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LEADERSHIP SELECTION PRACTICES FOR HVAC AND SHEET METAL CONTRACTORS AND FABRICATORS



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LEADERSHIP SELECTION PRACTICES FOR HVAC AND SHEET METAL CONTRACTORS AND FABRICATORS

2011 Prepared By:
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1 EXECUTIVE SUMMARY

The ability for organizations to effectively select the best employees for open positions is more important today than ever before. In an increasingly competitive landscape, the organizations able to leverage their human capital effectively will have a clear advantage. After conducting interviews with key leaders of many HVAC/sheet metal companies of various sizes and geographic locations, interviewers discovered that most organizations in the industry struggle with finding the right people for open positions. To compete in the 21st century business environment, it is time for HVAC/sheet metal companies to reexamine their leadership selection process, making changes today to ensure they have the right people to overcome the challenges of tomorrow.

Forward-looking firms are already preparing for what many believe will be among the most severe labor shortages in memory. Competent, capable workers, who also share the organization's values and fit the culture, are critical to the organization's success. Currently, hiring managers are making too many bad hires. Most research suggests that typical hiring processes amount to no better than a 50% chance of making a great hire. That equates to simply flipping a coin. Organizations cannot afford the high cost that comes with making poor hiring decisions. To improve the way companies go about leadership selection, they must rethink the way they hire.

Too many organizations have employees conducting interviews who have never been through any interviewer training. Training interviewers does require an investment up

front, but will pay off greatly with interviewers who know how to focus on behavioral, not theoretical questions—who know the legality of specific questions, and who connect their questions with actual competencies required for success in the job.

Before conducting interviews, a set of competencies (knowledge, skills and attributes) needed to succeed in that position requires clarification. All interview questions should connect back to those competencies. Without a list of the required competencies, interviews easily become unstructured—individual interviewers ask their “favorite” questions, which may not translate into predicting future job performance. Multiple interviewers may ask overlapping questions, creating redundancy. The questions each interviewer will ask should be drafted in advance, and aligned with the questions of the other interviewers to ensure a well-rounded, accurate picture of the candidate emerges. In addition, the interviews need to focus not just on the experience and knowledge of the candidates, but also on how well they fit the unique culture and values of that organization. Many bad hiring decisions are made not because the individual did not have the required experience, but because they could not fit in with the organization's culture.

In addition to structured interviews, organizations should use assessments to help in the leadership selection process. Various assessment models exist: cognitive ability, work samples, conscientiousness, integrity and others. Assessments provide additional data points to help differentiate the qualities of each candidate. The cost associated with using assessments will be paid back many times over by making better hiring decisions.

In an increasingly competitive landscape, the organizations able to leverage their human capital effectively will have a clear advantage.

This report will outline each step of the leadership selection process, making recommendations based on the best practices. By taking an intentional, focused look at the limitations of their current selection process, organizations will find ways to make more informed and effective decisions. While no hiring process will ever be 100% accurate, most organizations in the HVAC/sheet metal industry will find specific recommendations here to improve their ability to bypass those bad hires, and instead select only the candidates that have the required knowledge and experience, while also aligning culturally and sharing the organization's values. These candidates will become the leaders that shape the organization and ensure its lasting success.

2 INTRODUCTION TO LEADERSHIP SELECTION

The HVAC/sheet metal industry, much like other industries throughout the world, is dealing with rapid change and great uncertainty. There are few guarantees of what the future will look like, and even less certainty about maintaining current success. Organizations are looking to new technologies, strategies, markets and tactics to achieve an edge over their competitors. Yet, the majority of HVAC and sheet metal companies are still relying on outdated and ineffective means of selecting employees and leaders. The companies that will be successful over the next decade will be the ones able to attract, retain and develop great leaders and great workers. To position themselves for success, organizations must reevaluate their selection process to ensure they are hiring the right people.

Too often, HVAC/sheet metal organizations undertake a conventional, yet ineffective means of selecting new employees. This process “involves a limited call for applicants, straightforward reviews of résumés, a handful of interviews and then a leap-of-faith hiring decision.”¹ Research comparing hiring selection tools and job performance suggests that this approach offers virtually a 50% chance of hiring an effective employee.² The chance of finding the best person for the job in this case is equal to the flip of a coin. Yet, many organizations throughout the industry rely on this, or similar methods, only to find that they need to rehire often, which is an expensive and sometimes disrupting process.

While selecting effective employees is always a crucial task for organizations, it has become increasingly important over the last decade. The quickening pace and adaptation of technologies, increasingly diverse projects and turnover of employees, employee diversity, macro-management and decentralization, changes in training style between generations, and generational changes and future labor shortages all contribute to this. The high cost of replacing a bad hire only lends further importance to the selection process. A survey of noncommissioned officer selection conducted by the U.S. Army found that “replacing an employee typically impacts morale, ongoing workload and possibly retraining other employees.”³ The cost of replacing an employee can be many times the person’s salary in hours and recruiting. To avoid these unnecessary costs, organizations must select the right employees the first time.

To create a selection process that will benefit the organization requires intentionality and structure. Many hiring managers select their “favorite” job candidate, or the person they like the most, without following specific criteria to select future employees. In the HVAC/sheet metal industry, hiring decisions are often based on “gut feel” or intuition. According to a recent study, “the base rate for managerial failure ranges from 30 to 67 percent, with an average of about 50 percent.”⁴ Organizations are selecting employees for important leadership positions, but seeing a very high rate of failure. Much of the lack of success of new employees can be traced back to the selection and hiring process.

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To ensure future success of the organization, leaders must improve their ability to hire and promote the right people to the right positions. Most leaders can recall poor hiring decisions that they have made throughout their careers. Bad hires are warning signs that the selection process is not working as effectively as it needs to. In the following report, we will examine the leadership selection process and make recommendations for ways to improve the process in your own organization. Leaders have many obligations, but one they cannot afford to overlook is the ability to “get the right people on the bus.”⁵ To succeed over the long-term, HVAC/Sheet Metal organizations must improve the way they leverage their human capital. The first step of the process is getting the right people into your organizations—the key issue addressed throughout this report. Once employees enter the organization, though, the work of the company needs to continue. Employees need to be coached and mentored to improve their performance and leadership potential—those approaches are discussed in the 2010 New Horizons Foundation report distributed to SMACNA members, “Mentoring and Coaching Practices: Developing the Next Generation.” Among the important reasons to have strong, capable leaders throughout the organization is the need for owners to plan specific exit strategies and equity transfer. This topic is addressed in the 2010 New Horizons Foundation report, “Exit Strategies for HVAC/Sheet Metal Contractors: Strategies for Equity and Ownership Transfer.” Together, these three research reports present a primer for developing leaders and building a lasting, successful organization.

3 WHY LEADERSHIP SELECTION?

At some point in their careers, most leaders have uttered the phrase, “Our people are our greatest asset.” This commonplace expression is used too frequently in business, although there is certainly some truth in the statement as well. The people in your organization are the ones who get the work, perform the work, shape the culture and propel the business to success. However, the people in your organization are also the ones who make mistakes, anger clients, introduce negative behavior and can cause problems that prevent the organization from achieving its goals. For this reason, it becomes imperative for leaders to select the right people for their organization.

Stating the importance of employees is commonplace, but too few leaders take the time to examine their leadership selection process to ensure it is working for the organization by removing the least effective candidates and ensuring that the right people enter the organization in the right positions.

Most HVAC/sheet metal organization leaders must deal with an overwhelming amount of tasks, projects, objectives and responsibilities on a daily basis. It is easy to overlook certain aspects of the business, like the leadership selection process, for something that is more urgent. Leaders would be wise to intentionally devote time to improving their leadership selection process. Research suggests that up to 75% of performance issues can be linked to the hiring decision.⁶ Making better hiring decisions will decrease the amount of time spent dealing with performance issues, cultural

As a leader, do you spend more time and energy on your best employees, or your problematic ones?

issues and behavioral issues. It will decrease the amount of frustration that occurs when managing employees that are ill equipped to perform the job at the level expected.

In a fast-paced industry with high competition and low margins, organizations need every advantage to succeed. Having great people at every level of the organization is a big advantage. Trying to build a great organization without the right people in the right positions is like trying to perform work without the full use of the required tools. It will be harder, less efficient, more time consuming, and more frustrating.

There will never be an ideal time to review the selection process—there will always be more pressing, urgent considerations. Leadership, though, is not about fighting fires—it is about maintaining the longer-term view over the shorter-term one, while doing what is needed to ensure the organization thrives. Most organizations would agree they could do a better job of hiring and selecting employees; the great organizations are the ones that follow up with these actions.

4 LEADERSHIP SELECTION CHALLENGES

Reflecting on the various hires leaders make over their careers, most can easily identify a number of hiring mistakes. Bad hires can happen for a variety of reasons, but can be an indication of much needed changes in the selection process. No selection process will be 100% reliable in finding the best candidate, but with the right structure, tools, and processes,

leaders in the HVAC/sheet metal industry should be able to make successful hiring decisions.

One of the major challenges in selection is the tendency to rely on ineffective methods, simply because that is what has been done in the past. Without training, interviewers tend to ask the same questions in every interview, and can become complacent or mechanical in their approach to individual interviews. Over time, this can decay into simply hiring the person with the most impressive résumé.⁷ A great résumé does not always translate into the best person for the job. Interviewers need to take into consideration aspects rarely covered in a résumé, such as job fit, cultural fit, personality fit, motivation and competencies, in addition to the résumé review. This approach requires more effort, but should result in the selection of better candidates with a higher likelihood of becoming long-term employees.

Organizations looking to hire new employees must also deal with timing issues. The HVAC/sheet metal industry is very time-sensitive regarding external deadlines, making it difficult to focus on internal personnel issues. If an organization is not looking ahead and being proactive in its staff planning, it is likely to experience a gap in its personnel. Suddenly, there is a need to hire someone to fill a vacant spot. When hiring emergencies like this arise, many leaders typically search for a “quick fix” to solve the problem and move on.

It is at this point that many interviewers tend to rush through the process rather than taking enough time to ensure he or she is hiring the right person. With pressures to get someone in the door, interviewers will tend to skip certain

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steps in the process. The biggest culprit in this situation is when an interviewer selects the best candidate from a group of potential hires—without questioning whether he or she is really the right person for the job. For example, in a group of subpar candidates, a mediocre candidate will look better. It is challenging for interviewers to delay a crucial hiring decision to ensure they find the right candidate for the job, especially if this requires bringing in a new group of candidates. Leaders must take the longer-term view of hiring the right candidate, not the short-term view of hiring the best candidate currently available.

As part of the research into leadership selection in the HVAC/sheet metal industry, FMI interviewed key leaders in companies of various sizes and locations to more clearly understand how they currently approach the selection process. FMI found different techniques and processes, but also found many similarities in the approaches. One of the recurring themes that emerged was the use of “gut feel” or “intuition” in choosing one candidate over another. Throughout the industry, leaders are consistently relying on subjective data about who to hire. Many cited their extensive interviewing experience as evidence backing up this approach. Unfortunately, when pressed on hiring failures, they cited many examples of poor hiring decisions and the costs of those decisions to the organization. To succeed in selecting the right employees, interviewers must have a structured, consistent process—not rely on gut feeling or intuition. This will require a change for many interviewers, and this change is one of the greater challenges to leadership selection.

4.1 Lack of Interviewer Training

Few organizations in the HVAC/sheet metal industry provide their key interviewers with the adequate training necessary to conduct successful interviews. Many interviewers rely on their own assumptions or experience in conducting interviews, even though they tend to use less effective tactics and techniques. In this section, we will cover several of the key areas that interviewers need to master if they want to improve their ability to select the right candidates through the selection process.

Interviewers often fail to understand the specific knowledge, skills, and abilities needed to perform successfully in the open job. Every position has a specific set of competencies that will allow an individual to succeed *in that specific job*. Before conducting interviews, the interviewer should clearly understand those specific areas and direct the interview questions to uncover if the candidate matches those criteria. Everyone involved in the selection process should understand those competencies and share a common understanding of their definition and intent.⁸ From our discussions with leaders in the HVAC/sheet metal community, we found that very few interviewers do this effectively.

Interviewers also tend to ask theoretical questions, which are not nearly as effective as more behaviorally focused questions. The best predictor of future performance is past performance; however, many interviewers ask what the applicant *would* or *should* do instead of asking what the applicant *actually* did.⁸ This is a small tip that has some big implications. For example, if an interviewer asks a theoretical question like, “How *would* you handle that

Every position has a specific set of competencies that will allow an individual to succeed in that specific job.

situation?” this allows the candidate to answer with any ideas or solutions they could possibly imagine. However, by asking a behavioral question like, “How *did* you handle a similar situation in the past?” the interviewer focuses the question on specific past behavior of the candidate—how the candidate answers this question is a much better predictor of how they would handle the situation in a future setting.

Interviewers will also need to be cautious of the “halo effect,” where one outstanding accomplishment creates an impression of success that, in the interviewer’s eyes, can obscure less successful behavioral examples in other equally important competencies.⁸ The classic example of this is the skill of oral communication—interviewers tend to see candidates with strong oral communication skills as having greater abilities in other areas, even when they do not have the skills to support that conclusion. Likewise, candidates with poor oral communication abilities tend to be rated lower across the board, even when they have strong competencies in other areas. Interviewers must guard carefully against the halo effect and monitor the interview process to ensure they are not falling into this mindset.

Many interviewers also have a tendency to make a quick decision about a candidate. We all tend to have initial impressions of people, but this quick first impression is not always accurate. Studies have shown that after making a decision, individuals tend to seek more information to confirm the decision and to reject information that contradicts the decision.⁸ This tends to lead interviewers to dismiss potentially strong candidates who made a bad first impression, or overlook possible red flags with a candidate who makes a great initial impression. This is an easy, unconscious mistake to make, and interviewers need to guard against this tendency.

Asking an employee to conduct interviews with little to no training is a common practice throughout the industry. Interviewers, even with the best intentions, will quickly fall into these or other tendencies that will hurt the organization’s ability to select the right candidate for the job. Interviewers without the proper training will tend to rely on what they know. This is when factors like intuition or “gut feel” pop up in selection conversations. Without proper training, interviewers may rely more on feelings, rather than objective criteria designed to determine the best candidate for the job.

4.2 Legal Considerations

Throughout the selection process, interviewers must ensure they are compliant with the various federal and state employment laws. This section will cover several of the critical legal issues, but every organization is encouraged to review their processes to ensure they comply with federal regulations—and also with the pertinent state laws and guidelines. The laws vary depending on the state, and this report will not cover them in their entirety.

When in doubt, interviewers should ensure all questions are job-related. Interviewers must avoid questions about:

- Age
- Arrest record (this differs from convictions, which is generally permissible)
- Race or ethnicity
- Citizenship status (can ask if they will be able to provide proof of eligibility to work in the U.S. if hired)
- Religion, religious customs or holidays
- Height, weight (unless it has a direct connection to one’s ability to perform on the job)

- Owning/renting home
- Credit history or financial situation
- Education or training not directly related to the job
- Sex or gender
- Pregnancy status, medical history
- Family, marital status, child-care arrangements
- Membership in a non-professional organization or club not related to the job
- Physical or mental abilities (asking whether they can perform the essential job duties is permitted)⁹

While this list covers many of the areas interviewers should avoid, organizations are encouraged to review their state's laws and guidelines to ensure compliance. The legal ramifications of not following federal and state employment regulations are extensive. For this reason, interviewers require proper training to ensure a legal issue does not arise from the interview process.

5 CASE STUDY #1: LEADERSHIP SELECTION GONE WRONG

Bill was interviewing candidates for a project engineer position. He wanted to find a candidate with good experience and with the intelligence needed to succeed in the position. As he interviewed potential hires, one candidate, Paul, stood out to him. Paul had several years of experience as a project engineer with a rival HVAC company and had a good reputation in the industry. Paul was out of work after a series of layoffs forced his previous employer to make significant cuts. Bill immediately liked Paul as a person, and was impressed with his résumé.

After the round of interviews, Bill met with Charles and Frank, two coworkers who also conducted interviews with the candidates. The conversation quickly turned to Paul.

“I was most impressed with Paul—he has a few years of experience in the role, and wouldn’t even be looking for a job if his previous employer wasn’t forced into layoffs,” Bill explained.

“Paul seemed like a very genuine guy. I enjoyed talking to him,” Charles offered.

“I agree. Paul seems like he has the right knowledge and skills, and I’ve asked around—several of our employees know of him and are supportive of us hiring him,” Frank added. The three interviewers decided to hire Paul. He had the required knowledge, skills and abilities to succeed in the position.

Unfortunately, Paul got off to a slow start in the role. He immediately clashed with his coworkers. They complained that, while he was obviously intelligent, he did not openly share information or collaborate with the rest of the team. They believed he cared more about achieving success for himself and cared less whether the rest of the team succeeded or not. Paul’s work attitude directly clashed with two of the organization’s values—collaboration and putting the team first. Bill felt troubled by these complaints, but hoped it was just part of the initial transition period. He had to admit that he had a few complaints himself—Paul did not take feedback very well. Bill had tried to give him some advice on ways to work better with his peers, but Paul responded that his method worked for him, and that is how he would continue to operate. Bill was surprised how unreceptive Paul was to feedback.

Several weeks went by, and conditions did not improve. Several of Paul’s coworkers claimed that they were fed up with trying to work with him. Bill even heard some grumblings from Paul’s direct reports that he was too “busy” to manage them. They felt like he cared only about getting the job done—not about acting as a leader or providing necessary oversight. Bill knew that he had to have a conversation with Paul, but was unsure of how to discuss the issues. Paul had achieved great results in his work—no one could fault him in that department. He was every bit as intelligent and experienced as they first believed. The problem was on the people side. Paul showed no interest in building relationships, coaching or mentoring, or even liking his coworkers. That was not how employees were expected to act.

Bill pulled Paul aside and finally had the conversation with him. Bill explained the organization’s values and how those values helped set them apart from other companies in

the industry. He talked about the effort they had put into making this company a special place to work—one where coworkers treated each other with respect. He explained that it was the organization's culture that differentiated them and helped to ensure they attracted the best talent. Paul nodded and said he understood. Bill left the conversation hoping Paul would change, but not feeling very hopeful.

As expected, Paul continued alienating those around him. Three months later, Bill finally realized he would have to let Paul go. The decision troubled him, because Paul was so good at the technical side of his job. Bill had no complaints about the quality of the work. The biggest issue was that Paul simply did not fit in the organization's culture.

As Bill reflected on the hiring mistake, he realized they missed something in the interview process. They spent considerable time checking to make sure Paul had the necessary knowledge, skills and abilities to do the job, but neglected to discover if he would fit with the organization's culture. Bill realized he should have asked Paul questions to see if his behavior matched well with the organization's values and culture. He realized that he never discussed with Paul, even after hiring him, the importance placed in living out the organization's values. In retrospect, he realized that he was as responsible for Paul's failure as Paul was.

Bill began the interviewing process all over again, but this time, he met with Charles and Frank to discuss interview questions to understand if the candidates fit the culture of the organization. It felt a bit odd to ask candidates about times they collaborated in a team setting, or how they approach receiving feedback, but it helped separate the good candidates from the great ones. After making the adjustments, Bill hired a new project engineer who not only had the right skills and experience, but who closely aligned with the organization's culture. It was one of the best hiring decisions Bill had ever made.

6 LEADERSHIP SELECTION FOR THE EXECUTIVE LEVEL

The recommendations included in this research report are designed to work at any level of the organization; however, special considerations must be made when hiring at the executive level. For obvious reasons, hiring at the executive level should require more time and effort to ensure selection of the right candidate. Executive failure is common, and the costs associated with a bad executive hire are significantly higher than at any other level. While estimates vary, research suggests the indirect costs alone can be between eight and twelve times the misfit executive's salary. When selecting for top leaders, it pays to get it right the first time.

In addition to the general criteria outlined throughout this report, there are additional variables to consider when selecting executives. Some of these include:

- **Personality** – an executive's personality could have far-reaching implications on his or her performance.
- **Leadership skills** – in addition to having the required management skills, does the candidate have the leadership skills?
- **Relationships** – does the candidate have relationships with key stakeholders? Can he or she effectively build new relationships with a far ranging demographic?
- **Derailers** – does the candidate have potential derailers that could sink his or her leadership?
- **Global Capabilities** – does the candidate have the capability to think strategically on a global level?⁷

Assessments offer additional data points to help in the selection process. While assessments will be covered in greater detail below, they do play a vital role in selecting

executives. In fact, they should be used even more frequently when selecting at the executive level. Personality, cognitive and writing samples are some commonly used assessments. In addition, on-boarding becomes increasingly important. Some of the main on-boarding issues for executives include:

- Building stakeholder relationships
- Managing resistance
- Building credibility
- Assessing talent
- Learning the culture
- Learning the systems
- Leveraging strengths and avoiding derailing
- Managing conflicting agendas
- Building commitment toward a vision
- Evaluating progress

7 JOB DESCRIPTIONS VS. COMPETENCIES

Many interviewers focus the selection process on finding an individual with the right skills to do the job. Skills and attributes are important, but cannot alone predict whether that candidate will succeed in the job or not. Great hiring organizations place more weight on character attributes than on specific educational background, practical skills, specialized knowledge or work experience.⁷ A well-developed selection process must take into consideration each candidate's character, competence and competencies to get an accurate, helpful view of the candidate's true qualifications.

Exploring the candidates' character helps to ensure the candidates fit the organization's values and will fit with the culture. A candidate who does not fit the organization's culture

and is incapable or unwilling to live out its values will not succeed long with the company. Competence is defined as what one can do, demonstrated by what one has done.⁷ Interviewers need to look to past behavior to predict the type of future behavior displayed by the candidate. Competencies are standardized requirements for individuals to perform a specific job properly.⁷ By specifically knowing what it takes to succeed in the job, interviewers can adjust their questions to explore those specific behaviors in the interview.

This character-competence-competency model is helpful, but it requires some front-end work on the part of the organization. Before finding candidates that fit the culture and values of the organization, the organization must clearly define and communicate those values. Answering the questions, “Beyond making money, why do we exist?” and “What is it about us that sets us apart from our competitors—that makes us unique?” will help organizations begin to clarify their individual culture. Without having great clarity on their purpose, values and culture, it will be very difficult to find candidates who fit well with the organization.

Understanding competencies takes effort before the interviewing process even begins. Job descriptions are useful, as they describe the general tasks, duties and responsibilities of a specific position. This allows candidates to understand the expectations of the position. Many organizations in the HVAC/sheet metal industry have created job descriptions for specific roles; however, this is only a small step in the selection process.

Job descriptions are limited in their effectiveness of selecting the right candidate. For each open role, interviewers need to understand the specific knowledge, skills and attributes that will allow a person to be successful in that job. These are above and

beyond the traits expected of all new hires—the qualifications set need to be specific for the position.¹⁰ For example, here is a sample job description for an estimator:

General Responsibilities:

Responsible for preparation and submission of bids, as well as the contract administration and performance of awarded projects

Specific Responsibilities:

1. Performs quantity takeoffs and prices labor and equipment
2. Obtains and evaluates subcontractor and vendor prices
3. Completes bid form and composes scope of work document
4. Makes contact with owners and general contractors to obtain plans and specifications
5. Represents the Company's interests with owners, contractors, subcontractors and architects/engineers
6. Purchases equipment, materials and subcontracts

As you can see, the job description outlines the responsibilities of the position. This is a generic example that would look different if actually used in an organization. Additional sample job descriptions are included in Appendix A.

Here is an example of a competency model. This is very general, and would need to be more specific if it were actually used in an organization:

Sample Competency Model¹¹

General Capabilities
Education and Training (list degrees, certifications, other courses, and training, etc.)
Communication Skills (list writing/reports, presentation, listening, etc.)
Planning, Organization, Delegating
Resourcefulness and Follow-Through
Decision Making
Initiative, Volunteering, and Self Development
Teamwork and Relationships
Quality, Follow Procedures, Support Change, Accuracy
Leadership, Role Model, Mentoring, Training
General Estimating Skills and Knowledge
Estimating Process
Engineering Document Reading
Quantification/Take-off from Engineering Documents
Estimate Basis Memorandum/Scope Definition
Execution Strategies
Work Breakdown Structure (WBS)
Account Coding
Obtaining/Using Cost Data and Vendor quotes
Extensions/Adjustments
Risk Factor Assessment and Contingency
Project Controls Knowledge
General Project Controls Knowledge
Cost Control, Budgets and Forecasts
Planning/Scheduling Requirements
Progressing, Earned Value
Change Management
Estimating Methodology Skills and Knowledge
Data Analysis and Benchmarking
Labor Productivity Analysis
Database Line Item Development and Organization
Normalization (inflation, metallurgy, location, etc.)
Historical Data Analysis, Benchmarking, Estimate Validation
Strategic and Conceptual Estimating
General Factors and Ratios
Algorithms (list equipment factored, capacity factored, modeling, unit, line-item, etc.)
Adjustment of Database Line Items (database as reference)
Creating and Using Assemblies and Frequencies

Sample Competency Model, *Continued*

Computers and Software Skills
General Use Software and Hardware Skills (list various programs used)
Company Software Skills (list various programs used)
Estimating Software Skills (list various programs used)
Hardware Skills (list as appropriate)
Discipline and Trade Knowledge
List appropriate disciplines, trades and phases
Industrial Process Knowledge
List appropriate WBS areas/units to appropriate level of breakdown
Cost Component Knowledge
List appropriate cost components to appropriate level of breakdown

A competency model is defined as “A framework or list of competencies, often organized into multiple groupings or clusters, which are attributable to desired employee performance.”¹² To improve the selection process, organizations must devote time and energy identifying the specific skills, behaviors and knowledge that will allow an individual to succeed in a given job. The interview process must then align with the competencies to discover whether each candidate matches or does not match those criteria. This is one of the most important steps in the entire selection process, and completion is required before any candidates are interviewed.

Some organizations also tie competencies to their core values. For example, if one of an organization’s core values were “leadership” they would identify the competencies required to live out that value in the position being hired. Some needed competencies may be the ability to think strategically about the business, having the required knowledge and experience in change management, or the willingness to coach and mentor future leaders. While the majority of competencies tie to the specific requirements of the job, some organizations choose to select for their values as well. This helps ensure the candidates fit the culture of the organization.

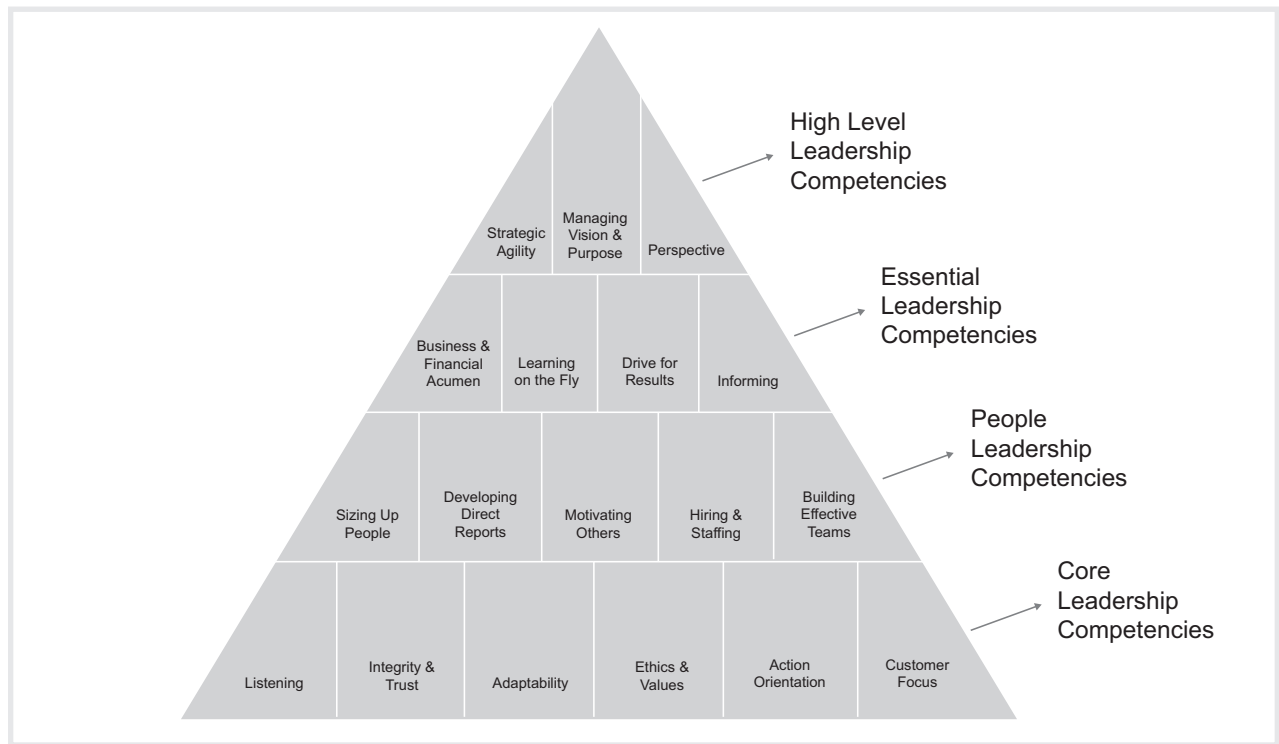
Creating a list of competencies for open positions takes careful consideration. Organizations creating competency lists for the first time may feel a bit overwhelmed with the process. To create competencies for an open position, many organizations first assess high-performing individuals currently in that role. They often ask the following questions:

- What are the specific knowledge, skills, experience, characteristics, or attributes allow this individual to be successful *in this specific role*?
- What sets a high performer apart from an average performer *in this specific role*?
- What would be “nice to have” in this position vs. what is a “must have” *in this specific role*?

These questions help clarify the functional competencies required for success. Creating competency models starts with understanding what allows a person to be successful (not just average) in a specific role.

Competency models will look different depending on the position. Competencies for key leaders in the organization will fundamentally look different from competencies created for field level personnel.

Sample Executive-Level Competency Model¹²



Each organization will need to create its own competencies for the specific position to fit the individual needs of its unique culture. This is a sample executive leadership competency model from a well-known American company. As you can see, the competencies are divided into four areas: Core Organizational competencies, People Leadership competencies, Essential Leadership competencies, and High Level Leadership competencies.

A benchmarking study by the American Productivity and Quality Council in 2004 found that every one of their best-practice organizations had developed a behavioral competency model, designed to guide their selection and development efforts.⁷ Organizations looking to improve their selection efforts should look closely at developing competency models for all key positions.

Smaller companies may not have the personnel, time or knowledge to create effective

competency lists for their key positions.

These organizations often look for external assistance in developing competency models for leaders. Hiring an external firm can provide the necessary resources and save significant time and money. When choosing such a firm to develop competencies for key positions, first look at their internal resources—do they have employees with the knowledge, experience and passion to develop competencies? If not, it may make sense to find a firm specializing in that type of work.

8 SELECTION FOR FAMILY-RUN BUSINESSES

The selection process outlined in this report was designed to be applicable to a wide range of different organizations in the HVAC/sheet metal industry. While the recommendations will work for any company, it is important to discuss several of the unique challenges

The key for selection of employees from among family members in family-run businesses is to create levels of objective criteria required for a family member to advance in the company.

inherent in family-run businesses. Many companies in the HVAC/sheet metal industry are family run, which can sometimes complicate the employee selection process. The dynamic of succession planning in a family business is complex, because each family member feels that he or she has a vested interest in the company's future.¹³ Transitioning from one generation of family members to another is not a simple process. In fact, only 34% of family businesses successfully pass to the second generation, and only 13% make it to the third generation.¹⁴

The key for selection of employees from among family members in family-run businesses is to create levels of objective criteria required for a family member to advance in the company. A family member should never be promoted simply because he or she is a member of the owning family. The family-member candidate should go through the entire selection process (outlined below), including using objective assessments and judging against the same objective criteria as the other candidates. This makes creating competencies for the open position even more important. Does the family member meet or exceed all of the competencies required for success in the position, or does another candidate meet them more fully? This will help choose the right person for the job. Potential candidates in family enterprises are typically chosen based on biology and may not have the necessary education, skills, experience or interest to run the business.¹⁵ Candidates who are family members are often chosen because of a natural family bias, which has nothing to do with sound business practices and can be the demise of an otherwise successful

company.¹⁵ To prevent this from occurring, the organization needs to follow a structured process that will help remove those biases.

9 THE SELECTION PROCESS

To select the right candidates, organizations must have a clearly structured selection process. The following section will describe a recommended structure for that process. However, every organization is different, and leaders should not assume a one-size-fits-all approach to leadership selection. While the process outlined below is based on best practices and research, organizations need to consider their specific culture and objectives before implementing the recommendations. Although the recommendations are designed to work for any company, before making any changes, ensure the changes are intentional to help you achieve your selection goals.

9.1 Pre-Selection Process

Specific steps must be taken before beginning the selection process. Hiring managers often skip or gloss over these steps, yet each one plays a crucial role in the process. These initial efforts are as follows:

- Determining your need to hire a new employee
- Conducting a thorough job analysis
- Writing a job description
- Determining the salary for the position⁹

Determining Your Need to Hire a New Employee

The first step is to determine whether or not you need to hire a new employee. An employee exiting the organization does not automatically trigger a need to hire someone to fill his or her place. Leaders must examine whether they are fully utilizing the skills and talents of their current employees and whether the organization can financially support a new employee.⁹ It may be possible and desirable to delegate the tasks and responsibilities of the exiting employee to current employees. In all cases, organizations must first ensure it makes financial sense to hire a new employee.

Conducting a Thorough Job Analysis

If delegation or reorganization of tasks is not possible or insufficient to replace an existing employee or it is otherwise determined that there is a need for a new hire, the next step in the process is to conduct a thorough job analysis. As discussed earlier in the report, it is during this job analysis that the specific character traits and competencies are determined. Those conducting the job analysis must answer this question—“What are the specific skills, behaviors and knowledge that will allow an individual to succeed in this position?” A competency model is then created based on that information.

Writing a Job Description

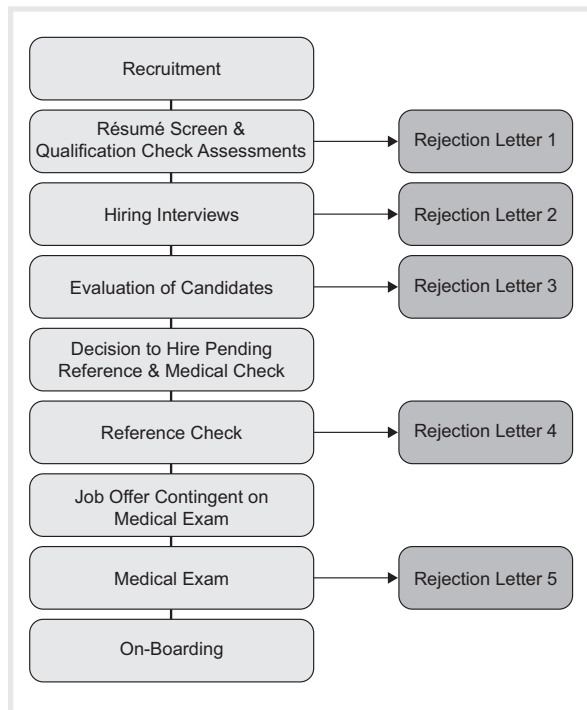
As mentioned earlier in the report, a job description, which describes the general tasks, duties and responsibilities of a specific position, should be written for each open position. This is important to ensure potential candidates understand the responsibilities of the position they are applying for and the requirements of the job once hired. This may help some candidates to self-select themselves out of the process if they cannot achieve

the tasks and responsibilities outlined. It also serves as a reference document for job performance reviews.

Determining the Salary for a Position

Research suggests that adequate pay incentives are key to hiring the right people.⁹ While money itself is not a very powerful long-term motivator, having adequate pay incentives will ensure you are attracting better quality candidates. Missing the best candidates because the salary is not comparable will hinder selection efforts. Hiring managers must ensure the salary is comparable and proportional with the salaries and responsibilities of other positions inside the company as well as similar positions in the marketplace.⁹ Once this last pre-selection step is complete, it is time to begin the selection process.

9.2 The Selection Process⁸



Recruitment

The first step of the selection process is to examine the recruitment techniques used to find candidates for the open position. For instance, when searching for an internal candidate, how are open positions announced? Methods commonly used include email, monthly newsletters, word of mouth and bulletin board postings. Hiring managers should treat hiring internal candidates similarly to external ones—you will not find good candidates if potential candidates do not know there is a position open. Whatever method or combination of methods is used, it is useful to have a policy for such postings.

For external candidates, there are many options for advertising open positions. Based

on HVAC/sheet metal industry interviews, many organizations use online sources like Monster, Craigslist and CareerBuilder. Some organizations advertise in the local newspaper, in trade journals and magazines, with local associations and on the company website. Some use employment agencies. Others specifically look for candidates in the industry whom they know by reputation or have worked with in the past. Often, organizations rely on recommendations from current employees as an additional method.

Despite all these efforts, many organizations still struggle with finding the right candidates for employment. Organizations need to use a multipronged approach—there is no one best way to find candidates that will result in a strong group of diverse, qualified, motivated candidates.

Advertising open positions typically hits the active job seekers—those who are actively seeking a job are the ones applying to multiple openings at once and often will take the first job that comes along, regardless of fit, skills or career path. While active job seekers can become great employees, there are also many desperate, unqualified candidates in this group. Organizations must seek to target passive job seekers—those who are not actively seeking job opportunities, but would be interested if the right position came along. Only 20% of employees in any designated market sector are actively looking for jobs and will respond to job advertisements.¹⁶ Of the remaining 80%, approximately 75% are passive job seekers who are open to hearing about alternative career opportunities.¹⁶ Organizations must find ways to reach these candidates. This can be done through leveraging previous relationships established in the industry.

Hiring managers should treat hiring internal candidates similarly to external ones—you will not find good candidates if they do not know there is a position open.

Regardless of which advertising techniques the organization currently uses, to find a strong group of candidates, efforts should focus on reaching both active and passive job seekers. Companies in the HVAC/sheet metal industry typically do this through a combination of utilizing online or print sources while also leveraging previous relationships for strong employees who may not be actively looking to change jobs. Organizations unhappy with the quality of candidates applying for jobs need to reexamine their advertising efforts. As in any advertising effort, it is useful to track the history of good candidates and hires against the sources that attracted successful candidates. There are always qualified candidates ready for new opportunities—if the current efforts are not producing those candidates, trying a new approach is required. The rest of the selection process will not work well if finding good candidates is a problem.

Résumé Screen and Qualification Check

As recruiters will typically receive dozens to hundreds of résumés for an open position, the résumé screening process becomes an important part of finding the right candidates for the job. Screening résumés properly will allow only the most qualified applicants to get through, saving interviewers time by ensuring they only speak with the top candidates. Some of the basic information to screen for includes:

- Right type and amount of work experience
- Proper educational, certification or licensing requirements
- Correct technical background and skills
- Stated salary expectations
- Current location of candidate (for relocation purposes)¹⁷

To screen résumés effectively, there should be a structured rating system to differentiate between the candidates. This can look and work many different ways, but organizations typically adapt the scoring system to fit their unique culture and needs. However, all rating systems should have clear, consistent categories that easily let the reviewers rank résumés based on how well they fit with the required competencies for the open position. Here is a sample rating system:

5 Outstanding	The résumé exemplifies superior or exceptional characteristics that closely align with the competencies required to be successful in the open position. The résumé exemplifies superior or exceptional characteristics that closely align with the competencies required to be successful in the open position.
4 Excellent	The résumé illustrates extremely strong, but not exceptional characteristics. The reviewer may have a reservation, but there are redeeming qualities to compensate for or outweigh the reservation.
3 Strong	The résumé demonstrates strong characteristics; however, the reviewer may have reservations.
2 Average	While the résumé is satisfactory, the reviewer has major reservations. Certain competencies or knowledge related to the open position are not present.
1 Below Average	The résumé lacks many required competencies, and overall the experience and skills are not satisfactory.

By using the rating system, the résumé reviewer should be able to determine the candidates who will continue the selection process and the ones to eliminate from it. This is the first cut. Those who did not make it should receive a rejection letter thanking them for their interest and letting them know that the organization will be pursuing candidates whose experience more closely matches the competencies required for the position.

Assessments

In addition to the typical selection tools like reviewing résumés and conducting interviews, many organizations use various assessments or simulations as additional data points. Organizations should use as many sources of information as possible, including work history, interviews, test findings and references. No one piece of information is sufficient to predict future job performance.¹⁸ For this reason, assessments are valuable, as they provide additional information that can help predict the future success of the candidate. While there is typically a cost associated with using assessments, assessments should only be given after the first round of cuts, and only those with résumés that match the qualifications and experience necessary for the position should make it to this step.

Some organizations take a short-term view of using assessments, as they do not want

to spend the money for the assessment, even though they acknowledge they will save significantly more in the long-term by making a better hiring decision. This belief exists throughout the HVAC/sheet metal industry. An organization needs to ensure it is not sacrificing the greater long-term gains for short-term savings.

As with most aspects of the leadership selection process, tests and simulations should adhere to all state and national employment laws. Any assessment used should measure the specific competencies or knowledge needed to succeed in the open position. By limiting the scope of the assessment to the relevant competencies and using multiple data sources, the accuracy of the prediction increases, while the risk of legal action is reduced.¹⁸ When challenged in a court, an employer will be in a better legal position if it is able to show there is a business necessity for each competency measured and that testing was only one factor in the selection decision.¹⁸ Assessments should not be used haphazardly, but must be intentionally selected and properly used to increase the potential of selecting the best candidate for the position.

There are many selection assessments available. These include assessments on:

- Integrity
- Sales

HVAC/Sheet Metal Industry Interviews

Interviewee: "A few years ago, we did a \$400 personality assessment for two candidates, and it was extremely enlightening. It helped me find the right person for the job."

FMI Interviewer: "Do you still use the personality assessment?"

Interviewee: "No, I should, but I don't want to spend the \$400."

- Customer Service
- Leadership
- Personality
- Team Building

Throughout the recruiting process, many companies focus on the technical abilities and qualifications of the candidates—can this candidate do the job for which he or she is interviewing? While important, this does not take into consideration other factors that will determine whether a candidate will be a good hire. Even though a candidate may have all the qualifications for the position, he or she may not measure up to the non-technical aspects of the job.¹⁹ Many selection assessments are designed to help measure the non-technical aspects of a candidate's qualifications. By assessing the candidate's style of work, personality and workplace behavioral patterns, these assessments help identify gaps between job requirements and the employee's work style, and can also help with employee development and coaching once hired.¹⁹

A great deal of research has been done on various selection tools and correlation with job performance. The research suggests that some methods are more likely to predict future job performance than others are. The following chart shows the correlation between common selection tools and validity in predicting job performance:

Correlation between Selection Tools and Job Performance²⁰

Selection Tool	Validity
Work Sample Tests	.54
Cognitive Ability	.51
Interviews (structured)	.51
Peer Ratings	.49
Job Knowledge Tests	.48
Job Tryout Procedures	.44
Integrity Tests	.41
Interviews (unstructured)	.38
Biographical Data	.35
Conscientiousness Tests	.31
Reference Checks	.26
Job Experience (years)	.18
Educations (years)	.10
Interests	.10
Graphology (handwriting)	.02
Age	-.01

This chart shows the varying levels of effectiveness of different selection tools. Work sample tests, cognitive ability assessments and structured interviews are the top three predictors of future job performance. However, it is important to note that any one of these three has just slightly over a 50% chance of predicting job performance. This illustrates the benefit of using multiple assessment tools and obtaining different data points for making better decisions. No one tool or assessment by itself will accurately predict if the candidate will be a good hire.

The chart also shows the importance of using structured interviews (.51) over unstructured ones (.38). From this information, it can be seen that age should never be a factor in selection (it has a negative correlation), and factors like graphology, looking at the candidate's interests and years of education are significantly less effective in predicting job performance.

Using assessments will help further narrow the field of potential hires. While several candidates may have résumés with the required background and qualifications, those candidates will not all score the same on the assessments, thus differentiating great candidates from the lesser ones.

Hiring Interviews

Interviewing candidates may seem like a straightforward, simple process. Many hiring managers have conducted hundreds of interviews over the course of their careers. It is easy to feel that experience equates to effectiveness, but this is not always the case. Whether an individual has conducted two interviews or two hundred, there are certain approaches and techniques that are difficult to pick up without interviewer training. In interviews conducted with leaders in the HVAC/sheet metal industry, it appears very few organizations have sent managers through interviewer training. This section will outline some of the best practices for conducting interviews.

Even managers with acceptable interview skills will be working in the dark without first developing a list of required competencies for the position as discussed above. At the end of an interview, the interviewer should be able to answer definitively whether the candidate has the competencies required to be successful in the position for which the candidate is being interviewed.

Research clearly supports that the structured interview is the most reliable tool for predicting job performance.²¹ The key word here is *structured*—meaning that the interviewer has a list of well-prepared questions designed to reveal the candidate’s competencies—relevant knowledge, skills, and general abilities.²¹ The interviewer must prepare adequately for each interview conducted.

In an industry with tight deadlines and time constraints, many leaders who also conduct interviews do not spend the required time to prepare. While the process does not always seem as critical as solving the current business crisis, hiring must be seen as one of the most important business decisions a leader is called upon to make.

Structured Interviews – Characterized as having pre-planned questions tied to the competency requirements of the job and follows a pre-planned process for the evaluation of responses.

Unstructured Interviews – Characterized as those conducted by interviewers with little or no structure or guidance. Typically has little or no predictive power.

The costs of unstructured interviews are many, but perhaps the most damaging one is invisible: rejecting a highly qualified candidate who simply didn’t excel at chitchat.²¹ On the other hand, hiring a great communicator who will not fit in with the organization’s culture or who cannot adequately perform the job also has extremely high costs associated with it. Both of these results are likely outcomes when with relying on unstructured interviews.

Theoretical vs. Behavioral Questions

Pre-planning interview questions allows the interviewer to design the questions to elicit the information needed to make an objective determination of candidate potential.²² Many interviewers, especially those who do not pre-plan their questions, tend to fall into the trap of asking theoretical questions. Theoretical questions focus on what the candidate *would* do—not what he or she *has* done. These questions often begin with, “How would you

handle..." or "How would you approach..." Theoretical questions are largely ineffective. However, there is ample evidence to support the premise that *past* behavior predicts *future* behavior. When asking theoretical questions, one can only expect theoretical results.

Behavioral questions, on the other hand, focus on what the candidate has actually done previously in their career. These questions often begin with, "How did you handle..." or "Tell me about a time when you had to deal with this situation..." These questions focus the candidate on actual behavior exhibited in the past. The answers to these questions are much better predictors of behavior expected of the candidate in the future. This is not to suggest every theoretical question is a bad one—such questions can be used effectively in certain situations. However, behaviorally focused questions should make up the majority of those asked.

Theoretical Question – "How would you handle a conflict with a coworker?"

Behavioral Question – "Tell me about a time when you experienced a conflict with a coworker. What did you do to resolve it?"

There are five kinds of key questions typically used in behavioral interviewing:¹

1. Probing Questions- allow interviewers to ask for more information until the full answer emerges. Although probing questions address why, what, and how, the most important probing questions deal with why.
 - “Why did you solve the problem the way you did?”
2. Situational Questions- provide an opportunity to gauge a candidate’s ability to handle a situation that is similar to those they are likely to encounter in your work environment. These questions typically involve asking the candidate to solve a problem presented by the interviewer or, alternately, recount a similar challenge the candidate has faced in the past.
 - “Tell me about a time when you had to solve a very difficult problem and then walk me through how you handled it.”
3. Scenario and Role-Play Questions- give candidates the opportunity to demonstrate essential skills and interviewers the opportunity to evaluate how a candidate thinks critically and performs under pressure. That said, the question should be sufficiently general in its context. The candidate should reveal skills that map to the job—not actually do the job during the interview.
 - “You are leading a year-long project. Only two months into the project, you see the work is going to take considerably longer and require additional time and materials, which will increase overall costs. How do you handle this situation?”
4. Functional and Problem-Solving Questions- are highly varied and multilayered and enable candidates to outline how they approach complex problems and interviewers to understand a candidate’s ability to utilize multiple strategies and create unique solutions.
 - Functional and problem-solving questions should utilize real-world problems that relate directly to the job.
5. Self-Appraisal Questions- provide candidates a forum for self-reflection and analysis and interviewers the chance to understand how individual candidates assess their past performance and make comparisons.
 - “How would you have handled the conflict differently?” and “Why were you able to achieve the results you did?”

(Adapted from “Building the School of the Future: Strategic Leadership Selection.” Microsoft Corporation. 2006)

While not every interview will incorporate all five types of questions, the more effective interviews will contain a mix of questions to obtain a richer portrait of a candidate's ability to perform a job. These questions will get to the candidate's thinking and behavioral patterns and will more accurately predict future behavior.

Without necessary preparation, interviewers tend to lean toward asking theoretical questions. Time spent developing the interview guide in advance will help to ensure they are asking appropriate, effective questions for the position as well as assure the same questions are asked of all candidates.

Selecting Interviewers

Depending on the size and culture of the organization, multiple interviews will be conducted for each candidate. Generally, at least two or three people should interview a candidate. In some larger organizations, that number will increase, but it should not fall any lower. Some research suggests that a second evaluation can reduce the possibility of a hiring error from 50% to 10%.²¹ While this number will obviously vary depending on several factors, the idea behind it is solid—the more people who interview a candidate (within reason), the better the final decision will tend to be.

Different interviewers will have different opinions. Even organizations with dedicated hiring managers should include other key employees in the interview process, such as those with a direct connection to the open position (for example, that position's supervisor should be included).

Whenever possible, employees conducting interviews should have some form of interview training. The investment in training will pay off by allowing the organization to make better hiring decisions. Research suggests there are very few (if any) natural interviewers who can make accurate predictions of a candidate's potential without the benefit of additional guidance and training.²² While experience certainly plays a role, interviewers need training to optimize their ability to make great hiring decisions.

Some of the topics included in interview training may include:

- How to plan and prepare for the interview
- Establishing rapport with the interviewee
- Direct versus open-ended questions
- Refraining from asking multiple questions at the same time
- Asking reflective questions
- Not asking leading questions
- Behavior-based interviewing
- Allowing the interviewee time to answer
- Refraining from making promises
- Listening skills
- Documentation techniques
- Illegal topics
- Ending the interview²³

Generally, at least 2-3 people should interview a candidate.

In a time-sensitive industry like the HVAC/sheet metal industry, it is tempting to pull in whoever may be available to conduct interviews. While this method may result in good hires, it will more likely contribute to poor candidates making it through. Intentionally choosing those employees with proper interview training and adequate time to prepare for the interview in advance will create more valuable candidate interviews and will result in better hiring decisions.

Individual vs. Group Interviews

When structuring interviews for potential new hires, there are two options—*individual interviews*, where the candidates meet one-on-one with an interviewer, or *group interviews*, where candidates are interviewed simultaneously by two to four people. Both types of interviews have advantages and disadvantages, but neither is significantly better than the other. Some organizations choose to conduct both types to get a more well-rounded view of each interviewee.

People are likely to speak more openly in one-on-one interviews. There is also more time for the individual interviewer to ask questions, and the interviewer has more opportunity to change his or her interview style to illicit the required information from the interviewee. In the group interview, a social dynamic is added to the mix. Thus, while one interviewer is asking a question, others can pay more attention to how the candidate reacts. On the other hand, group interviews provide each interviewer less time to speak with the candidate.

Both individual and group interviews bring different strengths and limitations. While either will work in the selection process, each

individual organization needs to determine the best use of each for their own selection efforts. For some positions (e.g., a welder), individual interviews may work best. For others (e.g., a salesperson), group interviews may be most effective.

Conducting the Interview

After careful preparation of questions, reviewing the candidate's information, and aligning the interview with the competencies required for success in the job, the interviewer must follow the prepared plan.

While there is much to say on how to effectively conduct interviews, there are some specific tips that one can use to increase the effectiveness of the interview. As mentioned throughout this report, past behavior predicts future behavior. For this reason, the interviewer should look for behavior “patterns” as they collect information.⁹ How the candidate answers the behavioral questions you ask (e.g., “How did you handle a conflict with a coworker?”), will be predictive of how you would expect someone to act in similar situations after being hired. While a single answer may not predict all future behavior, patterns that emerge in candidate answers give insight into what behavior can be expected of them in the future.

Interviewers should also ask specific, structured questions in regards to specific problems that the job holder may face.⁹ At this stage, the candidate should already have proven he or she has the experience and the knowledge to perform the basic functions of the job. Questions should not be focused on whether the candidate *can* do the job, but on the thinking behind the approach he or she would take in certain situations.

Past behavior predicts future behavior.

In addition, interviewers should take care to ask all candidates the same questions to provide consistency in the interviewing process.

Determining Cultural Fit

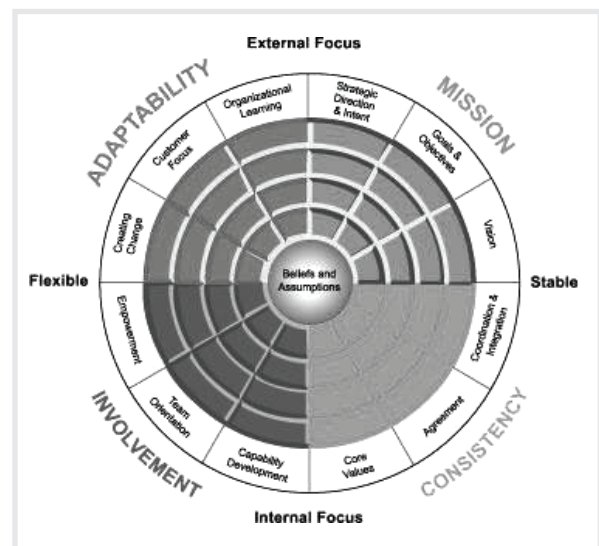
In addition to job-related questions, interviewers must seek to discover if the candidate is a cultural fit with the organization. Many failed hires are a result of a poor cultural fit. On average, cultural mismatch accounts for about half of first year attrition.²⁴ During the interviews of leaders in the HVAC/sheet metal industry, many spoke of the importance of cultural fit, but few had any tangible way of discovering cultural fit in the interview process. This may be due to a lack of clarity around the company's culture, or how questions are asked of the candidate that would offer a way to measure if the candidate would fit in.

If an organization is not clear about what it means when it talks of its culture, it is very difficult to find candidates who embody that culture. A clear assessment of your firm's culture is a valuable asset and competitive differentiator for the hiring process.²⁴ Many industry leaders would probably define their organizations' cultures the same way—client focused, hardworking, dedicated, passionate and quality-driven. While these are all good qualities, they do not differentiate one organization from another. If an organization's culture is at all different from others in the industry, it must be based on those intangible characteristics that differentiate that organization from every other competitor. Once cultural values are clearly defined, it is possible to screen for those values in interviews.

There are several tools available to help organizations gain clarity around their culture. Those wishing to obtain a snapshot of the current cultural health of the organization

often perform a cultural health survey. While several businesses offer cultural health surveys, one of the most well-known is the Denison Cultural Survey. It provides a measure of the organization's progress toward achieving a high-performance culture.²⁵ The survey is based on a model that identifies both internal and external factors influencing the cultural health of an organization. The survey results are scored using the following diagram:

Denison Cultural Survey²⁵



Surveys like this help organizations gain a better understanding of the strengths and weaknesses of its culture. This tool (or tools similar to it) is invaluable in recognizing the unique attributes of an organization's culture.

Similarly, organizations need to gain clarity on their core values—the fundamental guiding principles that explain how employees behave in the organization. Many organizations have published “values”, but few have taken the time to truly clarify what it is about their company and employees who make them inherently unique and different from their competitors. This is not an easy or simple process, but provides great insight into the type of candidates that will fit in the organization.

Many firms in the construction industry have taken the time to uncover their core values, and have seen great benefits as a result. For example, JB Rodgers Mechanical Contractors identified the following core values:

Core Values:

- **Integrity** – We are honorable and ethical in all our relationships
- **Leadership** – We are bold and decisive – Our actions speak for us
- **Cutting Edge Performance** – We demonstrate the courage and the ability to perform the impossible
- **Accomplishment & Satisfaction** – Our people take pride in their achievements and work is fun

In this brief list of values, JB Rodgers attempts to capture what differentiates it from its competitors. Additional examples of core value statements from other companies have been included in Appendix B and C.

Organizations that understand the unique aspects of their culture will have an easier time discovering if the interviewees fit within that culture. Some organizations assign a specific interviewer to screen for cultural fit. Others ensure all interviewers have specific questions designed to uncover whether the interviewee fits within the values and culture of the organization. For example, if an organization believes collaboration and teamwork is a core value and a big part of their culture, interviewers would look for specific indicators that a candidate shares the same value. For instance, one indicator might be that the candidate uses the word “we” more than “I” in his or her answers to

certain questions. A candidate who describes his or her contribution while also giving credit to the team would be a better cultural fit for an organization that values teamwork than someone who tries to take sole credit for team success.

Evaluating Interviewees

After the conclusion of the interviews, the evaluation of the candidates begins. This is where all the interview preparation begins to pay off in the leadership selection process. Those involved in the interviews meet to reach a consensus about each candidate—does he or she proceed through the selection process, or should he or she be eliminated from the process at this point?

After conducting unstructured interviews, the group evaluation typically results in interviewers giving their general impressions and feelings about the candidate. It is too easy for personal feelings to enter the decision process. Often, vague statements are made, such as, “I don’t feel like he would be a good fit here.” or “She seemed very intelligent.” These statements are opinions, and often based on first impressions alone.

Structured interviews, on the other hand, present each interviewer with specific criteria upon which to base their evaluations. If the open position has a clear set of competencies outlining the required knowledge, skills, and attributes to be successful in the role, the interviewers can base their assessment on those competencies. It is much easier to evaluate candidates based on those criteria, such as:

- Did the candidate display appropriate

“If you don’t know what culture you have, you can’t screen for it.”
– Dave Sutton Former CEO, Inforte

critical thinking skills in how to solve problems?

- Did the candidate's answers align with the organization's values?
- Did the candidate demonstrate an ability to handle multiple projects and tasks at the same time?

Rooted in the job competencies and culture of the organization, the answers to these questions will help the interviewers understand if the candidate will be able to perform the job and fit well with the values and culture of the organization. It is essential that all interviewers follow a common evaluation standard and process related to the requirements of the job.²² Interviewers need to be able to explain their evaluations by linking them to the specified job competencies. This approach prevents vague statements or “gut feelings” from entering into the evaluation process.

A final benefit of having predetermined criteria to base evaluations on is to help remove the tendency to focus on the relative quality of the interviewees. If interviews with five candidates are conducted, the natural tendency is to select the best of the group. However, that person may still not be the right person for the job if he or she did not meet the requirements of the clearly defined competencies.

At the end of the evaluation, the interviewers should have reached a consensus on the candidate who has the right skills, knowledge, and ability, as well as the candidate who also fits well with the organization's culture and values. However, the final step of the evaluation process requires that the person offered the position has met the requirements of the reference checks and medical examination.

Reference Checks

Reference checks are an important aspect of the selection process and can assist in determining the best candidate for the position. It is important to note that there are legal considerations with reference checks. To minimize liability, organizations should follow these guidelines:

- The reference checking process should be assigned to staff members who are trained in conducting reference checks.
- Tailor the reference or background check to the job.
- Have applicants sign a written release of information for employment purposes.
- Verify academic degrees, professional certifications or licenses.
- Be consistent; ask the same questions of each reference.
- Maintain written documentation, including a notation from references that refuse to respond or produce no useful information.

Reference checks should be conducted in compliance with all federal and state laws, including:

- The Americans with Disabilities Act (ADA)
- Title VII of the Civil Rights Act
- The Uniform Guidelines on Employee Selection Procedures
- The Fair Credit Reporting Act⁸

Reference checks are typically done after the interviews have been conducted and a decision to make an offer was reached. However, reference checks are not just a formality—they serve as an important part of the selection

process. An investment in reference checking can reduce costs and increase productivity by helping to screen for a good fit with the essential functions of the job and ensure the hiring of a successful employee.²⁶ Reference checks help to validate the information provided by the candidate. Respected HR sources maintain that up to one-third of all résumés contain material falsehoods.²⁷

Reference checks should achieve the following:

1. Verify the applicant meets the minimum qualification requirements for the position
2. Verify information that the applicant has provided
3. Obtain objective evidence of his or her knowledge, skills and work habits

When an authorized company representative answers a call for a reference check, it is important to understand the situation he or she is in so you can interpret what they tell you. Legally, all that company is required to reveal is the facts of the candidate's employment, such as dates, position, etc. If the company representative tells you more, he or she is volunteering that information—there is no obligation to do so. If a negative view of the candidate is given, the previous employer is liable to be sued for defamation by the candidate. Often, if the company has negative feedback about a candidate, it will only provide the basic facts. If a company is unwilling to provide any detail, that may be viewed as a red flag. There are certainly other possible reasons for a reference providing only the basic facts, but it can still serve as an additional data point. A good question to ask is if they would re-hire the person, but if the person providing information is trained properly, you will either get a good reference or you will just get the facts. If they are only willing to provide the facts, that may mean you should not hire them.

If a candidate's references return with unsatisfactory information, the candidate should be removed from the selection process.

The Offer Letter

When the recruiting phase has been completed and an employer has chosen the candidate they wish to hire, the next step is typically to give a verbal offer and to follow up with an employment offer letter.²⁸ This is the final step of the selection process (pending a positive reply from the candidate). The offer letter should have a standard format that can be used for any position. It should include the following:

- Opening and Basic Information
 - Position, start date, orientation date, full or part time status and applicable shift.
- Job-specific Information
 - Salary and pay periods and the supervisor/manager to whom the new employee will report, as well as the performance development/evaluation periods.
 - Employee compensation should be stated in an hourly, weekly or per-pay-period salary amount.
- Benefits Information
 - Applicable benefits and eligibility for health care insurance, 401(k), life insurance, educational assistance, flexible spending accounts, short-term and long-term disability, and accidental death and dismemberment coverage.
- Paid Leave Information
 - The amount of leave that the new employee is entitled to should be described, which would include holidays, paid time off, and vacation, sick or personal time.

- Terms of Employment
 - Successful completion of drug testing and background checks, signing of confidentiality agreements, compliance with immigration law and completion of an I-9 form.
- At-Will Employment
 - A statement that the employment relationship is “at-will” needs to be added. It allows the employer the right to terminate the employee at any time, with or without cause, and gives the employee the same right to resign from the position. As with most legal issues, some differences may occur based on the individual state laws. It is always important to ensure you are complying with the specific laws of your state.
- Closing
 - Include some sentiments that express the company’s excitement in bringing the employee on board. Add a line for the employee’s signature and date.
- Legal Review
 - As with any document that you present to your employees, it is imperative that your offer letter template is reviewed by legal counsel.²⁸

Medical Exam

Organizations should ensure they are complying with all federal and state laws regarding medical exams. Collecting medical information and blood samples from job applicants is prohibited until and unless the employer has completed all other steps in the hiring process, including background checks.²⁹ Under both federal and state law, medical examinations and inquiries can only be made after the employer has made an actual job offer. An actual job offer is one where:

- The employer has completed all non-

medical components of its application process; or

- The employer can demonstrate that it could not reasonably have done so before issuing the offer.³⁰

Drug testing must also be a part of the selection process. Research has found that drug-testing programs improve employee morale and productivity, decrease absenteeism, accidents, downtime, turnover and theft, and lead to better health among employees and family members, as well as decreased use of medical benefits.³⁰ To avoid allegations, the U.S. Department of Labor advises employers with drug-testing programs to comply with state laws and the following three federal laws:

- The Americans with Disabilities Act (ADA). Even though drug tests may be given any time under the act, an employer is in a better position to avoid liability by conducting drug tests after making a job offer, according to the U.S. Equal Employment Opportunity Commission’s ADA Technical Assistance Manual. This is because an employer may not ask what prescription drugs an individual is taking before a conditional job offer.
- The Rehabilitation Act of 1973
- The Family and Medical Leave Act³¹

The medical exam/drug test is the final step of the selection process before on-boarding the new employee.

On-Boarding

Once an employee is offered a position and has accepted, the main portion of the leadership selection process has been completed. However, the work to ensure the new employee is motivated and effective has just begun. Many organizations lose focus on the new employee once the selection process has

Many organizations lose focus on the new employee once the selection process has ended. This is a mistake.

ended. This is a mistake, and often contributes to employees not meeting expectations. The on-boarding process is the new employee's first impression of the organization, and it should be a positive one.

There is much to cover in the on-boarding process that could potentially serve as a substantial research project in itself. For the purposes of this report, we will cover just some of the main areas of concern. Organizations need to ensure they comply with all state and federal laws concerning employment. For example, new employees need to have their immigration paperwork completed, fill out an I-9 form with the U.S. Labor Department, a W-4 form, and many states require organizations to report a new hire within 20 days.³¹ Organizations need to check with their state laws to find out what is required for their specific state. New employees should also fill out whatever benefits package paperwork the organization requires, as well as have a discussion around the pay and compensation package to be sure it is understood by the new employee.

In addition to the legal considerations, there are many additional tasks that can be easily overlooked. New employees should spend time with a manager talking about the organization's culture. While there is always the rush to get new employees to work, taking time up front to honestly and accurately discuss the organization's culture, vision, values, mission and expectations will help the new employee adjust.

Some organizations assign a more experienced employee to serve as a guide/mentor for the new employee. This guide will be available to assist with personal or transition needs

and help the new employee to complete the orientation. Assigning a guide helps the new employee know who to go to if he or she has any questions or concerns. New employees require time to adjust to the role, the expectations, the people and the culture. They should not feel they have to make that adjustment alone—having an assigned guide helps them know the organization is doing what it can to support their transition.

Obtaining Feedback

There is an ideal time to receive feedback on the leadership selection and on-boarding process that many organizations miss. Once the new employee has gotten comfortable in the role and with the organization (roughly two or three weeks after their first day), someone in the organization should speak with the new employee about any feedback they have on the selection process. The selection process should always be a work in progress—it will need to change and adjust based on the needs of the organization. A new employee, who hasn't been so indoctrinated in the organization's culture, will have a unique and valuable outsider view. The new employee should answer the following questions:

- What frustrations did you experience while going through the selection process?
- What changes do we need to make in the process to ensure we are attracting the best talent available?
- Did the on-boarding process help you to understand and adjust to the organization's culture?
- What could we do differently in the on-boarding process to ensure a smoother transition for new employees?

The feedback received from new employees about the selection and on-boarding process they recently completed will be invaluable. However, it must be clearly explained what the feedback will be used for. New employees may be hesitant to offer ideas for change, as they will not want to be seen as criticizing the organization or the process. It should be explained that as a part of the continuous improvement process, all new employees are asked for their feedback to better understand how to improve the selection process. The feedback received should be retained, and if patterns emerge from various new hires, changes should be made to improve the process.

30, 60, 90-Day Reviews

Despite the best efforts of organizations and the most carefully constructed leadership selection process, bad hires will still occur. Organizations should try to learn as much as they can from any hiring mistakes and take steps not to make the same mistake again. Through our interviews with HVAC/sheet metal company leaders, FMI Corporation learned that organizations struggle with how to deal with bad hires. Many leaders made statements like the following: “We knew within six days that he was a bad hire and didn’t have the skills to do the job” When asked, “How long did it take you to get him out of the organization?” more often than not the reply was, “Two years.”

To ensure this does not happen, organizations need to build an effective after-hire review process. Many organizations follow a 30, 60, 90-day review system. After one month on the job, the new hire’s supervisor (or another appropriate employee assigned by the organization) should sit down with the new employee to discuss his or her job performance and plans for the future. New employees should fully understand how the 30, 60, 90-day reviews work, and there should be no surprises about what to expect in this meeting. The material covered in the reviews often look like the following descriptions:

30-Day Review

New employees should not be expected to have mastered every aspect of their job or the interworkings of the organization in the first month. Unless a new employee simply does not have the skills or knowledge to perform the basic functions of the task, the 30-day review should not end in termination. In the situation above, if after six days it was apparent that the new employee did not have the skills to do the job, the 30-day review would be an appropriate time to transition the employee out of the organization.

Having followed our rigorous selection process, most new employees will be performing at least to an adequate level. If there are any concerns about the new employees’ performance, those concerns

HVAC/Sheet Metal Industry Interviews

Interviewee: “We knew within six days that he was a bad hire, and didn’t have the skills to do the job.”

FMI Interviewer: “How long did it take you to get him out of the organization?”

Interviewee: “Two years.”

should clearly be explained to the employee in the 30-day review. The review should describe the changes that need to be made, and the employee should be given a timeframe (typically another 30 days) to make the changes. Once the new employee agrees to work on improving in the necessary areas, any assistance or guidance he or she may require should be offered. This could mean assigning a mentor, getting the employee additional training or following other avenues the organization is willing to pursue.

60-Day Review

The 60-day review is structured similarly to the previous review. In this review, the leader should discuss the agreed-upon action items from the 30-day review. If the new employee has shown progress or proper effort to make the necessary changes, he or she should continue working for the organization. If the employee's behavior has improved but still has not reached a satisfactory level, then the employee should clearly understand they have 30 additional days to make the changes or he or she may be asked to leave the organization. This should not be done in a threatening manner, but the new employee needs to understand the severity of the situation. Once again, the organization should offer any assistance to get the new employee up to the standard level of performance.

If the new employee has not made progress or addressed the performance issues after 60 days, the organization could choose to terminate employment. As terminating a recently hired employee does have a cost associated with it, the organization should have done in good

faith what it could to help the new employee adjust and make necessary changes. Often, new employees are not given any specific feedback about what needs to change. Therefore, the employee cannot be expected to improve without knowing where to concentrate his or her efforts. If, after giving a new employee specific feedback, the employee has still proven unwilling or unable to adjust, it may be time to end the employment.

Many leaders struggle with terminating new employees, especially if the leader was involved in the hiring decision. While termination of new employees should not be taken lightly (the costs associated with turnover are high), organizations should not accept the costs associated with multiple years of poor performance. Many managers feel they can “fix” a poor employee. This is the belief that allows a bad employee to stay with an organization for years and consumes large amounts of the manager's time. Poor performing employees should be given specific performance feedback that, if not improved, should be terminated as per prior notices from earlier reviews.

90-Day Review

The 90-day review is structured similarly to the previous two reviews. If the employee has made the necessary changes, he or she joins the rest of the company's employees to participate in the normal review process. If the employee has not made the changes necessary, despite the specific feedback and assistance from the organization, termination of employment should occur.

Many managers feel like they can “fix” a poor employee. It is this belief that allows a bad hire to stay with an organization for years and consumes large amount of the managers' time.

By structuring these monthly reviews for new employees, organizations help prevent bad hires from polluting an organization for an extended period. It is important that these reviews be structured correctly and followed diligently. New employees should be given

the opportunity to understand how they are performing and have adequate time to correct any deficiencies. Only after those conditions have been met should steps be taken to remove the employee from the organization.

10 CASE STUDY #2: SUCCESSFUL LEADERSHIP SELECTION AT THE EXECUTIVE LEVEL

Tom, the president of a mid-sized HVAC company, was determined to find a new senior vice-president. He wanted someone with the necessary experience for the role, but more importantly, he wanted to find the right person to groom into one day take over as president of the organization. Tom felt he would work for another five to six years before retiring. Over the years, the company hired several executive-level employees from outside, and none of them lasted long. Tom was determined not to let that happen again. He needed to find the right person for the senior VP role, but also the future leader of the organization.

Tom worked closely with his small HR staff to reexamine the ways they approached leadership selection. They spent time identifying the specific core competencies required for an individual to succeed as the senior VP. They also clarified the specific values and cultural practices unique to their organization. As Tom read over the list of the company's values and its unique cultural differentiators, he realized that many past hires did not match up with the values the company strongly believed in. He made a mental note to ensure whomever he hired shared the same values and beliefs.

Tom also invested in interview training for himself and three other employees who would conduct the interview. He smiled as he tried to remember the last time he went through training of any kind. As he and his colleagues participated in the training, he realized there were many more effective interviewing techniques than the ones he had been using for many years. While he had conducted hundreds of interviews over his 30 years in the industry, he mostly just followed practices that made sense; in other words, he simply made up his own process as he went along. Participating in the training sessions helped him to become aware of the types of questions he would ask in his next interview opportunity.

After all the work to improve their selection process, it was time to start interviewing candidates. Tom was a bit surprised by how many résumés came in for the open position. His HR representative did the initial résumé screening, removing those résumés that did not match the required experience, education and skill level they were looking for. At the conclusion of that round, 15 strong potential candidates remained.

Tom had the 15 remaining candidates complete a series of assessments, which included a cognitive ability assessment and a work-sample assessment. These tools were carefully selected, as they would provide Tom with a well-rounded view of the different strengths of

the candidates and allow the selection committee to narrow the list to those who matched the selection criteria. After reviewing the results of the assessments with his HR representative, Tom narrowed the field to six candidates who scored exceptionally well on the cognitive ability and work sample assessments; they demonstrated the required abilities to be successful as the senior VP.

The final six candidates then came in for interviews. Each candidate went through four different interviews, each designed to look at a specific set of competencies. Tom ensured he and his team asked behavioral questions to understand how the candidates approached specific situations in the past. Interviewers also ensured they were asking behavioral questions to determine whether the candidates aligned with the organization's values.

After that round of interviews, Tom and the other interviewers met to discuss each candidate's qualities. They shared their ratings on each competency identified, as well as how closely the candidates aligned with the organization's values. From that objective evaluation, they easily determined four candidates would not go to the final round. While those candidates had the required experience, knowledge, and skill set, they did not closely align with the organization's values. They were the types of candidates the organization used to hire—intelligent and experienced, but not a good fit culturally. Tom could see that, just like others in the past, the rejected candidates would succeed in the short-term, but quickly alienate coworkers and finally exit the organization.

The final two candidates, Dan and Fred, were both exceptional. They met the required competencies, fit the culture of the organization and aspired to continue to grow and develop in their careers. Tom had them both come in for a second round of interviews, this time to drill even more deeply into their past experience and their thought processes for tackling specific challenges they would be expected to face as the senior VP. While they both performed admirably once again, Dan seemed to set himself apart—slightly—in the second interview. The interview team met and agreed that both candidates met the required competencies and cultural fit, but Dan was so closely aligned with the values and the culture of the organization that he seemed to be the perfect fit.

Tom had his trained HR representative conduct reference checks on both candidates. While both checks were positive, Dan received glowing praise from his references. Tom and the other interviewers decided that Dan would be their hire. They drew up the offer letter; Dan passed his medical exam, and became the new senior VP.

Tom knew immediately that they had made the right hiring choice. Dan possessed a wealth of knowledge and brought seemingly limitless energy to the organization. He immediately stepped in as a role model of the organization's values and served as a champion of the company culture. He succeeded in all facets of his job, and within a year, Tom knew that he had found his successor. He spent the next four years grooming Dan for the role, and retired earlier than he originally planned. He was confident the organization he had dedicated his life to was in good hands, and that Dan would continue to build a successful, enduring organization during his reign as president.

11 INTERNAL VS. EXTERNAL SELECTION

When looking to fill a position, organizations would be wise to look internally, as well as externally, for potential candidates. Hiring someone from within the organization is the most cost-effective and practical option, if it is available.³² Most hiring in companies is done internally; however, many companies do not approach internal selection the same way they approach external selection. They assume that since they are familiar with the individual, that a formal selection process would be a waste of time. This is not true. When conducted well, internal interviews can provide valuable new insight into a known candidate.³³

When internal interviews are performed, they often amount to a courtesy or are done purely to follow protocol.³³ This practice prevents hiring managers from obtaining important information that may help make the best decision. With internal interviews, much of the candidate information is already known—for this reason, the interview should be structured to find out the unknown information. For example, many leaders assume that just because an employee succeeds in one role, that he or she will also be equally as successful in another. This is not always the case. It can be very difficult to make the transition, especially when employees make the leap from being an individual contributor to being a manager or leader of others. An internal interview helps to discover whether the candidate has the motivation, experience and knowledge to make this leap.

When structuring internal interviews, it is important for the sake of legality, credibility, and fairness, that the internal and external candidates are evaluated on the same criteria wherever possible.³³ Due to his or her familiarity with the organization, one would expect the internal candidate to have

an advantage in the interview; however, the internal candidate may not have thought about the objective, or “big picture view” of the organization. Treating the internal interview much the same as one would when interviewing external candidates allows both the interviewer and the candidate to learn about the position. Whether the candidate is hired internally or from the outside, the goal is still the same—to find someone who fits the specific competencies needed to be successful in the open position.

Perhaps the most important questions for internal candidates will center around their motivation for taking on a new position. They should have a clear understanding of the new position and the responsibilities and expectations that come with that position. It is important to understand the desire for the change. Some questions to consider:

- Why does the role interest the candidate?
- Does the candidate believe his or her skills will be better utilized in the new position?
- What does the candidate see as the biggest challenge to successfully transition to the new position?
- Does the candidate understand the differences between his or her current position and the position to be filled?

Questions need to be structured to determine how well the candidate would perform the duties and responsibilities of the new position, so the interview does not become a review of the employee’s current role or performance level. During the HVAC/sheet metal industry interviews conducted for this report, it was discovered that the majority of hiring is done internally. Few organizations approach internal selection with the same thoroughness as they use selecting external candidates. This is a failure of discipline that can result in a bad hire, just as it might if the

new hire came from outside the company. Bad internal hires can actually be more costly than bad external hires as a successful employee moves from a position he or she is successful in to a position he or she is not qualified to fill. Readers may recognize this phenomenon as the Peter Principle, where “In a hierarchy every employee tends to rise to his level of incompetence.” Following the best practices for leadership selection described in this paper will ensure that organizations do not fall prey to the Peter Principle.

Best-practice organizations post jobs internally for a period of time, a week or two, before advertising the position externally. This practice favors internal candidates and may save the company significant time and money by evaluating current employees for the position before beginning an external search. If done properly, it is also good for morale to allow employees a fair opportunity for promotion. While this may not be possible for every open position, it should be considered when internal candidates could potentially have the required skills and experience for the open position.

12 BUILDING AN EFFECTIVE LEADERSHIP SELECTION PROCESS

The process of improving one’s leadership selection process can be quite complex. The leadership selection process contains many different elements, all of which need to be aligned and support each other for optimal effectiveness. This section outlines the leadership selection process systematically and summarizes the selection process described above.

Step 1: Interviewer Training

- All employees conducting interviews should

be properly trained by an outside firm specializing in that type of training.

Step 2: Job Descriptions and Job Competencies

- Before conducting interviews for an open position, a job description and job competencies must be developed.
 - Job Description—describes the general tasks, duties and responsibilities of a specific position
 - Competencies—provides a framework or list of attributes to achieve the desired employee performance for a particular position

Step 3: Pre-Selection Process

- Determine the need to hire a new employee. Can the duties of the position be fulfilled by splitting up those duties among current employees? If not, then a new hire is needed.
- Determine the salary range for the position

Step 4: Recruitment of Candidates

- Choose from among a number of possible methods and media for advertising the open position. Understand the effectiveness and reach for the methods chosen.
- Design your promotion to reach both active and passive job seekers.

Step 5: Résumé Screen and Qualification Check

- The résumés received must be properly screened for the following attributes:
 - Right type and amount of work experience
 - Proper educational, certification or licensing requirements
 - Correct technical background and skills
 - Stated salary expectations

- Current location of candidate
- From the initial list, only those résumés that closely match the required criteria should be retained for further consideration.

Step 6: Assessments

- After the initial résumé screening is complete, many organizations rely on assessments to gain additional data points regarding the candidates' qualities. This helps to narrow down the field to only the few candidates who will start the interview process.
- There are many different selection assessments available. An organization should use the instruments that best fit its culture and hiring goals. One can find assessments designed to measure the following characteristics:
 - Integrity
 - Sales
 - Customer Service
 - Leadership
 - Personality
 - Team Building

Step 7: Hiring Interviews

- The candidates with the strongest résumés and best assessment scores will then be brought in for interviews.
- Interviews should be structured, with behavioral questions (not just theoretical ones) that are tied to the specific competencies required for success in the position.

The interview should seek to discover if the candidate is a cultural fit—does the candidate share the same values as the organization?

Step 8: Evaluating Interviews

- Interviewees should be evaluated based on the objective competencies established for the position. Too often, interviewers base their recommendations on candidates they liked or remembered instead of basing the evaluation on how well the candidate matched the characteristics on competency list.

Step 9: Reference Check

- Should be performed by an employee who is trained to conduct reference checks
- Should adhere to all state and federal laws
- Should:
 - Verify that the applicant meets the minimum qualification requirements for the position
 - Verify information that the applicant has provided
 - Obtain objective evidence of his or her knowledge, skills and work habits

Step 10: Decision

- The hiring decision should not be made until the first round of interviews is complete.
- If no decision is reached, candidates may be asked to return for a second round of interviews.
- If no candidates match the competencies required, the position should be advertised again—a candidate should not be hired simply because he or she was the best choice in relation to the other candidates. Only a great candidate who matches the competencies should be hired.

Step 11: Offer Letter

- The offer letter should contain the following information:
 - Opening and basic information
 - Job-specific information
 - Benefits information
 - Paid leave information
 - Terms of employment
 - At-will employment
 - Closing
 - Legal review

Step 12: Medical Exam

- Organizations should ensure compliance with all federal and state laws regarding medical exams.
- Collecting medical information and blood samples from job applicants is prohibited until and unless the employer has completed all other steps in the hiring process, including background checks.

Step 13: On-boarding

- The on-boarding process prepares a new hire for success in the organization.
 - Assign a more experienced employee to serve as a mentor to help the new hire adjust to the new position.

Step 14: Obtaining Feedback

- An organization making changes to its leadership selection process should understand it will be making adjustments to the process over time—the selection process should be periodically reviewed and changed as needed. New hires present a valuable source of feedback.

- Questions to ask new hires may include:
 - What frustrations did you experience while going through the selection process?
 - What changes do we need to make in the process to ensure we are attracting the best talent available?
 - Did the on-boarding process help you to understand and adjust to the organization's culture?
 - What could we do differently in the on-boarding process to ensure a smooth transition for new employees?

Step 15: 30, 60, 90-Day Reviews

- New employees should have 30, 60 and 90-day reviews to share feedback regarding their performance. If the new hire is not working to make progress on specific developmental needs, this may trigger the necessity to terminate employment.

13 CONCLUSION

Hiring decisions are among the most important business decisions a leader makes. In a time when markets are highly competitive and new challenges are faced by the organization daily, having the ability and the process in place to make effective employee selection decisions has never been more vital to organizational success. To navigate these challenging waters, organizations need to have strong leadership throughout the organization. Having a structured system to select and promote employees will be a key differentiator and provide a competitive advantage for those companies that seek to become best in class. The costs of making poor hiring decisions

are high, not just in dollars but in employee morale and productivity. Fortunately, there are multiple methods and tools available to aid in the selection process.

We strongly recommend that leaders in the HVAC/sheet metal industry update their leadership selection methods to follow best practices that will greatly improve the organization's success ratio for selecting great employees. Relying on "gut feelings" and "intuition" to make hiring decisions is most often no better than the flip of a coin. There is very little predictive power in unstructured interviews and unfocused selection methods. Organizations need to rely upon proven, objective criteria to make better hiring decisions. Too many hiring managers operate with little to no training. Success will be found in creating a more structured and intentional process to select the best people.

The result of a great leadership selection process is an enduring organization. In an industry where too few organizations have structured, effective selection systems, those that do take the time to improve their selection methods will gain a clear advantage over their competitors. Current business development does not reward hit-or-miss approaches where one can just hope that new hires will work out. Everything must be done to ensure that the organization determines its strategic position, its culture and what it needs from its leaders to achieve those desired outcomes.

14 APPENDIX A: JOB DESCRIPTIONS

TITLE: PROJECT ENGINEER

General Responsibilities:

Under supervision of a project manager, performs technical and administrative duties related to project management and estimating.

Specific Responsibilities:

1. **Development of PM Skills** – Effectively performs assignments and takes advantage of opportunities to acquire project management skills.
2. **Customer Relations** – Develops successful relationships with internal and external customers and takes advantage of opportunities to market all of the Company's products and services. Understands the Company's organizational structure and utilizes resources appropriately.
3. **Technical Skills** – Demonstrates ability to understand plans and specifications by accurately performing, estimating, purchasing, and document management.
4. **System Applications** – Demonstrates proficiency with computer systems and software
5. **Other Duties** – Performs other project management administration duties as assigned.

TITLE: SERVICE MANAGER

General Responsibilities:

Manages and directs the marketing, operations, and administrative activities of the branch for the successful growth of a profitable operation.

Specific Responsibilities:

1. **Growth** – Identifies emerging and growing markets and creates strategies to successfully attain new business. Achieves a growth rate of inflation + 5% over long term.
2. **Customer Retention** – Builds long-term business value by attracting and retaining high quality customers.
3. **Acceptable Profits** – Achieves acceptable profits (contribution of at least 10% of revenue) by managing key performance indicators:
 - a. Gross Margin as % of Revenue,
 - b. Overhead as % of Revenue,
 - c. Working Capital as % of Revenue.
4. **Safety** – Promotes a culture of employee safety through continuous coaching, motivating, and setting clear expectations that are in compliance with company policies. Maintains an OSHA Recordable Incident Rate of less than 4 (per 200,000 hours).
5. **Employee Retention** – Selects and retains high quality employees by following a disciplined hiring process and supporting a culture that rewards individual effort, dedication, and the contribution of each worker.
6. **Employee Development** – Takes an active role in the development of employees for future operations and management positions.
7. **Sales Management** – Sets clear expectations for sales personnel, monitors daily activity, and meets on a regular basis with each sales person to ensure progress towards goals.

8. **Asset Management And Financial Controls** – Prepares budgets, controls expenditures within the department, manages working capital as a percentage of revenue, and actively monitors branch collection efforts, as well as investments in fleet and other capital assets and facilities.
9. **Ethical Conduct** – Maintains legal and ethical standards and projects a proper image while representing the Company.

TITLE: PROJECT MANAGER

General Responsibilities:

Project Managers are responsible for marketing the company's services, as well as the contract administration and performance of awarded projects. The project manager procures material, equipment, and labor, and negotiates subcontracts to perform the contract at the maximum profit for the company, and in conformance with the contract documents.

Specific Responsibilities:

1. **Customer Relations** – Builds relationships on assigned projects that effectively promote the company's interests with owners, prime contractors, subcontractors, and architects/engineers.
2. **Safety** – Maintains a safe working environment on assigned projects through proper planning and safety policy enforcement/discipline.
3. **Financial Results** – Consistently manages projects to a successful financial conclusion.
4. **Marketing** – Takes advantage of and creates opportunities to market the organization's services to owners, architects/engineers, and prime contractors.

5. **Project Documentation** – Identifies and appropriately documents contractual requirements including project schedules, delays, changes, and other customer communications.
6. **Change Orders** – Effectively performs preparation of change order estimates and quotations, price negotiation, performance of the change, and accounting processing.
7. **Financial Forecasts** – Prepares project financial forecasts that are accurate.
8. **Close Out** – Minimizes working capital through aggressive billing, collection, and close-out.
9. **Other Duties** – Performs other duties and tasks as determined by the Department Manager.

TITLE: PROJECT ENGINEER

General Responsibilities:

Under supervision of a Project Manager, performs technical and administrative duties related to project management and estimating.

Specific Responsibilities:

1. **Development of PM Skills** – Effectively performs assignments and takes advantage of opportunities to acquire Project Management skills.
2. **Customer Relations** – Develops successful relationships with internal and external customers and takes advantage of opportunities to market all of the Company's products and services. Understands the organizational structure and utilizes resources appropriately.
3. **Technical Skills** – Demonstrates ability to understand plans and specifications by accurately performing estimating,

purchasing, and document management (submittals, O&Ms, and correspondence).

4. **Management Of Resources** – As assigned, improves the Company's working capital utilization through best practices in project billings and collections, and cost-effectively managing tools, equipment and other expenditures.
5. **System Applications** – Demonstrates proficiency with computer systems and software including estimating software and project management software.
6. **Other Duties** – Performs other project management administration duties as assigned.

TITLE: SENIOR ESTIMATOR

Position Summary:

Reports to and is accountable to the estimating manager. Responsible for providing complete, accurate, well-defined HVAC & sheet metal estimates. He or she must strive to meet the needs of internal and external customers. Provides assistance to fellow estimators. Performs any other job-related duties deemed necessary and/or assigned by supervisor.

Key Duties And Responsibilities:

Acts as department leader when the estimating manager is not available. Works closely with the manager to provide guidance and training for less-experienced estimators. Assists in identification and evaluation of new methods and hardware that could improve the efficiency of the department. Works with the preconstruction and sales to secure new work in this market.

Estimates all assigned projects, ensuring that take-offs, labor factors and material pricing are accurate. Calls for special material pricing, equipment quotes, and subcontractor quotes.

Reviews specifications and bid documents. Clarifies with architect, owner, or engineer discrepancies as they relate to the drawings or specifications. Determines difficulty factoring. Works closely with the preconstruction manager to assemble all this information and incorporate it into a clear and well-defined proposal.

Updates material pricing in computers regularly. Coordinates with purchasing for new prices. Updates master tables and assemblies, and bid specific tables on a regular basis. Help determine general conditions requirements, rental equipment requirements, project manager requirements, crew costs, etc. Required to complete final proposal packages. Provides recommendations to the estimating manager or project manager on value engineering items that could reduce the bid price. Prepares final cap sheets including all general conditions items. Works with management to establish and update program for sheet metal estimating.

Participates in pre-construction meetings and relays all pertinent information to the project manager and purchasing. Participates in job walks and attends pre-and post-job review meetings. Reads all technical data available to keep current with industry changes. Advises estimating manager of schedule conflicts that may require reprioritization. Communicates with employees, vendors, and subcontractors with the highest level of integrity, ethics, and honesty.

Performance Requirements:

- Project estimates are accurate.
- Project estimates are completed in a timely manner.
- Full scope of work is understood.
- Maintains customer satisfaction.

Job Knowledge:

Must have substantial knowledge of the industry. Must be skilled at reading and interpreting blueprints and specifications, and at using computer-estimating and support programs. Must possess strong organizational traits, as well as an ability to carry out multiple tasks concurrently. Must meet deadlines regularly.

Education And Experience:

High school degree or GED; at least 10-15 years estimating experience; technical knowledge of sheet metal, piping, and plumbing; familiarity with computerized pricing databases and spreadsheets.

Effort:

Must be able to carry out multiple tasks requiring extreme attention to detail, while conforming to stringent deadlines. May have to work on several projects concurrently and without compromising accuracy or time constraints.

Working Conditions:

Majority of work is done in an office; occasional site visits are required.

Number Of Employees Supervised:

None

TITLE: VICE PRESIDENT OF FINANCE AND CONTROLLING**Position Summary:**

Reporting directly to Chief Executive Officer (CEO), the Vice President of Finance and Controlling is responsible for overseeing all financial functions for the domestic U.S. and roll-up of the international business, including: financial accounting and reporting, budgeting, credit, insurance, tax, treasury and external

reporting. Designs and coordinates a wide variety of accounting and statistical data and reports for internal and external use. This will require a seasoned professional who is strong technically, possesses good analytical skills, and is experienced in improving systems and processes, both computerized and manual.

The Vice President of Finance and Controlling will have responsibility for providing leadership, control and vision. This will include creating and ensuring consistent and accurate financial reporting, improved systems communications, and establishment of timelines and deadlines. As a key leader in the company's financial organization, the Chief Executive Officer will rely on the Vice President of Finance and Controlling to be a thought leader capable of pioneering and sponsoring "new thinking" in the financial organization.

Key Duties And Responsibilities:

- Establishes major economic objectives and policies for the company.
- Directs and prepares financial analyses of operations for guidance of management.
- Reports and recommends to top management or Board of Directors in regard to policies and programs.
- Plans and directs new operational procedures to obtain optimum efficiency and reduced costs.
- Establishes and maintains banking relationships to address lines of credit, revolvers and related agreements.
- Establishes and maintains company's surety and insurance programs.
- Directs receipt, disbursement, and expenditures of money or capital assets.
- Approves and signs documents effecting monetary transactions.

- Directs the activities concerned with safekeeping, control, and accounting for assets and securities.
 - Directs preparation of budgets and financial forecasts.
 - Analyzes regional and departmental budget requests to identify areas in which reductions can be made; also allocates operating budget.
 - Directs the preparation of reports that outline the company's financial position in areas of income, expenses, and earnings based on past, present and future operations.
 - Directs preparation of directives to regional or department managers outlining policies, programs or operating changes to be implemented.
 - Promotes organization in financial markets to assure sources of capital.
 - Evaluates accounting system requirements and works to drive and develop system improvements and efficiencies.
 - Supervises corporate accounts payable, billing and accounts receivable, credit and collections, fixed assets, cost accounting, treasury, and general ledger activities.
 - Leads the preparation of all external reports and special reports required by executive management and the Board of Directors, including those required by banking relationships and outside auditors.
 - Develops formal financial policies and procedures, performance metrics and internal audit methodologies. Communicating and enforcing corporate policies and procedures based on "best practices" designed to ensure that the function is meeting the needs of its internal clients.
 - Provides overall leadership to the department by identifying opportunities to develop, train and mentor staff. The Vice President of Finance and Controlling will also recruit professional staff and/or clerical support as required.
 - Maintains specialized accounting knowledge/application (e.g. revenue recognition), stock options, international reporting, industry specific issues, etc.
 - Manages corporate tax to include sales and use tax collection reporting, federal and state income tax planning and returns.
 - Manages corporate IT department for the domestic U.S. and company's ERP system.
- Job Knowledge:**
- It is expected that the Vice President of Finance and Controlling will have established a proven track record of success in a senior accounting management role for a construction company. Experience in a highly-complex, percent-complete accounting environment, specifically with an organization that is geographically dispersed, is a must.
- The selected candidate should have strong technical accounting experience, knowledge and understanding of GAAP, substantial management responsibility and ideally, experience in several financial functions in a large accounting organization.
- Must be comfortable with the "supplier" nature of the accounting function. He/she must demonstrate the leadership skills required to drive continuous improvement of processes that maximize the customer's experience.
- Must have great attention to detail, be an established leader, team player and willing to mentor subordinates. Must also be a solid communicator, with the ability to communicate within all levels of the organization.

Education and Experience:

Bachelor's degree in Accounting and/or Finance. MBA is highly desirable. CPA designation required. Candidate should possess a minimum of 10–15 years of professional experience to include both public accounting (audit experience with nationally recognized firm) and corporate financial management. Preference will be given to candidates with corporate experience that includes controllership, financial planning, and management of corporate staff professionals in a highly complex environment.

Effort:

Stands while conducting training; sits at desk handling light office materials, talks with employees, works on computer and uses phone; stoops and bends when filing; also walks short distances around the office building; a high degree of accuracy and attention to detail are essential to maintaining required records; must be able to work unsupervised; must be a self-starter who is flexible and can organize and plan work.

Working Conditions:

Works inside in a clean well-lighted, well-heated, and (in summer) air-conditioned office.

Number Of Employees Supervised:

Potentially up to 15

TITLE: SENIOR PROJECT MANAGER**Position Summary:**

Reports to Construction Operations Manager. Responsible for providing overall management direction for multiple Project Managers and developing new business opportunities; performs to profit/expense objectives; meets needs of external/internal customers to achieve total customer satisfaction and performs any other job related duties deemed necessary and/or assigned by supervisor.

Key Duties And Responsibilities:

Ensures: projects under their direction attain or exceed planned gross margin goals; optimal customer service and satisfaction is provided; highest levels of quality in the construction are performed; construction team is provided with product information necessary for optimal performance; costs are controlled at or below budget limitations for all phases of construction; project schedules are met; compliance is maintained with specifications, plans and codes; company assets are secured and maintained; and site quality and safety teams are developed and personnel assigned are actively participating.

Develops and maintains close personal relationships with customer on the sites. Constantly strives to improve the customers' perception of the company.

Approves individual bids up to designated signature limits; also initiates appropriate documents and approves changes in orders up to designated signature limits.

Investigates potentially serious situations and implements corrective measures.

Works with project managers under their direction to develop yearly budgets.

Participates in selection of project personnel at supervisory level, conducts performance appraisals, and helps in development of careers for personnel under their direction.

Job Knowledge:

Must have extensive knowledge and a broad background in construction administration (Mechanical Contracting), to include: revenue/cost control, code compliance, industrial, HVAC and process systems installations, and estimating; must be informed of the state of the industry and be able to improve operations to match changes in industry; must have working knowledge of statutes governing

construction activities; must be self-directed, highly organized, with excellent interpersonal, planning and communication skills; must be able to work with others in a team environment and be computer literate.

Education And Experience:

BS degree Construction Management, Engineering, or related Mechanical preferred, however ten (10) or more years of experience/knowledge of construction (Mechanical Contracting), design, finance and management may substitute for degree requirement.

Effort:

Sits at desk a good portion of the day handling light office materials, talking with customers/employees, working on computer and using phone; must be able to work with numbers accurately to review budgets, materials and time schedules; must be able to plan, direct and coordinate an entire activity, or the activities of others; must be able to evaluate information and analyze problems logically to develop solutions; must express ideas clearly to others; must work independently; must make decisions based on personal judgment; must deal with people in actual job duties and have agreeable relationships. Visits job sites. Attends meetings inside and outside of the building that require addressing individuals and committees. Must be able to travel.

Working Conditions:

Works inside in a clean well-lighted, well-heated and (in summer) air-conditioned office. May work on site in a job site trailer. Spends time away from office attending meetings and visiting different job sites.

Number Of Employees Supervised:

Directly – Project Manager(s), Number varies

Indirectly – All project personnel,
Numbers vary

TITLE: REGIONAL SAFETY MANAGER

Position Summary:

Reports to Director, Construction Safety. Through Matrix Management has dotted-line relationship to Sr. VP for the Region. Responsible for developing regional safety programs and procedures in concert with Corporate Policies and Procedures; implementing and monitoring full scope of safety activities to include program development, inspection, training, employee relations and planning; monitors Branch compliance with company policies and procedures, as well as all federal, state and local laws; prepares or oversees the preparation of reports and surveys that are necessary and/or requested; supervises employees engaged in carrying out safety functions; meets needs of internal/external customers to achieve solutions for customer requirements; performs any other job-related duties deemed necessary and/or assigned by supervisor.

Key Duties And Responsibilities:

Provides leadership to the Region for the purpose of advancing the development of a strong safety culture. Works closely with Sr. VP to assess Regional safety needs and develop safety action plans and procedures to achieve compliance. Responsible for communicating in writing or oral clarifications as needed; ensures accurate, complete, fair and just administration of policy, procedures and guidelines within the Branch operations.

Investigates and counsels with managers/supervisors regarding safety incidents and issues; recommends corrective action or disciplinary measures; provides documentation and may represent company in hearings or other court actions involving safety issues.

Monitors Regional compliance with all applicable rules, regulations, laws and ordinances relating to safety, including

documentation and presentation of required records and takes corrective action when needed.

Prepares or oversees the preparation of reports/surveys as necessary, required, or requested. Meets deadlines while ensuring that such reporting is complete and accurate. Develops records and systems to facilitate these tasks. Supervises and evaluates employees who carry out jobsite safety functions.

Job Knowledge:

Must have extensive knowledge and a broad background in safety administration. Must be informed of currently accepted construction safety practices, techniques and training. Must be familiar with construction safety laws and regulations. Must have excellent verbal and written skills to effectively communicate at all levels and be able to act calmly and rationally in emotion-filled situations.

Education And Experience:

Bachelor's degree in Safety or related field desired. However, other related specialized training/education and experience equivalency may substitute for degree requirement. At least five years of experience in increasingly responsible positions in safety. At least three years of experience in construction activities. Experience with a union workforce desired. Must be computer literate. Certification to teach OSHA 10 and 30-hour courses and other OSHA-required safety training a plus.

Effort:

Sits at desk part of the day handling light office materials, speaking with employees, working on computer and using phone. Attends meetings inside and out of the building requires addressing individuals and groups. Will travel to visit job sites and attend meetings as required by regional and corporate needs. Must be able to climb ladders and get into confined

spaces for inspections. May be required to work on holidays, weekends or after hours.

Working Conditions:

Works inside a clean, well-lighted, well-heated and (in summer) air-conditioned office. Spends time away from office attending meetings and visiting construction job sites under various conditions.

Number Of Employees Supervised:

Varies

15 APPENDIX B: LENNOX INTERNATIONAL CORE VALUES³³

- We value the skills, strengths, and perspectives of all individuals.
- We believe our success depends on creating and sustaining an environment that enables all of our people to excel.
- We share a mission...
 - To provide climate control solutions for the heating, air conditioning, and refrigeration markets, delivering value through the efforts of talented people and a spirit of innovation
 - To conduct our business with the highest standards of integrity in what we say and do, the products we make, the services we provide, the way we act, and the way we treat others
 - To build a company in which people have a sense of pride and commitment
 - To maintain a reputation of integrity
- We strive to do what is right in all our business activities. Not just meeting objectives, but how we meet them, is

important to our culture. Our goal is to treat everyone fairly, honestly, and with trust and respect.

16 APPENDIX C: BECHTEL CORPORATION CORE VALUES³⁴

Building on a family heritage that spans more than 100 years, we will continue to be privately owned by active management and guided by these firmly-held values:

- **Ethics.** Uncompromising integrity, honesty, and fairness are at the heart of our company.
- **Excellence.** We set high standards. We apply advanced technology, and we continually innovate and improve. We thrive on challenge and accomplishment.
- **Fair Return.** We earn a return that fairly rewards the value we deliver.
- **Mutual Respect.** We work by our Bechtel Covenants, which encourage openness, teamwork, and trust. We value an inclusive culture based on diverse backgrounds, experience, and views.
- **Safety.** Our unwavering goal is to have zero accidents—people’s lives depend on it.
- **Sustainability.** We plan and act for the future—for the long-term good of our company, our customers, and our world.

17 ENDNOTES

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