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Should Businesses Hire Based on Personality?

By Toddi Gutner

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With the unemployment rate hovering near 9.5 percent, there are plenty of qualified candidates looking for work. But this surplus of labor also makes it challenging for businesses to sort through all the applicants and be sure they're hiring the right professional for the job.

To help with the hiring process, more than 80 percent of midsize and large companies use personality and ability assessments as a pre-employment or new-employee tool when filling entry- and mid-level positions, according to Scott Erker, a senior vice president of Development Dimensions International, a global human resources consultancy.

With the advent of inexpensive online personality tests, many small companies have also jumped on the bandwagon. "They're used to assess fit to the job or fit to the company," says Erker, who adds that the thinking behind them considers the employee's perspective. "If I fit a job and enjoy it, I will stay longer," he says.

Why personality tests work

Companies look for three things when they make a hiring decision: Who will perform well? Who will stay? Who can be trained to do the job?

Erker argues that personality testing makes it more likely that a company will find a candidate who fits the position. "These tests enhance the predictive nature of placing people in jobs, and that's good for the company," he says. If employees feel they've found the right job, the turnover rate is likely to go down — and that saves companies money.

In general, it can cost the equivalent of six months' to one year's salary to replace an employee, though that depends on the complexity of the job. "It's a big hidden cost for most companies," says Erker.

Of course, the in-depth personality tests — at $200 per person — can be a bit steep for small businesses. Erker suggests that they look into the cheaper online screen tests, which require employers to interpret the data. "If you start with 30 candidates, you might use the screening to get down to five or six, and then use the higher-end one when you've narrowed down the candidates," he says.

However, Erker admits the accuracy of this screening method varies, since employers have to assess the information themselves. Also, some of the information in the test manuals is out of date, which can cause companies to over-interpret the scores.

Even with the higher-end personality tests, there is sometimes a problem with accuracy, because applicants try to fake the personality they think a company is looking for. "Selection at the end of the day is an odds game — we stack the cards in our favor, but it's certainly not perfect," says Erker.

Still, Erker argues that any information available to help a company hire the right person should be used, whether it's been obtained through personality testing, intelligence tests, job simulation or interviews.

When personality tests fail

But not everyone agrees that the use of personality tests in hiring is a good practice. "They are truly inaccurate," says John McSpadden, CEO of MAC & Associates, a recruiting firm.

"I don't think [companies] should use them," he says. He believes the cheap online personality tests "are a waste of time" and the more in-depth tests are prohibitively expensive for a small company. "Companies are making a big mistake if they are letting these tests have too much power over the hiring

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decision," he cautions.

And when it comes to applicants lying or adjusting their answers when they take the tests, McSpadden's own results with them were surprising, to say the least. "Seventy percent of the people who did great on our testing at our firm were fired," he says.

McSpadden argues that companies could spend the same amount of money training their hiring managers in behavioral questioning, perhaps bringing in HR consultants to teach the basics of good interviewing. "If companies invested in interviewing skills, the ROI [return on investment] would crush what they would get from online [testing]," he says.

Still, testing companies maintain that these tests can be beneficial for businesses with poor or little internal infrastructure for human resources. Even McSpadden acknowledges that the reality and demands of hiring may be different for smaller firms: "For a small business, the CEO is the lead sales guy, the janitor — he's everything. So this [personality testing] helps him out."

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