

# Predictive Talent Assessments

## Making a "Success Profile" Scientific

The Talent Management industry is committed to *getting the right people on the bus, getting them in the right seats and having them remain seated there* (using Jim Collin's analogy from the book Good to Great). This commitment has expanded on the business scene as companies/organizations are working diligently to solve some very significant challenges (see text box on left) that are well-known to Human Resource professionals.

*Many articles, books, conferences, and blogs are now devoted to how to solve the world-wide challenges of:*

- *Retiring boomers leaving a leadership vacuum*
- *Fierce competition for technology and interpersonal skills possessed by a few*
- *Matching young workers with projects and contract rather than FTEs*
- *A growing documentation of a reduction in employee loyalty and engagement with a resulting "presenteeism" (just being present with low productivity)*
- *An increase in turnover in industries*

To address these problems, a host of new entrants have jammed the Talent Management vertical trying to leverage the increased use and functionality of the internet, software design (SAAS), cloud technologies and the marriage of information systems (HRMS) with testing companies in a number of large acquisitions and mergers. Many of these large enterprise IT companies have little or no experience in testing and selection, but the addition of a talent management/ assessment company provides the client with additional services and expertise for hiring, succession planning, career development and specific HR metrics that can be used in making people and/or business decisions.

The opportunity for becoming a talent management company has now added a one-stop shopping option to the provider list with hundreds of vendor solution choices and over 15,000 tests available in the English language. As a result one can fairly conclude that for the company wanting to start, revise, and improve their solutions in order to meet the above challenges, the first task is

to run the gauntlet and get through the maze of providers to CHOOSE the correct selection strategy and vendor. Hopefully, the remainder of this paper will help in the process of making this selection of an assessment provider and clarify some terms that are often used ambiguously and wade through deep promises to see the best option and ROI for dollars spent.

### The "Fit" Solution

Among the description of services advertised by assessment vendors is the concept of "fit" testing. "Fit" testing is just what it says. How does a candidate fit into a certain position or job? To establish fit, a company must have the ability to test and describe certain attributes, skills, character issues, values, and so on and match them to a particular role, position or job. This requires either the testing company to have already benchmarked a position or rely on the job analyses done by the HR department or outsourced ahead of time. Most of the time, the "fit" solution is done as a descriptive process where test results are reported according to actuarial or probability statements. These are developed by the test manufacturer based on some population norms which were gathered after the test was validated to determine if it indeed measures what it said it would measure. This is primarily a descriptive process where the position is defined and the candidate is also described by scores which are then interpreted. The two must be matched in some way and this is where the confusion exists and the science often compromised.

### Off-The-Shelf Testing

There are thousands of tests available in this category that are based on general adult population or industry norms. If the user company selected an off-the-shelf test, the reader who probably is the selection manager or a member of a selection committee reads a long report and tries to determine if this candidate has the qualities needed for the position. This is an expert or intuitive judgment and although better than if done by a novice, is not empirically-based or scientific. It is subject to all kinds of biases such as recency (important information just read), emotional reaction to a candidate, over-confidence, technical training, and a host of others. This type of testing is a start and is better than nothing, but usually only increases the hit rate of hiring a high performer by only 10-20%. In other words, without this test, after only the resume review and interview, data would suggest a 15-25% hit rate. Adding this type of psychometric or skill testing increases this to 25-40% or at best 4 out of 10. Too much is left to chance and the training of the selection committee and familiarity with the fit data for the test used. HR managers have their own turnover and change jobs frequently which mean new training on a regular basis is required to maintain any level of expertise with the tests used.

### High Use Position Norms

Selection sampling has progressed so that now companies who offer tests may go a step further which is to offer solutions where their off-the-shelf tests have been standardized or benchmarked to specific positions which is better than the above normative samples. In this option, using general or generic "position norms", a company buys a test that has been configured for a number of jobs such as nurses, financial officers, administrative/office worker, sales, using data collected from many companies. There are thousands of jobs in the CCDO and DOT, so only large number positions have been normed which are the most frequent requests for hiring. It is presumed that the higher the score, the better (which is actually not always the case), on the factors predictive of good fit in that particular job. The report is geared only that position, with the reader making a decision whether the results are high enough to warrant being hired. Again, there is improved accuracy in using this type of assessment based on position-specific norms with an increase in hit rate of an additional 10%, raising the selection success to about 4/ 5 out of 10. This increases the ROI but it can still be improved by a local validation study which is the most scientific way to use testing and selection data.

### Local Validation Benchmarks

The local validation study is less about the test you choose and more about the process of benchmarking a position with performance data for those already working in the position. There is nothing more relevant, accurate, fair and predictive as validating a testing tool on the best incumbents in a position, and creating a "success profile." This is particularly true if past test scores are available that incumbents completed when applying. This allows the employee to show progression in the position from their start of employment to being in the sample for the benchmark. Unlike the examples discussed earlier, the "fit" data is not based on general norms, industry norms, or even general position norms, but on the very people who are successful in the job already. This is quite predictive when high performers are compared against lower rated employees on the same tests. This is the essence of a local validation benchmark and it is what makes Precision Human Development (PHD) and the few other companies who do this statistical process distinctive in the talent management field. This makes the matching very simple and scientific.

We call this approach **Predictive Talent Assessments**, as the reader not only receives candidate descriptive information on competencies, personality attributes, character and risk potential but an actual score on how close each candidate is to the success profile extracted statistically from the performance data. The benchmark sample test results are statistically analyzed for the key factors that predict job success. The candidates take the same test(s) and are compared to this empirically derived profile.

This is the best that selection science has to offer at present and will increase the hit rate another 10- 20%- to where the accuracy rate now is at least 50-60% and sometimes higher. Most testing or selection process can make that claim. In fact, test manufacturers caution buyers to not believe accuracy rates above 30-50%. This is true if one of the other matching methods is used and doesn't involve the construction of position-specific benchmarks based on performance data. Precision Human Development's statistical benchmarking technology was built by Industrial Psychologists and has the commitment to pre-validate any hiring benchmark before it is used to ensure these accuracy rates. If one calculates the ROI just based on lowered turnover by selecting employees who stay longer, a saving of 0.50 - 1.50x salary per employee for cost to rehire, an increase hit rate of just one person better than the company's current hit rate can pay for the cost of the increased science with money to spare. If one includes reductions in time-to-hire of usually 50%, reduction in a manager's time to make selections and benefits to the company by increasing the bottom line, the ROI turns your HR department into a profit center. You will have addressed many of the challenges that all companies are facing in the Talent Management area by getting more good people into the right seats with less turnover.

**If you believe you need to improve your hiring and succession strategy, contact PHD or your reseller representative that has the PHD technology and tools.** We will be pleased to discuss your unique challenges and develop a ROI based proposal to review with your selection managers. Make the move from descriptive to PREDICTIVE TALENT ASSESSMENTS and use selection science to speed up your hiring process and lower your costs-to-hire.

Call and speak to Martin or Jason at 1-877 Hire PhD (447-3743) or e-mail [info@phdassessments.com](mailto:info@phdassessments.com).