

The Case for Personality-Based Hiring

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While many hope for a return to a pre-COVID-19 world, the virus looks set to be with us for a very long time. The agility to adapt to COVID-19-related constraints will make all the difference between an organisation that thrives, and one that does not.

Now more than ever, employers need to rethink hiring. With rising unemployment and with jobseekers outnumbering job vacancies, the mindset that it is an “employers market” is one that may be detrimental to organisations looking to ride out and do well during these challenging times.

In the second quarter of 2020, Singapore’s Gross Domestic Product fell by 13.2 percent—the worst on record. In August 2020, the Ministry of Trade and Industry (MTI) also downgraded its growth forecast for Singapore to between -5 and -7 percent¹. The COVID-19 pandemic has thrown Singapore into an economic recession—one that is likely to be prolonged. Our key trading partners will take months—even years—to return to pre-pandemic levels of activity.

Unemployment has been increasing at the same time job creation is slowing down. In September, the Ministry of Manpower (MOM) reported 11,350 retrenchments in the first half of 2020—even higher than the 10,120 recorded during the SARS period. The six-month re-entry rate among retrenched residents also fell to a record low of 58 percent².

The costs and benefits of rethinking hiring

In such times, employers tend to be more risk-averse and prefer to “play it safe”. Such tendencies are especially prevalent in hiring, because employers have access to a greater number of applicants for their job offers. At first glance, it would appear that they have more access to talent.

However, an economic crisis makes it even more important to rethink hiring. There are two reasons for this.

First, employers need to be able to adapt to new economic realities. The COVID-19 pandemic has disrupted many key sectors across the world. The pandemic accelerated prevailing trends such as shrinking global value chains. Some sectors such as travel, hospitality and retail have been hit especially hard. With many key economies still struggling to control the coronavirus in their populations and the resulting political and social frictions, global trade might take years to recover. Even when they do, sectors and jobs would have been transformed.

For businesses to adapt, they need to identify and hire the right people, in particular people who have the right personality traits that align with the company’s culture, and who have the intrinsic qualities to help organisations find new opportunities in hard times.

Second, the costs of hiring the wrong person are high. Pandemic or no pandemic, it is costly to replace workers because of the productivity losses incurred when an employee leaves a job, the costs of hiring and training a new employee, and the lowered levels of productivity until the new employee gets up to speed in their new job. These costs will vary by sector and role, but US research indicates that they are substantial. The Center for American Progress (an independent nonpartisan policy institute) found that businesses spend an average of about 20 percent of an employee’s annual salary to replace that same employee³.

In uncertain economic times, the costs of wrong hires are even higher. This is because dealing with a wrong hire means diverting time, money and attention away from more urgent business concerns.

Poor hires can have dramatic, adverse impacts on companies just when their resources are the most stretched. During difficult times, every organisation needs to run like a piece of well-oiled machinery. Employees need to be focused and performing at their peak. Managers need to lead and motivate their teams to be at their best. Time and effort spent on a wrong hire, for example dealing with issues in team dynamics and cohesion, or having other team members pick up the slack for a non-performer, are a waste of critical resources and a distraction that should have been avoided in the first place.

Employers already want to hire the whole person

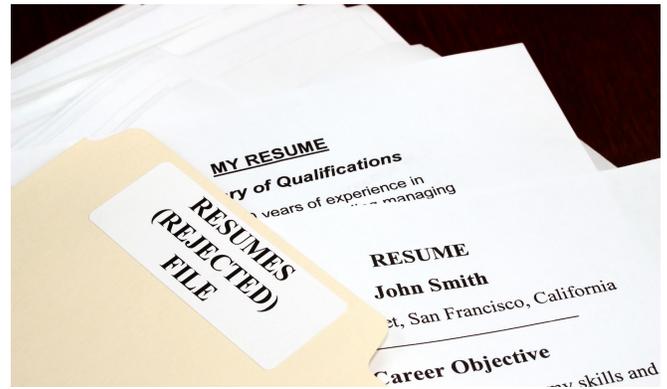
Employers already know the need to hire with the whole person in mind, beyond their grades in school or what is presented in a resume, and assess if the new employee as a whole is able to fit the organisation. This is why interviews are such a key part of the hiring process. Employers also roll out psychometric testing to get data on the personality traits of candidates.

Personality traits and non-cognitive skills (also known as “soft” skills or social, emotional, and behavioural skills) are crucial for job performance. These are traits such as perseverance, conscientiousness, and self-control, as well as social skills and leadership ability. These traits and skills have become more valuable over time, as shown by research by Nobel Laureate James Heckman, David Deming at Harvard, and others.⁴

However, employers find it difficult to identify talent with these traits skills. For example, a 2019 survey by education and technology company Cengage reported that soft skills were most in demand by employers (by at least 65 percent), while quantitative skills and computer and technical skills were less so (47 percent and 50 percent respectively). Even so, the majority of employers (73 percent) said it was very or somewhat difficult finding qualified candidates⁵.

Could the problem be with how we filter candidates?

Why is this happening? Employers already use psychological profiling, multi-round interviews and other methods to find out more about the personality traits and preferences of potential hires. However, these can be costly to employers and so are not rolled out to all job applicants.



Resumes, on the other hand, are free to employers. Hence filtering applicants by resumes is the norm.

The personality traits that employers are looking for are not evident from academic achievements, or any other information on resumes. Research shows that even industry experience is probably not a good indicator. For example, a 2019 review of 81 research studies by Professor Van Iddekinge and his team at the University of Iowa found that even when people had completed tasks, held roles, or worked in functions or industries relevant to their current ones, that experience had no correlation with their performance⁶.

If personality traits are what employers are concerned about, then it makes sense to filter job applicants by personality as early in the recruitment process as possible—from the start even. There are upfront costs, but these must be weighed against the significant losses employers incur when they hire the wrong person.

In addition, most psychometric assessment may be carried out via online platforms now, and thus there are economies of scale to be reaped for some methods. There are still upfront costs, but they may not be as high as one expects.

About the Tangent process

- Existing staff are required to complete the assessment to establish an organisational profile.
- Job applicants complete the same assessment when they apply, or just after.
- Tangent assesses how closely the profiles of job applicants match the company profile and surfaces applicants with the closest fits to the employer for interviews.

Tangent's pilot with Dymon

In 2018 Tangent piloted its process with Dymon Asia Capital, one of Asia's leading alternative investment firms. Similar to many leading financial investment firms, Dymon's hires tend to come from select universities. However, Danny Yong, Dymon's co-founder, was concerned that his company might not have enough diversity and contrarian thinking to find new opportunities, especially if it continued drawing from the same talent pool as other leading industry players.

Dymon's recruitment campaign thus cast the net wide for applicants to discover talent who would otherwise never have applied. Applicants did not have to provide their CVs. Instead all they had to do was complete a psychometric assessment on Tangent's process. 860 applicants did so:

- The oldest applicant was 72 years old, and the youngest 20 years old
- Over 30 percent of applicants had little or no finance background
- 1 in 5 were non-Degree holders
- 1 in 4 were female
- 1 in 3 were mid-career

To filter these 860 applicants, Tangent looked at how closely their profiles matched Dymon's organisational profile, derived from current staff who had taken the same psychometric assessment. CVs were only requested after the potential hires were identified.

In parallel, Tangent worked with leadership advisory firm Egon Zehnder to advise Dymon hiring managers on interview strategies and questions to help reveal applicants' intrinsic qualities.

After two interview rounds, Dymon settled on eight hires. Among them were an ex-National Sailor, a polytechnic graduate, an ITE graduate, and a Chemistry PhD in his 40s. Almost all were new to the financial industry. By first filtering applicants using their profiles and introducing CVs later, Dymon was able to tap on a much larger pool of applicants than in previous recruitment exercises, revealing talent that it would have otherwise overlooked.

Two years on, six of the eight are still at Dymon and thriving. A seventh left Dymon but continues to pursue a career in the finance industry. We are planning a series of interviews with the hires, their managers and senior management at Dymon, in order to learn more about the challenges and benefits from shortlisting applicants by personality traits, and the learning points.

Next steps

The external environment and changes due to COVID-19 are beyond our control. What is within the control of every organisation is how they harness talent. It is the people who make the difference between a thriving organisation, and one that goes under.

Making the switch to personality-based hiring does not require an overhaul of the hiring process, but there needs to be a shift in how hiring is done. Psychometric tests are already a part of the recruitment process, as are interviews to suss out traits that a resume alone will not surface.

Assessing a candidate's personality upfront will mean reviewing the hiring process, and refining the steps in hiring. To adopt such an approach, there are a few things to note:

- Bring resumes in at the later stage of the recruitment process.
- Do not miss out on talent who have the right personality for the job and who fit your organisational culture but do not look great on paper.
- Do not let such talent get lost in the resume pile.

Change is never easy. But it is necessary.

Are you bold enough to make the change?

About the Author



Martin is the Executive Director of The Majority Trust, a philanthropic organisation that works with donors and charities to build a thriving and sustainable community for all in Singapore.

Martin currently serves on the board of National Council of Social Service, as well as Halogen Foundation Singapore, a charity he co-founded in 2013. He was formerly Executive Director of Institute for Societal Leadership at Singapore Management University and has also served on the boards of National Youth Council, National Library Board and National Family Council.

Martin works with leaders in the public, private and people sector in over 14 countries including Afghanistan, Bhutan, China, New Zealand, Southeast Asia, United Kingdom and the United States. For his contributions, Martin was awarded The Outstanding Young Person Award in 2008; inducted as Asia 21 Fellow in 2011; conferred the Singapore Youth Award in 2013; and appointed Global Council Member of Asia Society in 2019.

Endnotes

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