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Can competencies at selection predict performance and development needs?

Purpose This study explores the utility of an organisation-wide competency framework, linking competency ratings at selection to later development needs and job performance.

Design Candidates' scores at a management selection event were compared to their performance appraisal scores on the same competencies six to 12 months later (N=58). Scores on numeracy and profit-and-loss tests were also collected at the selection event and related to subsequent performance (N= 207) and development needs.

Findings Competency ratings at performance appraisal were significantly lower than at selection interview. Correlations between ratings at interview and at performance appraisal were generally weak, though one (Understanding the Business) showed significant relationships with 5 of the 7 performance appraisal competencies. In addition, competency ratings were related to employee turnover and managerial development needs.

Research limitations / implications Although competencies were clearly defined, inter-rater variations may have occurred which obscure the relationships. However, it is of interest that a single competency at selection (Understanding the Business) seems to have the greatest effect on performance, employment outcome and development needs.

Practical implications A competency framework that is embedded in both selection and performance ratings can provide the organisation with a clearer understanding of what determines managerial success, as well as informing better selection decisions. This study also raises the issue that performance ratings may be influenced more by a manager's ability to understand the business than by any other competencies.

Originality / value The use of a longitudinal design provides unique evidence of the relationship between competency ratings at selection and later performance, employment outcome and development needs.

Keywords: competencies, selection, development, manager

Introduction

Competency frameworks are suggested to provide a practical way for an organisation to integrate its HR practices across the employee life-cycle, from selection through training and development, to performance appraisal and promotion. Using an integrated framework is purported to enable the organisation to strategically deploy its human capital to meet business objectives. This study explores the utility of a competency framework embedded throughout both selection and performance appraisal processes, identifying the organisational advantages accrued as well as highlighting some of the difficulties in practical application.

The growing emphasis on strategic HR management during the 1990s resulted in pressure on HR to reduce costs, improve its services, increase its impact and provide a more satisfying work experience for its own employees (Kochanski and Ruse, 1996). Process and competence emerged as key factors in how the HR function was organised. While definitions of what a “competency” actually is may differ somewhat, there is good consensus that competencies are characteristics of an individual that underlie effective or superior performance (Boyatzis, 1982). Their usefulness and popularity lie primarily in the way they capture a range of individual characteristics in a performance-focused manner, incorporating not only what a person can do, but what they want to do (Ryan et al., 2009). Competencies are a common feature of many people management policies and practices and a whole industry has developed around their application in organisations. Matching employee competencies and job requirements is claimed to improve employee and organisational performance, as well as lead to increased satisfaction (Spencer et al., 1992).

While competency criteria were initially designed for specific applications, competency frameworks that can be applied across the full range of human resource

processes are now emerging. The competency framework has, therefore, been recognised for its practical applications in the assessment of candidate suitability to a particular role, along with assessment of effectiveness post-appointment (McBeath, 1990). Indeed, Soderquist et al (2010, p326) refer to competency as lying at “the heart of HRM” allowing horizontal and vertical integration of HR activities with each other and with organisational strategy. A competency framework within an organisation may be used to structure selection processes, training and development programmes and performance appraisal templates, providing an integrated and coherent approach to the management of an organisation’s human capital.

The advantages of implementing integrated competency frameworks within and even across organisations have been demonstrated in several different industries and countries. A framework developed for diabetes nurses, for example, outlines how it can provide a career structure, assist in business planning and allocation of resources, allow benchmarking of practice across different sites and even help to standardise practice across different countries (Hill, 2011). Beyond the requirements of a particular role, a competency framework is also an effective way of identifying and encouraging behaviours and capabilities within the organisation that can enhance competitive advantage but are not specifically tied to a particular job role, such as with corporate entrepreneurship (Hayton and Kelley, 2006). Ryan et al (2009) describe how a competency framework was used to compare performance within and across different organisations, highlighting the relative importance of different competencies in predicting performance in two organisations. Finally, an integrated competency-based approach to management has the benefit of improving the transparency of HR processes, fostering employee respect and creating a better work environment (Bonder et al., 2011).

Once the organisationally required competencies have been identified and defined, one of the main areas of application for the competency framework is in the selection interview to ensure as far as possible that candidates who can contribute to the overall business objectives are chosen. Nearly all European employers interview prospective staff (Dany and Torchy, 1994), and a review by Judge et al (2000) provided support for the continued use of the employment interview in selection, despite the range of validity coefficients being reported by past researchers. Several methods for improving the effectiveness of interviews have been suggested. For example, Taylor and Small (2002) noted that using a descriptively-anchored rating scale in the interview process, such as is often used in competency assessment, could increase validity estimates to 0.63. In addition, Schleicher et al's (2002) comprehensive examination of the construct validity of an assessment centre found that frame-of-reference training was effective at improving the reliability, accuracy, convergent and discriminant validity and the criterion-related validity of assessment centre ratings.

A second application of the competency framework is in the performance appraisal, a process of identifying, observing, measuring and developing human performance in organisations (Carroll and Schneir, 1982). While there has been discussion over the accuracy of performance ratings, with some authors suggesting for example that supervisory affective regard can skew ratings (Lefkowitz, 2000), and others arguing that affective regard can be seen as a function of ratee performance (Cardy and Krzystofiak, 1991) there have been clear demonstrations that, similarly to selection interviews, rating accuracy can be improved using frame of reference training (Sulsky et al., 2002).

Making use of up to date understandings of competency definition, rating and accuracy, a competency framework that is embedded throughout the organisation has

the potential to bring large returns in terms of the management of talent. Using the same competencies for both selection and later performance appraisal, and then making comparisons of individual's scores provides an effective means of evaluating HR functions as well as individual development. Identifying competency ratings at interview that are associated with later work outcomes such as increased likelihood of turnover, potential for further development and promotion, and higher levels of performance would be invaluable in assessing the utility of competency frameworks. This study seeks to explore the benefits or drawbacks of an organisation-wide competency framework, by addressing the following questions in a longitudinal study:

RQ1: Are competency ratings at the selection stage related to performance ratings once the candidate is in post?

RQ2: Is it possible to identify, at the selection stage, competency ratings that are associated with higher turnover?

RQ3: Can a competency framework provide a tool for identifying training needs for future promotion?

Method

Data collection

The study was carried out within a single organisation, a leading operator of managed pubs and pub restaurants with 16 brands in its portfolio, which has recently adopted a single competency framework throughout its different locations. Structured selection interviews for management roles were carried out by trained interviewers as part of a longer recruitment day and typically lasted 45 to 60 minutes. The interview questions followed the experience-based format that (Krajewski et al., 2006) reported as producing a validity coefficient of $r=0.32$, $p<0.01$. Performance appraisals were

carried out by line managers, 6 to 12 months after recruitment, using the same competency definitions but no structured interview questions. Ratings from the selection interviews were drawn from the recruitment database, while performance appraisal ratings were requested directly from line managers.

Measures

The seven competencies assessed in the selection interview and performance appraisal were: Understands the Business (UTB), Building the Business (BTB), Focusing on the Guest (FOG), Leads to Win (LTW), Building Capability (BC), Lives the Values (LTV) and Making it Happen (MIH). Descriptions of the competencies are given in Table 1 and they were assessed on a behaviourally anchored scale of 1 to 5, with a zero allocated if a candidate failed to provide any evidence for that competency.

----- Table 1 about here -----

Candidate scores on Numeracy and Profit and Loss tests were also collected at selection. These tests were developed with an external consultancy a number of years ago and included simple mental arithmetic, calculation of profit margins and understanding of profit and loss sheets.

Sample

Scores from the recruitment day were available for a total of 207 employees (73% male). Data was also collected on the current employment status of these employees: whether they were still in employment with the organisation (N = 127) or had left (N = 80). The main analyses were conducted on the sub-sample of employees for whom both selection interview performance appraisal ratings were available (N = 58, 81% male). At the time of the performance appraisal, 45% of these were Assistant

Managers, 45% were General Managers and the remainder in “holding” or “designate” manager roles.

Results

Table 2 shows the descriptive statistics and correlations for all variables. Competencies at each assessment time were all significantly inter-correlated. The mean competency rating during appraisal was 3.19 (SD = 0.58), lower than in the interview (mean = 3.57, SD = 0.51). Comparison using paired t-tests indicated that this difference was highly significant ($t_{57} = 4.41$, $p < 0.001$) and had a large effect size (partial eta squared = 0.25).

----- Table 2 about here -----

To investigate RQ1 (Are competency ratings at the selection stage related to performance ratings once the candidate is in post?), bivariate correlations were calculated for corresponding interview and performance appraisal competencies. The results showed that these were generally weak, with only UTB demonstrating a significant correlation ($r = 0.33$, $p < 0.05$). Interestingly, scores on this competency at selection were significantly correlated with ratings at performance appraisal of FOG ($r = 0.30$, $p < 0.05$), LTW ($r = 0.31$, $p < 0.05$), BC ($r = 0.34$, $p < 0.01$) and MIH ($r = 0.37$, $p < 0.01$). In addition, interview FOG was significantly related to appraisal BC ($r = 0.31$, $p < 0.05$), and interview MIH was significantly related to appraisal FOG ($r = 0.30$, $p < 0.05$).

Table 3 shows the means and standard deviations for ratings at selection interview, split by current employment status (leavers and those still at the organisation). To address RQ2 (Is it possible to identify, at the selection stage,

competency ratings that are associated with higher turnover?), one-way ANOVA was conducted to compare leavers' scores with the scores of those still in employment.

Results demonstrated that leavers were rated significantly lower than active employees at the selection stage on three competencies: UTB ($F(1, 205) = 3.92, p < 0.05$), BC ($F(1, 205) = 5.12, p < 0.05$) and MIH ($F(1, 205) = 4.71, p < 0.05$). In contrast, Numeracy ($F(1, 205) = 1.93, p > 0.05$) and Profit & Loss ($F(1, 201) = 2.13, p > 0.05$) scores were not significantly different between the leaver and active employee groups.

----Table 3 about here----

Finally, stepwise discriminant analysis was conducted on the selection interview competency ratings to explore RQ3 and determine whether job role (Assistant Manager, General Manager or Holding Manager) could be distinguished by selection criteria. A single function emerged with an eigenvalue of .37, explaining 98% of the variance (Wilks' lambda = .725, $\chi^2(6) = 60.7, p < .001$), and containing three variables: Profit and Loss, UTB and BC. The standardised discriminant function coefficients demonstrate the unique contribution of each independent variable to the function and were as follows: Profit & Loss = .52, UTB = .45 and BC = .5. The discriminant function was able to classify cases correctly 55% of the time. Assistant Managers could be distinguished from General Managers very well, scoring lower on the combination of competencies captured by this function, while General Manager Designates were intermediate between the two (Table 4).

----Table 4 about here ----

Discussion

The combined means for interview and appraisal competency ratings were significantly correlated and had a large effect size, a result comparable with those found by previous researchers (DeGroot and Kluemper, 2007, Hermelin et al., 2007), though there remains a question mark over whether the selection interview is as strong a predictor of future performance as hoped (e.g. Cook, 2009). Overall, appraisal ratings were lower than selection interview ratings. This could be due to either exaggeration during the selection process (many candidates now are comfortable with competency-based interviews and understand how to sell themselves well), the influence of other work-related factors on day-to-day performance or how the competencies are understood by selection interviewers and line managers.

Of further note is the high inter-correlation between competencies measured at the same time, possibly representing the well-known halo effect (see for e.g. Haurani et al., 2007). Although the training provided to raters at both selection and appraisal would hopefully mitigate against these problems somewhat, it is worth considering how useful it is to continue to measure seven different competencies in this organisation. It may be that a single, overall rating is of more use. A similar finding was reported by Haurani et al (2007) in their study of competency ratings of medical residents, which found high inter-correlations between the competencies they studied. They suggest that raters may not be able to differentiate between the competencies when rating performance.

Interestingly, in this study, a single competency at interview, *Understanding the Business*, was positively related to five of the seven competencies at appraisal. It seems that an individual who is skilled in understanding the business is likely to outperform his or her colleagues on all the other competencies as well. Similarly, Haurani et al (2007) found that communication and professionalism were related to higher scores on other competencies. A burgeoning area of research in selection interviews is their use in

assessing Person-Organisation Fit, and in their review Judge et al (2000) highlight how the interviewer's judgement of P-O fit may be based candidates' personal characteristics, such as congruence between their career goals and the organisation's business goals. Clearly, an applicant with a greater understanding of the business would be able to demonstrate this congruence more effectively and therefore may well be perceived as having greater fit. Taken together, these results indicate that there may be a critical competency (or two) that determine an individual's success in an organisation. Although it waits further investigation, it may be that understanding the requirements of the organisation, whether this is industry-specific knowledge or an understanding of how high-performing individuals in that organisation tend to behave.

The competency framework in this study was also useful in identifying training and development needs. General Managers had higher scores at selection on Profit and Loss understanding, *Understanding the Business* and *Building Capability*. This highlights which competencies future training and development should focus on if the organisation wishes to develop its current Assistant Managers to fill General Manager roles. Development focused specifically on helping Assistant Managers to understand the business and its requirements is likely to help the organisation to develop its talent from within. Given that understanding the business is so important to high performance in this organisation, developing talent within the organisation rather than trying to bring it in from outside is likely to be the best approach. It would be interesting to see if similar research in other organisations showed the same results.

Finally, it was found that ratings at selection interview ratings were related to employment outcome, with leavers scoring significantly lower than those who stayed in employment with the organisation. This demonstrates the utility of using well-defined and developed competency ratings at selection in order to improve selection decisions,

as well as highlighting the utility of a competency framework in evaluating and improving HR processes.

Although the findings of this study are very promising, identifying clear benefits to the organisation in terms of maximising and building on its talent, the results should be understood in context. The organisation studied for this research had historically had a clear split in culture and operations between two divisions and had recently attempted to bring them together, partly through the use of a combined competency framework. The raters, therefore, may have been slightly unfamiliar with these competencies. In addition, the large number of interviewers and appraisers mean that there could be issues with inter-rater reliability.

In summary, this study demonstrates that an organisation with a single competency framework underlying both selection and performance appraisal can use the information it gathers to manage its talent more effectively.

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Table 1: Definitions of competencies

Competency	Abbreviation	Description
Understands the Business	UTB	Understands and applies commercial and financial principles, and views issues in terms of sales, costs, profits and markets. Demonstrates an ability to work with and interpret numerical information. Is profit conscious and appreciates the commercial impact of activities on business profits. Is aware of competitor activity and market trends. Seeks out information on guests, markets and competitors, and commits to keeping up-to-date with market and industry developments.
Building the Business	BTB	Focuses on new business opportunities and activities that will build the business and bring the largest return. Is focused on maximising business return and understands key business drivers. Utilises appropriate selling techniques that are consistent with the brand / offer. Shows a commitment to brand / offer goals and standards and follows through to ensure that these are delivered in running and building the business.
Focusing on the Guest	FOG	Is committed to meet and exceed guest expectations by providing a prompt, efficient and courteous service and going the extra mile. Reinforces the importance of providing personalised service to guests without compromising the brand / offer and business offerings. Quickly builds rapport with guests and works hard to exceed their needs. Develops and maintains professional relationships with guests. Encourages a guest service orientation within the business.
Building Capability	BC	Actively seeks to improve the capability of individuals and teams by providing coaching and development opportunities. Identifies developmental needs, arranges appropriate learning experiences and motivates people to develop themselves. Values teamwork and ensures the practical needs of teams are met. Builds and aligns teams with the vision of the brand / offer and the business and organisation, and supports and fosters effective teamwork.

Competency	Abbreviation	Description
Leads to Win	LTW	Provides the team with a clear sense of direction and takes time to explain to individuals how they can contribute to the business goals. Takes charge, organises resources and steers others towards successful task accomplishment. Creates empowering conditions that enable individuals and teams to achieve their goals. Enthuses and motivates others by providing a clear sense of purpose, inspiring a positive attitude towards work, and arousing a strong desire to succeed amongst team members. Communicates clearly and persuades others around to their point of view.
Lives the Values	LTV	Maintains high ethical standards and acts in a way that is consistent with the organisational and business values. Shows integrity and fairness in dealings with others and is reliable and trustworthy. Is committed to the achievement and maintenance of quality. Encourages organisational and individual responsibility towards the community and the environment. Actively promotes compliance with legal and safety requirements, and demonstrates commitment to the organisation.
Making it Happen	MIH	Takes responsibility for actions, projects and people, initiates action and generates activity. Delegates work effectively and monitors progress against delegated activities. Maintains high professional standards and shows commitment to the organisation and building the success of the business. Drives projects along, gets results and ensures that key business objectives are met. Utilises planning skills to identify actions and objectives and clearly articulates them. Schedules activities to ensure optimum use of time and resources. Shows enthusiasm and maintains energy and commitment in the face of setbacks and pressure.

Table 2: Means, SD and Pearson correlation co-efficients for all variables

	Mean	SD	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.	15.
1. Numeracy	4.07	.915															
2. Profit & Loss	2.91	.786	.360**														
3. Int UTB	3.45	.841	.028	.249													
4. Int BTB	3.52	.778	.023	.248	.444**												
5. Int FOG	3.66	.664	.069	.251	.533**	.522**											
6. Int LTW	3.72	.790	-.095	.020	.348**	.408**	.518**										
7. Int BC	3.55	.680	.022	.160	.327*	.380**	.585**	.550**									
8. Int LTV	3.50	.682	.084	.184	.275*	.430**	.504**	.554**	.378**								
9. Int MIH	3.62	.721	-.199	.159	.285*	.325*	.418**	.521**	.398**	.464**							
10. PA UTB	3.13	.798	.048	.329*	.330*	.074	.235	-.026	.060	.024	.056						
11. PA BTB	3.04	.938	-.004	-.031	.175	.065	.038	.135	.127	-.075	.193	.391**					
12. PA FOG	3.25	.768	.175	.184	.299*	.220	.258	.217	.235	.176	.301*	.519**	.387**				
13. PA LTW	3.06	.636	.219	.294*	.309*	.024	-.012	-.001	.043	-.172	-.064	.616**	.525**	.364**			
14. PA BC	3.18	.730	.309*	.260	.337**	.188	.312*	.164	.184	.150	.183	.592**	.655**	.481**	.695**		
15. PA LTV	3.29	.744	.228	.212	.235	.067	.084	-.114	.091	.052	.047	.556**	.535**	.522**	.611**	.660**	

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15. PA LTV	3.29	.744	.228	.212	.235	.067	.084	-.114	.091	.052	.047	.556**	.535**	.522**	.611**	.660**	
16. PA MIH	3.23	.774	.248	.269*	.370**	.085	.244	-.025	.133	.122	.160	.567**	.370**	.505**	.529**	.653**	.662**

* $p < 0.05$

** $p < 0.01$

I = Interview, PA = Performance Appraisal, UTB = Understands the Business, BTB = Building the Business, FOG = Focusing on the Guest, LTW = Leads to Win, BC = Building Capability, LTV = Lives the Values, MIH = Making it Happen

Table 3: Functions at Group Centroids

	Function 1
Assistant Manager	-.561
General Manager	.682
General Manager Designate	.444

Table 4: Selection data by employment outcome

	Still employed (N=127)		Left organisation (N=80)	
	Mean	SD	Mean	SD
Numeracy Score	4.01	.930	3.83	.911
Profit and Loss	2.93	.879	2.74	.938
Interview - UTB	3.53	.898	3.28	.886
Interview - BTB	3.56	.720	3.41	.724
Interview - FOG	3.76	.672	3.63	.603
Interview - LTW	3.69	.753	3.61	.720
Interview - BC	3.61	.680	3.38	.769
Interview - LTV	3.60	.759	3.54	.655
Interview - MIH	3.63	.722	3.41	.669