiring from "gut" feelings. The proverbial "I know someone who knows the candidate and he or she is a good originator or producing manager." Or the other favorite way used by many hiring managers of requiring the previous year's W-2s or commission reports with the hope that the production number generated at the previous company will be produced at the new company. While it may be comfortable for the hiring manager, screening candidates using a Facebook approach does not ensure that previous production results will be originated at the new company. The reason is two-fold: (1) the talent that is needed in a more challenging economic market is more about creating demand than customer service skills and (2) sales organizations operate differently based on their mission statement, funding, back-office and value system/sales culture. The bottom-line for successful hiring is all about hiring for traits and not previous experience.

Overview of Pre-Hire Testing

Pre-hire testing has a long history that is tied to criminology and the military. Lie detector tests or polygraphs were developed to try to answer the age old question: Is the person telling the truth or acting counter to group interests? Even the mainstream media featured polygraph devices in TV shows such as “Dragnet” and in films like “Meeting the Parents.”

In the 1950’s, retail businesses became more active in using polygraph tests to reduce their inventory losses. As a screening tool, polygraph testing began to fade away because it was costly to implement and raised legal questions regarding individual privacy. In 1988, the Employee Polygraph Protection Act practically prohibited polygraphs, causing businesses to search for other screening solutions such as pen and pencil pre-hire assessments.

In the 1990’s the American Psychological Association (APA) issued a report stating that “...prehire testing programs served a clear need and that the alternatives to integrity testing were less attractive. A series of independent studies found that these tests possess acceptable psychometric properties...” With the approval of the APA, integrity testing took hold as an accepted part of the pre-hire interviewing process. Corporations such as Wal-Mart and McDonald’s have been active in using pre-hire integrity testing.

The financial industry as a whole has not been as active in using pre-hire assessments in its selection process because of the practice of recruiting experienced producers who bring a book of business to the company and are theoretically known to the local hiring managers. The fallacy of this approach has been discussed in previous articles, but suffice it to say that the industry’s high turnover numbers reflect that hiring managers really don’t know the experienced producers as well as they think.

What is Sales Character?

What does it mean to hire a sales candidate with good character? While high integrity is certainly an important component in possessing good sales character, the definition encompasses a broader scope of behaviors and attitudes that can make or break successful group performance. One way for managers to view character in the context of sales is to think of the sales person as “doing the right thing for the customer” even when no one is looking.

Sales people with poor character can have a disruptive

effect on the rest of the team and ultimately, sales results. Typical “problem” sales people include the office hothead, the sales person who takes shortcuts handling paperwork, the producer who refuses to be a team player and the individual who is difficult to supervise and rejects coaching.

In our 12-month study, we asked managers to rate their sales people on 25 separate topics or categories with eight devoted specifically to integrity and 17 categories related to negative workplace behaviors. The managers also rated individuals on two additional topics or categories: overall productivity and overall performance on the job.

How the Study was Conducted

In Fall 2008, three financial companies agreed to participate in the analysis of their current sales staff. Two companies were top 20 lenders and one lender was a regional player. There were two groups of retail originators and two groups of wholesale originators. All originators were current incumbents in their positions.

There were two parts to the study:

- (1) Originators were asked to complete an on-line questionnaire, and
- (2) Managers completed a written two-page performance review for each sales person.

The individual assessment results were not shared with the sales people or their managers and companies. The questionnaire that the producers completed was The Behavioral Attitude Survey which consists of 103 scientifically developed scales designed to provide a comprehensive profile toward workplace performance. The survey is structured to identify counter-productivity behaviors or risk indicators. The risk indicators are: theft/honesty; risk/safety; drug avoidance; dependability; resentment of authority; tenure; violence/emotions and diversity. The eight negative factors were chosen because of their obvious impact on a business and the wide range of employee problems that fall within those categories. Thus, low integrity is defined in relationship to the eight negative/counter-productive factors. There are also eight positive indicators that are part of the study. They are: influence, assertiveness, dependability, attention to detail, multi-tasking, customer service attitude, energy, and service attitude to supervisor.

The Behavioral Attitude Survey is classified as an

overt questionnaire which means that it is designed to predict the job applicant's propensity to engage in on-the-job counter-productivity as well as predicting positive behavior traits. As a result of the survey's job relevance, legal research has shown that these types of questionnaires have not been attacked as unlawful in the courts.

A regression analysis was performed on the managers' ratings of the integrity component of the 25 performance categories and the two additional categories of the sales person's production and overall performance and their answers to the questionnaire. A regression analysis is a statistical tool for investigation of relationships between variables. The purpose of the regression analysis in the study is to ascertain the causal effect of one variable upon another. In this case, the relationships being explored are the answers to the questionnaire with how the manager has rated the sales person.

Over 500 sales people were invited to participate from the three companies, with a total of 102 sales people being included in the final analysis. A combination of either an incomplete survey or a failure of their manager to complete the rating form caused the sales person's information to be excluded. This often happens when conducting a study so it is factored into study design. The analysis of 102 sales personnel is considered a significantly large sample size. The EEOC suggests a minimum sample size of 50 participants to be statistically relevant. The analysis was conducted on the entire population of 102 participants, without regard to the results by individual companies.

The Results

The most significant finding from the study is that:

■ We are able to identify 78% of those with low integrity or other negative workplace attitudes and low performance.

The study's results are significant in that we have determined that the individuals identified with low integrity and other negative workplace behaviors also have poor production. This is counter to the common thinking held by many in the industry that the top performers have low integrity.

Assessment Testing Legal Issues

In any interview process, there are legal issues that can arise in the screening process and must be addressed by a company's legal advisors. In particular,

when pre-hire assessments are used there can be potential violations of federal anti-discrimination laws if a company intentionally uses them to discriminate based on race, color, sex, national origin, religion, disability, or age (40 or older).

Pre-hire screening tests can also violate the federal anti-discrimination laws if they disproportionately exclude people in a particular group by race, sex, or another covered basis, unless the company can justify the test or procedure under the law.

These laws are designed to protect applicants from the use of discriminatory employment tests and selection procedures: Title VII of the Civil Rights Act of 1964 (Title VII), the Americans with Disabilities Act of 1990 (ADA), and the Age Discrimination in Employment Act of 1967 (ADEA).

Title VII prohibits employment discrimination based on race, color, religion, sex, or national origin. Regarding assessment testing, Title VII permits employment tests as long as they are not "designed, intended or used to discriminate because of race, color, religion, sex or national origin."

Title VII also imposes restrictions on how to score tests. Employers are not permitted to (1) adjust the scores of, (2) use different cutoff scores for, or (3) otherwise alter the results of employment-related tests on the basis of race, color, religion, sex, or national origin.

Title VII prohibits both "disparate treatment" and "disparate impact" discrimination. Disparate treatment involves intentional discrimination based on race, color, religion, sex, or national origin. For example, Title VII forbids a covered employer from testing the reading ability of African American applicants or employees but not testing the reading ability of their white counterparts.

Disparate impact involves the use of neutral tests or selection procedures that have the effect of disproportionately excluding persons based on race, color, religion, sex, or national origin, where the tests or selection procedures are not "job-related and consistent with business necessity."

In a review of 158 U.S. federal court cases involving hiring discrimination actions conducted by David Terpstra, a pre-hiring assessment testing expert, it was determined that the unstructured interview was the most frequently challenged selection methodology. It was notable that 100% of the structured interviews

(some having assessment testing) survived legal challenges. Assessment testing with a structured interview process is generally a safe method for companies to implement because if properly used it helps the company have a uniform selection process.

A company deciding to use pre-hire assessments should have their employment attorney review and determine the legal ramifications of using testing at the state or federal level.

How to Use Pre-Hire Testing in the Interview Process

The selection of sales professionals with good character is a function of a carefully considered interview process. It is recommended that hiring managers use a structured process that includes a formal, systematic, and standardized interview process. A key component of a structured interview process is that every sales candidate should be handled in the same way, i.e., asked the same questions; and evaluated against the same job-related criterion. An unstructured interview process is not pre-planned and the interviewer typically asks a wide range of questions that are random and different for each candidate. The unstructured interview process not only puts a burden on the candidate to convey his or her qualifications, but can be a source of potential legal issues as discussed previously.

When used in the beginning of the screening process, pre-hire assessments can ensure that all candidates will be treated equally and measured against the same job-related criterion. Additionally, assessments save hiring managers time by eliminating poorly matched candidates early in the screening process.

A suggested structured process would involve screening resumes and inviting those promising candidates to take the pre-hire integrity assessment. Managers interested in a candidate who had been identified as a risk would proceed with a more in-depth evaluation of the person, such as calling references or third parties who may have worked with the individual. After completing the additional evaluation methods, a face-to-face meeting would be arranged and the candidate would be further interviewed. Assuming the individual is still in line to be considered, the job applicant could be asked to take a sales skill predictive assessment. The sales skills assessment would give the manager an insight to the sales person's consultative selling capability.

In the current challenging sales market,

determining objectively whether the sales person has the consultative selling talent is critical because producers are tasked with creating their own demand and not solely being dependent on a company's marketing efforts. The face-to-face meetings would include discussions of the individual's marketing needs and whether the person is a good match with the prospective lender's organizational and cultural environment. Too often, companies undervalue whether there is a match in these two areas after assessment testing has shown that the candidates do possess consultative sales skills. The best use of pre-hire assessment testing is to assist hiring managers in making a more informed decision; assessment testing should never be used as the sole component upon which a hiring decision is made.

Final Thoughts

While the recent refinance market has helped many financial companies and producers have a successful current year in production, the market is increasingly moving to a traditional business model — a relationship driven effort. As a result, selling isn't about taking orders but listening, building a relationship and delivering what customers really want and value.

Now, consultative selling expertise requires having producers who are credible and trustworthy. A pre-hire assessment can help the hiring manager screen out those who do not have these important ingredients as part of their sales skills. As Gregory Lutin, EVP and National Sales Manager, Flagstar Bank, Troy, MI, states, "the time for quality has now trumped quantity. Integrity must be at the forefront of our industry." I couldn't agree more.



Pre-hire Sales & Integrity Assessments
Developmental Assessments

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