10 Great Ideas For The Next 10 Years

In 2012, **Precision Human Development** celebrated our 10th year of incorporation providing customized, *Predictive Talent Assessments* to companies in North America. We are watching the testing and talent management trends very carefully to leverage current practices and hopefully extract and predict what is ahead of us in this industry. So join us in this celebration of 10 years with **10 Great Ideas** for our future.

1. **Accuracy is the key to your ROI**: An extensive review of selection system ROIs indicates that the big winner is how accurate your procedures are in reducing turnover. Even an improvement of 5% can save thousands of dollars annually. The average cost to replace (in many cases) is 1.5 x salary. Do the math. The key is a system that has incremental validity, which means each added process improves the hit rate. For example, just a resume + interview = a 30% hit rate; add any valid psychometric and it increases to 40-50%; add a position-based benchmark that matches people to performance indicators and it can go up to as high as a 70-90% hit rate. This will also mean more engagement with each hire plus it will lower your replacement costs annually.

2. **Analytics are better than intuition:** We would all like to think we have the expertise to make a good hiring or promotion decision. The problem is we start with intuition and get a "good feeling" about our candidates which biases our decision. Start with an empirical, objective screening test first, then your incremental hit rate processes will eliminate candidates that may interview well, but are not a good fit for the job. If you have multiple worthy candidates at the end, then apply that "gut feel" and you will save time and increase accuracy. Need more proof of the growing success of analytics? Read Ian Ayers bestseller, <u>Super Crunchers</u>, or any of the ROI studies on our website.

3. **A selection audit will determine what is working:** Less than 50% of the "big players" use metrics to determine the effectiveness of their talent management processes. So the smaller companies will certainly be lower. If you were asked to determine how predictive your assessment instruments are … could you give a data-based answer or only a guess? This is how you break the silo of HR and see what's working in order to prove your worth to the bottom line. Do an audit if you have the expertise or hire a company that does this type of statistical analysis-based consulting. This process will link back performance outcomes and tenure to employee test scores. The results will hone your procedures, increase your hit rate, and save you time and money. If you don't collect some metrics on your hiring success, how do you even know if it is an improvement and money well spent?

4. **Automation and integration is on the rise:** In the years ahead, SaaS cloud technologies will take over the talent management industry. These systems will be automated and integrate your selection processes, including ATS, knockout questions, pre-hire screening and online-testing with reference, background checking and on-boarding procedures. Part of the technological advances will be the use of video and game-type job simulations done remotely on your computer or mobile device. Sourcing and selection screening will be less in your office, but still face-to-face in a virtual world. The testing industry will provide solutions that will allow candidates to "show you" not just "tell you" how they behave and whether they can do the job as you define it.

5. **Benchmarking will become the standard:** This word "benchmarking" is frequently used, but rarely understood by most non-statistical minds. Its use will increase and become the most competitive process available. One must understand that it is not the test, but the norms used to compare candidates before hiring or promotion that is the key. The best predictor is your own employee's performance on key measures matched to his/her test scores. Having people sit around a room deciding after reading a report that describes a candidate is not science, but intuitive guesswork. Your test results need local validation norms on your best employees to have the highest hit rate and predictability. You will need position-based success profiles statistically derived to keep pace. This type of custom selection testing will be the norm in the future and will leverage performance data.

6. **Background checking and social media selection are legally vulnerable:** Although these are hot topics and being touted as new methods to determine candidate appropriateness and decrease employee workplace risk, both need to be validated like other psychometric instruments. Scanning methods and software for Facebook, Twitter, etc., have not been proven as predictors of company or job fit and as a result, it will face legal and regulatory scrutiny or setbacks in the future. The EEOC has already slapped the wrists of many criminal and financial background checking methods that are used indiscriminately by employers. The key, here, is that a

selection process must be RELEVANT to the job. People with low credit ratings or a minor criminal infraction are being unfairly rejected without a chance to respond. These methods have a place as relevant knockout processes, but using them indiscriminately may result in disparate impact on a group and unfair hiring.

7. **Career development will again become a key retention strategy:** More evidence is emerging that retaining talent, particularly high potential future leaders, will be *the* strategic advantage in the global economy. Losing a promising leader of the future has been projected as the most costly people-related problem facing companies today. One future solution will be to not just throw money at your stars, but help them stay on the innovative edge of their profession and skill set. This is the new meaning of CURRENCY for human capital. Surveys of technological employees and professionals indicate that they will stay with you and remain engaged if they are achieving by growing more skillful with timely and relevant career development planning. This is what grew corporations in the post-war age of loyalty and it is relevant going forward. Maybe your stars won't earn a 30-year watch at retirement, but they will stay well beyond the 3.5 year average.

8. **Contextualization of talent metrics will be the norm:** Simply said, your talent management processes must be customized for your company, geography and demographics. Selling Ford cars in Dallas, is not the same as selling Mercedes in Toronto. So, if you think about using a car industry norm for your hiring, you will be disappointed in the results, unless you have a benchmark based on your company's context. This is also true in skill testing. Considerable evidence is accumulating on job-relevant skills, not just aptitude or academic-based skills. Case in point: sports handicappers who are hired by betting houses could not pass the math test given to other statistics-based jobs and the academics who could pass the stats tests, didn't have any success handicapping the sporting events. Contextualizing and customizing selection testing will be the future in hiring.

9. **Smart phone and mobile device application will increase:** Whatever our youth are using to connect and find information is what will be used in companies to connect with them as potential or already-hired employees. Our desktop computers and laptops will be smart phones and other mobile devices in the future and hiring application statistics already show 40% usage in Asia and 19% and growing in North America (2012). The online industry for recruitment has already started to make this shift and it is only the beginning. The ATS, testing, e-courses, CMSs, etc., are all available for smart phones and iPads and other mobile notebooks. User ID systems will have to improve to determine who is filling out the test and questionnaires: e.g. fingerprint and iris scanning. Also there will be a number of new gaming applications for branding, hiring and training which are already hitting the market.

10. **Social Media – the good, the bad, the ugly:** Every week, the Human Capital sites are full of social media courses and webinars. Some of the uses are well-established like branding and customer feedback, but others are very primitive such as hiring and predicting buying behavior. The "good" aspect of these tools is that the communication loop has been closed very smartly between the employee, client and candidate looking for work. The "bad" pertains to the invasion of privacy claims and risks of things going viral that were meant for a certain segment or a person. The "ugly" side of all this is the hiring mistakes which have already been discussed and the inordinate amount of time one has to spend to stay relevant, current and in control of the message. Case in point: you want to put out a multiple social media announcement about your job fair at your company. You fail to monitor the distribution and it goes viral and 15,000 applicants show up and clog your access to your best prospects. However, these methods are here and will only increase and so we need to be ready for them.

If adding more selection science, improving your quality of hire and succession planning are part of your strategic planning, contact us today to speak to Martin or Jason at 1-877 Hire PHD (447-3743) or e-mail info@phdassessments.com.

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