

# Choosing candidates from within the organisation or from the outside

Wehrich and Koontz (2001) define selection as the process of choosing from among among candidates, from within the organisation or from the outside, the most suitable person for the current position or for future positions.

Mathis and Jackson (1997) view selection as the process of choosing individuals who have relevant qualifications to fill jobs in an organisation. The selection process begins when the supervisor needs to hire an individual to fill a certain vacancy.

Corroborating the above opinion, Stahl (1995) defined selection as the process of determining the applicants' qualifications and of choosing the best applicant for the job. He continued by pointing out that the selection process includes at least three steps:

Application

Determination of qualifications

Choice of best applicant

To Daft (2010), In selection process, employers assess applicant's characteristics in an attempt to determine the "fit" between the job and applicants characteristics.

Personnel selection can thus be described as the process whereby applicants are segregated into various categories according to their acceptability for employment, it also involves screening or elimination of those considered not suitable for hiring.

Selection process.

People differ in their ability to perform given tasks. Selection is therefore concerned with finding quick, accurate, and convenient method of estimating human ability and selecting at minimum cost devoid of nepotism and chance.

Different methods are used by organizations to discover information about an applicant. Yalokwu (2000) opined that a popular method follows this pattern.

1. Staff requisition.
2. Advertisement.
3. Submission of Application letter or application blank.

4. Checking of references.

5. Formal Test.

6. Employment interview.

8. Physical Examination.

9. Placement.

1. Staff requisition: Staff requisition is done by the department where the vacancy arises. The staff requisition form is to be completed by the head of department, noting details of the vacancy. E.g Job title, qualification, age, experience etc.

2. Advertisement: Advertisement is placed calling for applications. It is important to word the advertisement correctly so that applicants who are not suitable do not apply.

3. Application letter or application blank: Candidates may answer adverts and send in their letters of application for the vacant position. The organization may design its own application form or application blank. Application blank is a questionnaire designed to obtain the following information about the applicant. Name, state, tribe, sex, age, nationality, religion, educational qualification and experience etc.

4. Checking of references: Although there is controversy concerning the checking of references as it is felt that no factual information can be got from references, some others believe that if references are checked in the correct manner, a great deal can be learnt about a candidate that an interview or psychological test cannot reveal.

5. Formal test: Formal tests are conducted to provide an objective means of measuring ability or bring out qualities and talents that would not be detected by interview or the filling of application blanks. The test can be performance tests, intelligent test, or aptitude test.

6. Employment interview: Interviews help to appraise directly the applicant and his behaviours, motivations, interpersonal skill, background, interest and values. Through interview also, the applicant has the opportunity of knowing more about the organization and the job. It should be noted that only short listed candidates are called for interview.

7. Physical examination: This measures the physical fitness of prospective employee to a particular job. Candidates may be required to submit records of physical examination taken to ensure good health on the job and sound mental alertness to do the job.

8. Placement: After candidates get employed by an organization, they are assigned to jobs that match their technical competence. Placement is the matching of the individual skills, knowledge, abilities, preferences and personality with the job. Before an individual

gets integrated into the main stream of the organization, an orientation or induction is normally carried out to help introduce new entrants to the organizations activities, policies, rules and regulations, as well as to colleagues the individual will work with.

It is apparent that selection techniques vary in popularity between countries. Newell and Tansley (2001) found that interviews are most widely used in Britain and North America, graphology in France (and French companies in other countries), and assessment centres in Britain, Germany and the Netherlands. Tests in general are more popular in France and Belgium, although integrity tests are rarely used but are becoming much more popular in the USA. There are clear societal and organisational effects on choices over which techniques to use, and applicants are likely to have quite mixed views about their legitimacy (Iles and Robertson, 1997; Schmitt and Chan, 1999)

The accuracy of selection methods

Smith (2002) presents the following data indicating that most techniques have low levels of accuracy in terms of producing effective selection decisions.

perfect selection

0.65 intelligence tests and integrity tests

0.63 intelligence tests and structured interviews

0.60 intelligence tests and working sampling

0.54 work sample tests

0.51 intelligence tests

0.51 structured interviews

0.41 integrity tests

0.40 personality tests

0.37 assessment centres

0.35 biodata

0.26 references

0.18 years of job experience

0.10 years of education

## 0.02 graphology

### 0.0 selection with a pin

Adopted from Smith M. 'Personnel selection research' International journal of Organisational and Occupational Psychology, 2002.

### Organisational performance

The Oxford Dictionary defines performance as the act of performing; of doing something; using knowledge as distinguished from merely possessing it, and any recognized accomplishment. Thus, 'performance' can refer to either the 'ends' (results) or the 'means' (actions) that produced the ends. Ends performance (e.g. profit) is necessarily historic in nature because it occurs before being reported. Means performance (e.g. production rate) describes current processes at the time of reporting. Ends performance is, in effect, a later indication of the success or otherwise of previous means performance.

It is with this backdrop that Deltapoint approaches performance assessment, performance rewards, and performance improvement programs. It also explains why there is no such thing as a generic measure of performance - no 'one size fits all' kind of assessment instrument, and why all performance development programs are different.

It may also help explain why 'fads' have failed to deliver for the majority of organisations.

Performance is used to describe:

Evidence (indicators such as profit) of our previous decisions and behaviours.

Evidence, such as strategic behaviours, that we are currently engaged in decisions and behaviours that directly impact current and near-future (e.g. current financial year) outcomes.

Evidence of current decisions and behaviours that intentionally target the advancement of capabilities of the organisation in the future.

Organisation performance refers to the effectiveness of the organisation in fulfilling its purpose. Some organisations aim to trade successfully in order to return financial benefits to shareholders, while others have non-financial objectives (e.g. service to the community). For some organisations, the activity generates the finance, while for others the finance allows the activity.

Some organisations will be in a competitive environment which means that their performance will be compared against others (especially by investors), while others measure success in terms of usefulness and productivity.

It follows that no one way to assess performance will address all situations. Further complication is introduced by time - indicators of past performance, current performance, and predictors of future performance. To add the mix, performance assessment must allow for organisational energy and resources deferred from current performance to preparing for future performance, and also account for relative emphasis between effectiveness and efficiency. ( Marchington and Wilkinson, 2002)

It is not only apparent that performance can be many things to many people, but what many people think of as performance - perhaps isn't.

To illustrate the problematic nature of performance assessment, consider the example of a sudden jump in an organisation's sales. One might assume that performance has improved. However, this may not necessarily be the case. Sales are merely one indicator of performance, and it is possible for sales to remain static (people aren't buying) while other aspects of performance either increase or decrease. Performance 'indicators' are therefore a single type of data such as outputs, inputs, or outcomes, while performance 'measures' would account better for the influence of the environment. A solution is the use of ratios of indicators (e.g. efficiency (input to output) and effectiveness (output to outcome)) because they give a more accurate understanding of performance. For example, in the above example of increased sales, the costs may also have increased such that profit was actually lower, meaning that profit, which is a ratio of indicators, would more accurately reflect actual performance than would sales alone.

However, even profit is not an accurate measure of performance, because changes in market munificence can cause profit changes independently of organisational efforts - costs are static while sales fall. A further argument against the ratio model exists even if market munificence remained unchanged. Furthermore, might it be more about the change (improvement) in the organisation's profits or ratios compared to its own previous figures, or compared to those of competitors, that better describes performance. Such a comparison seems to accommodate efficiency, effectiveness, and munificence. However, a change in profits may merely be the result of changed relative marketing prowess - while the rest of the organisation remained unchanged.

This raises a fresh concern with potentially diametric responses, so let us consider an example. If an organisation manages to build up sales and market share, but the ratio of outputs and inputs remains stationary, do we say that organisation performance is stationary? However, such a conclusion might not be true because the ratio model does not account for such things as re-investment of profits or marketing investments. The competitive model does recognise such investments of resources, and regards the organisation that gains a larger increase in share of the market to be a superior

performer. However, in doing so it discounts the competitor who concentrates on ratios to make a higher profit on fewer sales. In this case, the ratio model would favour the business with the smaller market but higher profit. Investors would probably agree with this analysis, at least in the short term. Yet if an organisation were to be managed to optimise performance on that basis, the executive decisions may cater more to investors in the near term, than to actual organisational performance. This leads to the conclusion that focusing measures of performance on the narrow interests of any stakeholder group may be too simplistic an approach.

Interestingly, if performance of any one organisation was simultaneously measured according to each of these models, they would give different results, making comparisons problematic.

### Performance of Nigerian Breweries Plc

Nigerian Breweries Plc is one of the few firms on the Nigerian Stock Exchange that have defied the prices meltdown. SEGUN EDWARDS writes on the driving force behind the brewing giant.

Investors experienced their worst loss in the stock market with the crash of the average listed stock by a significant 70 per cent by the third quarter of 2008.

Some stocks which include the Nigerian Breweries (NB) Plc, have risen from their decline, to remarkable increase in value, giving returns to their stakeholders, in terms of dividend and bonuses.

When viewed from the position of what attract investors to such stocks, experts analysis at Meristem Ltd, equity market portfolio managers said at a time when investors are battling with cash squeeze, Nigerian Breweries Plc has twice enhanced shareholders' liquidity position by announcing interim dividends.

According to them, the company had in October 2009 declared an interim dividend of N7.5 billion, which amounted to N1 per share. This was followed recently with another N14 billion, which depicts a dividend of N1.90 per share for investors. Dividend yield on Nigerian Breweries stood a 14.6 per cent, on the heels of the company's N2.50 dividend per share paid for the year ended December 31, 2007.

While the company recorded a rise in market capitalization by 8.6 per cent, it currently ranks second behind First Bank of Nigeria Plc among the ten most capitalized quoted companies with N431.1 billion, a position it held since 2006.

### Return on Investment

With a declared final dividend of 89kobo for the year ended December 2009, which translates to a cumulative dividend of N3.69 for the financial year, the experts

posited that the company's cumulative dividend had grown in line with the projection of the 8.5 per cent.

They said that while their rating of the brewer remained as neutral as possible, in regard to its projections for the last current year, based on the return to shareholders, its final return on investment of N3.69 cumulative dividend was justifiable when compared to the 2008 final dividend of N3.40 declared by the company, which represents 90 per cent of its N4.33 earning per share (EPS) of the last financial year.

"Our neutral rating of Nigeria Breweries Plc's shares give that the dividend declared, if we are to use that as a proxy of the company's performance, is much in line with our expectation of N3.69 cumulative dividend for the year (90 per cent of N4.33 2009 earnings per share (EPS) forecast and represents a 8.5 per cent growth over N3.40 cumulative dividend declared in 2008" they said.

The company's audited result for the year ended 31st December 2009 revealed that the stock price had on June 26, 2009 and January 27, 2010 been adjusted for interim dividends of N2.80 per share, which brought the total dividend per share during 2009 to N3.69

## Performance

Experts at Bulls Capital market Ltd explained that NB had performed strongly in the past 52-weeks earning an outstanding 81 per cent return, from over N30 per share on the trading floor of the market to N60 per share before the declaration of the final dividend.

This performance according to them clearly indicate that the stock out performed the Nigerian Stock Exchange major indicator, All-Share Index by 80 per cent during the period. Its closing price of N57 as at February 22,2010 represents just 6 per cent discount to 52-week high (N60.7:September 23,2009) and 81 per cent premium over the 52-week low of 31.5 (February 19,2009).

They opined that with its annualized dividend yield standing at 6.15 per cent, the final dividend, using the opening price of N60 as at February 22 as a basis for evaluation implied a dividend yield of 6.15 per cent which is still competitive when benchmarked against the current dividend yield of 5.8 per cent of the shares of its contemporary Guinness Nigeria Plc in the market.

Experts at Meristem however expressed the position that market reaction is surprisingly negative to the final dividend declaration by the company as reflected in the five per cent drop witnessed in the value of the stock following the announcement, stating that the dividend yield of plus six per cent was consistent with their valuation and attractive enough to justify the stock's current market performance.

“Market reaction to the final dividend declaration by NB was broadly negative as reflected in the five per cent one-day fall in the share price following the announcement. While the final dividend might have fallen short of a bullish expectation, we view the implied dividend yield of +6 per cent as consistent with our base case expectation and attractive enough to justify the current market price”.

“While we see the current price as justified from fundamental standpoint, the stock stands the risk of market acting contrary in the mean time”, they said.

Nigerian Breweries in the view of market analyst remain a stock good for medium and long term investment among peers in the Breweries sub-sector. This according to them is owing to its strong footing as a high return yielder for many years, it has giving interim dividend in the region of 55 kobo eight year down the line.

The company craves for excellence and a goal-getter was pronounced with its undertaking of the construction of the most modern brewery at Ama, in Enugu, which its modernization programme that further lengthened the distance between it and its competitors.

Its partnership with Heineken which resulted in the construction of one of the world’s biggest breweries in Nigeria, has earned the company that produces more bottles of beer than any other brewery in the continent.

The company dominates the brewing sector of the Nigerian economy and the West African sub-region, through various efforts aims to turn the company into a world class business.

The company was adjudged many years back as the first company in Nigeria to declare a profit in excess of N14 billion in a year and in the history of corporate Nigeria to give a dividends of almost N8 billion.

### Capital Structure

The capital structure of the company showed that the shareholders have benefited from the company in terms of returns as its total shareholders’ fund decreased from N43.18bn in 2007 to N32.23bn in 2008, primarily due to payment of interim dividend declared in 2 and final dividend declared in the previous year from the company’s general reserves during the period.

### Liquidity

In terms of liquidity, its assets increased from N26.39bn in 2004 to N40.64bn in 2008, representing a CAGR of 11.40 per cent but a marginal growth of 1.78 per cent between 2007 and 2008. The major contributors to the increase between the immediate two years are: inventory (up by 28.38 per cent to N20.74 billion), other debtors and

prepayments (up by 45.02 per cent to N2.24 billion) and foreign currencies purchased for imports (up by 7.06 per cent to N420.68). Other components of current assets recorded negative growth during the period.

In another development, the current liabilities increased from N44.61bn in 2004 to N54.78bn in 2008, representing a CAGR of 5.27 per cent between the period and an increase of 86.23 per cent between 2007 and 2008. The relationship between the current assets and current liabilities reflects a more proportionate increase in current liabilities than growth in current assets, leading to a decrease in current ratio to 0.74 xs in 2008 from 1.36 xs in 2007.

### Profitability

Its long presence in the Nigerian market and extensive distribution network has put it in a good position in terms of profitability. It has also put it in good stead to withstand the seemingly harsh operating environment over the years.

For instance, this has reflected in its performance in 2008 and in the last five years which has been impressive. Its turnover increased from N73.59bn in 2004 to N145.46bn in 2008, representing a CAGR of 18.57 per cent and increased by 30.17 per cent between 2007 and 2008.

Analysis of the company's turnover by geographical area indicates that the revenue from the Nigerian market accounted for 99.85 per cent of the total, while revenue derived from exports was 0.15 per cent.

### 2009 comment by Managing Director

Nigerian Breweries PLC, has described 2009 as one of the most difficult year for the brewery industry in Nigeria, saying "the economy slowed down significantly."

Managing Director MichielHerkemij, stated this while addressing the company's distributors during an awards ceremony held for them. "2009 was a difficult year as the economy slowed down significantly; nevertheless, Nigerian Breweries made an impressive result which surpassed previous years in terms of volume and revenue netted from turnover N164.2b and an operating profit of N41.6 billion," he said.

The company's Sales Director, DrOladeleAjayi said during the turbulence of 2009, their esteemed customers and transporters remained steadfast and proved to be dependable business partners and that improved their 2009 turnover. "With your sheer determination and resilience, you have beaten all our records and surpassed previous performances. You have once again, rekindled our trust and hope in your ability to rise up to any occasion. Your business skill and acumen which have continued to see us through

remain unwavering.. On behalf of Nigerian Breweries Plc, i say a big thank you for this wonderful feat,” he stated.

According to him, 2009 was a difficult one with regards to the security situation in all parts of the country, and that the company’s heart goes out to those who suffered various forms of misfortune or loss. “Two months of the year 2010 have gone by and we need to stay safe. I want to strongly advise that we should be wary of our movement, be aware of activities in our environment at all times and report any suspicious characters to the police.

As we commence the year, it is crystal clear that the only way we can sustain and improve on our past performances is to start early, a few challenges are bound to crop up but can only be overcome by sheer determination and adequate preparation”.

## Recommendation

### Selective hiring and sophisticated selection

This is an effective way to achieve ‘human capital advantage’ by recruiting outstanding people and ‘capturing a stock of exceptional human talent’ (Boxall, 1996: pp.66,67) as a source of sustained competitive human advantage. Even though Nigerian Breweries Plc had always wanted to recruit the best people available, it is nowadays more likely to be systematised through the use of sophisticated selection techniques and taking greater care when hiring. In addition to technical abilities, Nigerian Breweries should look for applicants who possess a range of social, interpersonal, and team working skills.

### Extensive training, learning and development

Having recruited ‘outstanding human talent’ Nigerian Breweries must ensure that these people remain at the forefront of their field, not only in terms of professional expertise and product knowledge but also through working teams or in interpersonal relations. (Boxall 1996: p.67) views this as one element in ‘human process advantages’, the idea that organisations aim to synergise the contribution of talented and exceptional employees.

### 3. Employment security and internal transfers

Pfeffer (1998: pp. 180,181) reasoned that it is unrealistic to ask employees to offer their ideas, hard work and commitment without some expectation of security on their part. He was quick to point out that there is a limit to employment security. Employees do not have to stay in the same job for life, nor does it prevent the dismissal of staff who fail to

perform to the required level. Compulsory lay offs and downsizing undermine employment security. The following measures can be considered. Proportionately reducing working hours to 'spread the pain' of reduced employment costs across the entire workforce; reducing wages to reduce the labour cost; freezing recruitment to prevent overstaffing; or putting production workers into sales to build up demand. This in reality is a little different from the policies adopted by many progressive organisations including the Nigerian Breweries. Equally, it is not assumed that employment security is to be achieved by compromising corporate profits.

#### Employee involvement, information – sharing and employee voice

According to Pfeffer (1998), there are two reasons why information sharing is essential. Firstly, open communications about financial performance, strategy and operational measures conveys a symbolic and substantive message and employees are trusted as well as reducing the role of the grapevine in spreading rumours. Secondly, if team working is to be successful and encouraged and employees are to be encouraged to offer ideas, it is essential that they have information upon which to base their suggestions and know something about the financial context in which the Nigerian Breweries operate.

#### High compensation contingent on organisational performance

Although Nigerian Breweries' pay package to its employees is comparatively ok, there is need to introduce higher-than-average compensation and performance-related reward. These two send a signal to employees that they deserve to be rewarded for superior contributions. To be effective, this needs to be at a level which is in excess for that for comparable workers in other organisation so as attract and retain high quality labour. In addition, rewards should reflect different levels of contribution and either be paid along with basic rates of pay or provided through profit-sharing schemes.