

Rocket-Hire

Talent Assessment 101:

A Four-Step Model for Success

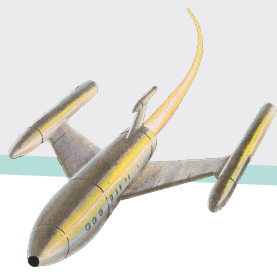
December 2017

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This paper is based on a previous version *The Prehire Assessment Primer* that was created by Charles Handler for Bersin by Deloitte in 2013. The present version has been modified from the original. Rocket-Hire wishes to thank Kim Lamoureux and Josh Bersin for their contributions and support.





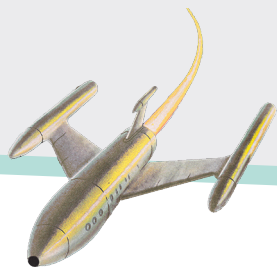
OVERVIEW

Talent assessment has been around in various forms since the second world war. Born of a clinical tradition that saw psychologists using tools and methods created for use in the mental health field to evaluate human traits in the work environment, employment testing has undergone a quantum leap since its early days. While testing matured and became more business-friendly as the decades unfolded, it has only recently entered its golden era.

The goal of this report is to provide a fundamental understanding of prehire assessments today, and offer guidance and advice that will help organizations to implement a successful prehire assessment program.

In This Report

- A four-step model for the successful use of assessment, including a thorough discussion of the most common types of prehire assessment and how to use them
- The financial impact of assessment, presenting examples of real-world outcomes realized via strategic assessment programs
- The underlying mechanism that makes assessment effective
- How assessment fits within the context of talent management



About Rocket-Hire

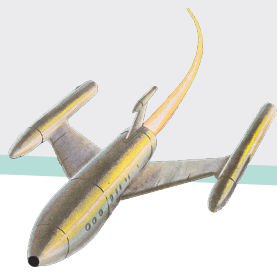
We are experts in the field of Industrial/Organizational Psychology/Employee Selection Science who act as trusted advisors, partnering with our clients to understand their needs and providing them with a personalized roadmap/blueprint for success.

We do not start the conversation about the best talent assessment for your needs by selling you a product. Rather, we put the needs of your business first and work with you to develop a strategy.

We can assist you in executing this strategy in a number of ways, offering you flexibility others can't because we are not tied to one product or solution.

Our capabilities include:

- Development and validation of customized assessment solutions of any type - from knowledge tests to games and simulations
- Selection and implementation of off the shelf solutions from one of our vendor partners
- Talent assessment system Audit/program evaluation - Expertly driven qualitative and
- quantitative evaluation with a focus on legal compliance and business outcomes
- Driving innovation - We love to develop smart, innovative solutions that will amplify your employment brand



Introduction

The Internet has made prehire assessment more accessible than ever, accelerating its adoption and making it easier for companies to realize its benefits. While technology has made assessment more scalable and powerful, its basic value proposition – the ability to use predictive data collected during the hiring process to support accurate decision-making – has not changed. Technology and the Internet have made assessment more approachable, less expensive and far more scalable – giving organizations the ability to use assessment data in extremely powerful ways.

Today's state-of-the-art employment testing builds on more than five decades' worth of science and experience. This experience proves that, when used properly, prehire assessment can provide very significant return on investment (ROI). The costs of bad hiring decisions can be staggering. A sound assessment program can easily save companies millions of dollars in the short run, while leading to even larger impact in the long term. (For more information, please see the following case in point.)

Talent Assessment has a big impact for a global hospitality provider

An international hospitality brand was at a crossroads with its assessment and selection strategy. The company was using multiple assessment providers, leading to confusion, high cost and inconsistency. Plus, the assessment content wasn't helping the company meet its selection and development needs for a dynamic global workforce of more than 250,000 employees.

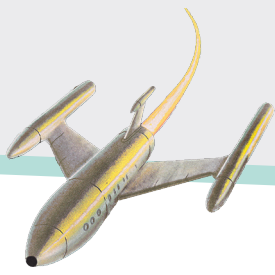
The assessment process was expensive, but didn't bring actionable and accurate results. Ultimately, the company was losing money because its selection process was inconsistent and unpredictable. Employee development and customer service were suffering. Leaders decided it was time for a change.

Company leaders wanted change, but first they needed a checklist of the issues that were most important. The team's priorities were:

- Achieve greater business impact on property performance, e.g., higher customer satisfaction scores, higher revenue.
- Find top candidates for professional, managerial and executive roles.
- Streamline all assessments to one common platform for simplified reporting and a consolidated look and feel for candidates.
- Align all assessment content globally to make it more cohesive and consistent with future-oriented talent goals and organization-wide competency models.
- Use assessment tools after the initial hire to continue to identify high-potential employees and develop them for long-term career success.

The company partnered with a global provider of talent assessments who worked with them to build custom tools for each job role. The fully immersive new assessments use an Adaptive Employee Personality Test to measure:

- Situational judgment
- Problem solving
- Adaptability
- Organizational fit



The company decided to extend its assessment strategy beyond the initial hire, to guide employees' career paths for years to come. The vendor developed an executive high-potential development program that includes:

- A custom 360-degree assessment.
- An adaptive personality assessment.
- A coaching session with an Aon coach.
- Custom reporting.

The company implemented the new assessments designed to reflect both current and future challenges and competencies. The vendor integrated the platform with the company's ATS and created a custom user interface that reflects and reinforces the talent brand. The company now uses its simplified and streamlined assessment platform for all hiring and the majority of leadership development assessments. Talent leaders use the vendor's platform to assess 2 million candidates per year in 28 languages, all audio-enabled

As a result of implementing validated talent assessment solutions, the company has seen major results on its talent-acquisition and assessment processes. Hires who received top scores on the assessments are:

- Substantially more likely to be rated as having high cognitive skills.
- Almost 90% more likely to receive high performance ratings.
- Over 60% more likely to be recognized by customers for providing great service.

In addition, the company's talent leaders report improvements for the business, including:

- Lower cost
- Higher ROI
- Improved candidate experience
- Higher user acceptance
- Increased flexibility and scalability of assessments
- More consistency in evaluation standards across geographic regions
- Enhanced reporting and assessment administration

A Foundational Element of Talent Acquisition

Talent assessment tools should be a foundational element in the talent acquisition process. Bersin & Associates Talent Acquisition Framework®, shown in Figure 1, demonstrates the relationship between talent assessments and the other core components of the talent acquisition process. (Bersin & Associates, 2012)

As illustrated in the model, this report explains the core screening and testing methods used for "selecting" employees – but the value of assessment goes further. By taking the time to buy and build well-designed assessments, the organization gains a greater understanding of the right capabilities needed for success – enabling powerful improvements in sourcing, recruitment branding and candidate marketing. Assessments then become a fundamental tool for many parts of talent management.^b

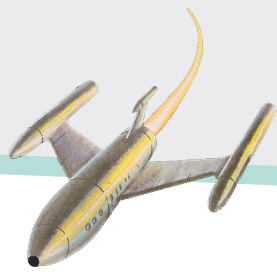
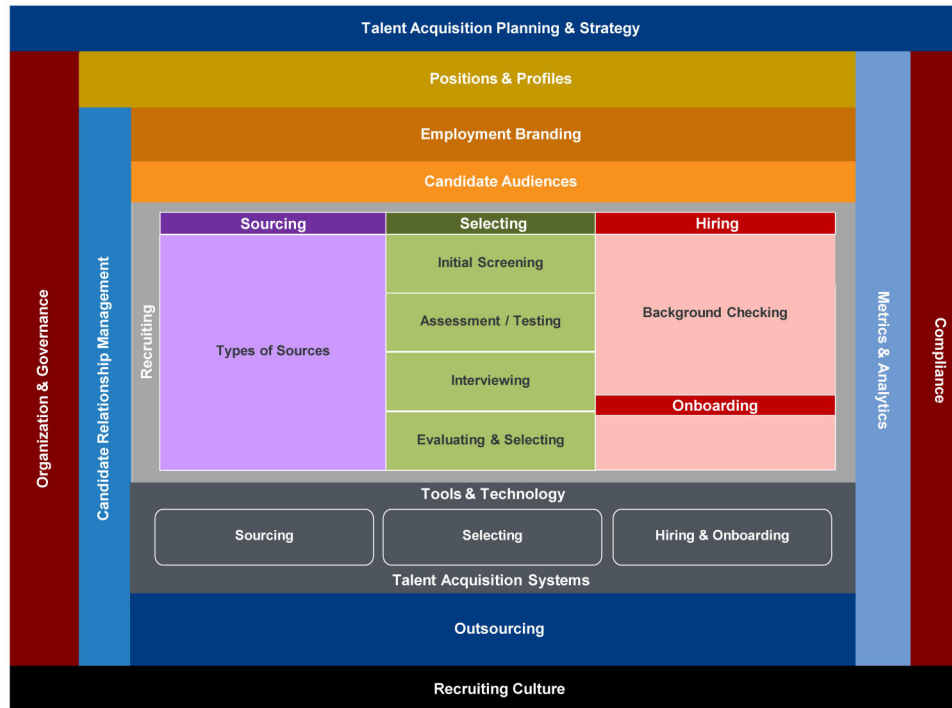


Figure 1: Bersin & Associates Talent Acquisition Framework^c



Source: Bersin & Associates, 2012

Remember also that with today's HR technology we can capture and analyze assessment data very easily. This report will explain how you can use assessment data in many powerful ways.

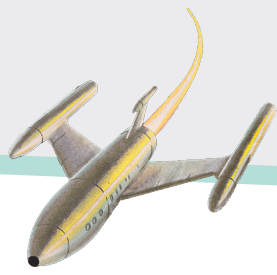
Assessment Is Underused and Not Always Well Understood

Despite a long track record of excellent outcomes, talent assessment remains a topic that is often misunderstood and not widely enough used. According to Bersin & Associates *Talent Acquisition Factbook*[®](2011)^a, less than one-third of organizations regularly use talent assessment tools.

While it is relatively easy to implement an assessment program (and there are many options available), realizing the full value lies in optimization (i.e., selecting the right assessment for the situation and evaluating its impact). Understanding how to optimize talent assessment remains elusive for many organizations, resulting in a significant amount of ROI left on the table and contributing to missed opportunities that create noise and waste within the staffing process.

As we enter into a new era of business intelligence fueled by "big data"¹ and advances in analytics, assessment will continue to gain favor as a strategic asset.^d Ensuring success with assessment requires a commitment to fully understanding its value proposition and using expert resources to craft strategies that optimize assessment processes to ensure maximum return on investment through the hiring process.

¹ The term "Big Data" refers to the use of advanced analytics tools and programs to look at vast amounts of employee, customer, and transaction data.



Defining Talent Assessment²

For the purpose of this research we define talent assessment as:

“Any method used to provide data/information about a candidate’s qualifications and potential for performing a specific job or his/her ability to fit and develop a career within the organization in which the job will be performed.”

This will include any type of activity or instrument that provides insight to the decision maker, be they more complex scientifically based tools, such as employment tests, or less rigorous information gathering tools, such as resumes and interviewing. In other words, all input gained through a variety of sources factors into the overall assessments of a candidate. The guiding best practices for employee selection, regardless of the tool or tools are:

- All data collected from applicants must be job related
- The same data is collected from all applicants
- All applicants are held to the same standards throughout the entire hiring process

While there are many ways to evaluate candidates, for the purposes of this research, we will focus primarily on the use of testing. However, we do present a process-oriented view that suggests the greatest value from predictive hiring tools is provided when they are used within the context of a well-planned hiring process.

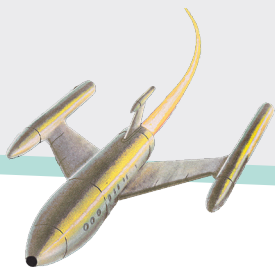
This research also promotes assessment from a perspective that encourages an understanding of how it fits within the broader context is an understanding that assessment is a valuable asset for both pre and post-hire activities and can actually serve to promote a strong connection between the two.

No matter what type of testing is involved, or if it is done pre or post-hire, the central mechanism by which assessment works, the scientific prediction of future job performance, is the same. The following section provides information about the role of prediction in assessment’s value proposition.

Prediction and Informed Decision-Making

Humans are complex beings. Our behavior is determined by an endless combination of innate and environmental factors that are constantly changing. Consistent behavior in every situation is one of the biggest challenges any human will face. Therefore, accurately predicting human behavior in a consistent manner is very hard to do. This is one of the reasons that psychology is seen as a quasi-science by many. While there are immutable laws in other areas of science that support consistent measurement and prediction (water is always made up of two hydrogen and one oxygen molecule and boils at 212 degrees Fahrenheit at sea level), there are no laws of human behavior that hold true 100 percent of the time. So predicting what humans will do next, how they will react, or how they will perform on the job, is not an easy task.

² Other terms that are commonly used in place of talent assessment are pre-employment assessment, selection assessment and talent assessment. For purposes of this research, we refer to talent assessment.



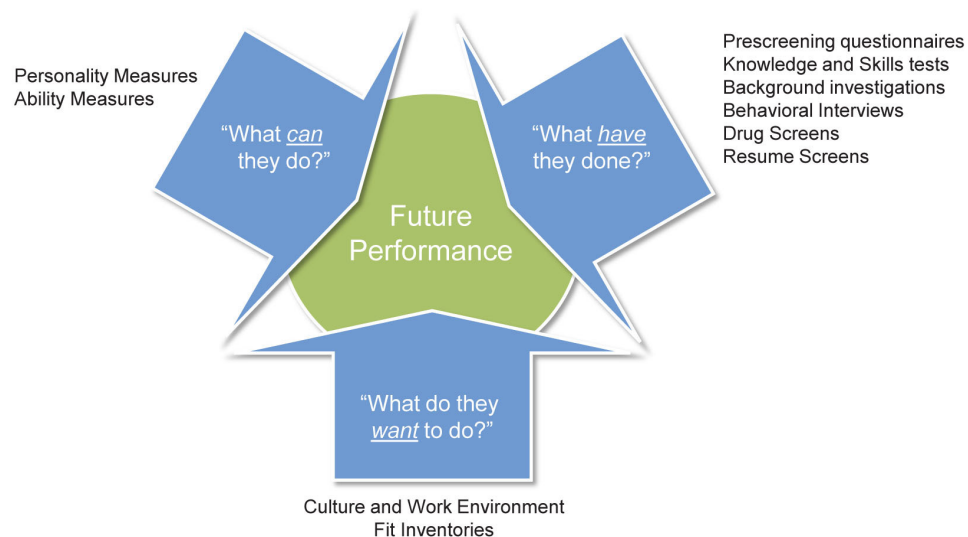
Predicting Job Performance

Despite the inherent difficulty of predicting human performance, employment testing has evolved into a well-respected field. Through years of research, Industrial/ Organizational (I/O) Psychologists have created tools which measure human traits in a manner that allows us to understand and predict when and why a person will outperform or underperform in a given role.

The key to assessment is developing tests which identify these traits in a reliable manner across many types of people. Assessments focus on answering three core questions: (See Figure 2).

1. **What has the person done?** – **Assessments** are used to understand an applicant’s past experience as it relates to the things it will take to perform a job successfully.
2. **What can the person do?** – **Assessments** are used to measure the skills and innate abilities a person brings to the table as they relate to performing a job successfully.
3. **What does the person want to do?** – **Assessments** help us understand the things that motivate an individual as they relate to performing a job within a specific context. This often involves the concept of “fit” between the person and the organization (i.e., P-O fit) or the person and the job (i.e., P-J fit).

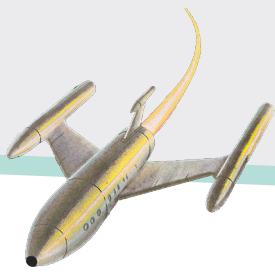
Figure 2: Predicting Future Performance^e



Source: Steven J. Hunt, 2007

Each of the three ingredients in figure 3.1 is important in predicting future job performance. (and each has different types of assessments designed to help evaluate them.)

Selecting the right combination depends on the situation at hand. No matter what specific tool is used, the basic mechanism by which assessment works involves using these measurement tools to make accurate predictions about an individual’s future job performance. Let us take a closer look at how prediction works when it comes to assessment.



The Value Proposition for Assessment

Good hiring is nothing more than informed decision-making based on predictive data. Despite the difficulties with predicting human behavior, decades of research into employment testing have proven that it works.

Predictive ability involves looking at two types of information:

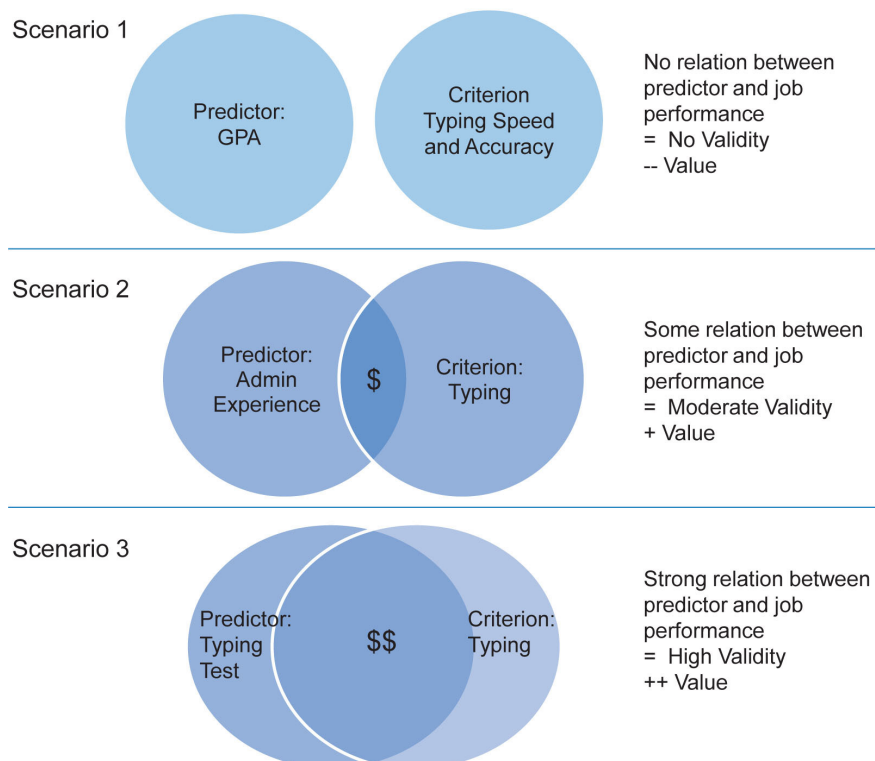
1. **Data about the candidate (predictor)** – This refers to all the information one collects during the hiring process in order to determine an applicant's suitability (i.e., assessments, tests, interviews, etc)
2. **Data about the job (criterion)** – This refers to the job itself, and how performance will take place and be measured.

A test (predictor) has value when it accurately measures key traits required for the performance of a specific job (criterion). The more related the test (predictor) is to a job performance (criterion) the more accurate the results of the test will be, allowing it to be a better predictor and thus providing more confidence in the decisions made using it.

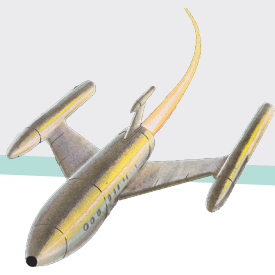
So, when it comes to testing, understanding the true value of an assessment involves understanding its ability to accurately predict key aspects of job performance. This type of accuracy is known as *validity*. Validity and test validation is a complex subject, and a full discussion of the topic is outside of the scope of this paper.^f

The following is a simple example which demonstrates the concept of predictive accuracy (aka validity). Let us consider several scenarios for hiring a typist. Within Figure 3 we show three pairs of circles representing three different scenarios related to pre-employment testing for typists.

Figure 3: Predictive Accuracy



Source: Bersin & Associates, 2012



The overlap between the two circles (the portion of “job performances” that is measured by the “test”) shows the assessment’s “validity.”

Let us assume that there is a direct dollar value placed on rapid and accurate typing (i.e. maybe this is a ‘fee-for-service’ steno business) Figure 4 demonstrates the ability of various types of tests to deliver value.

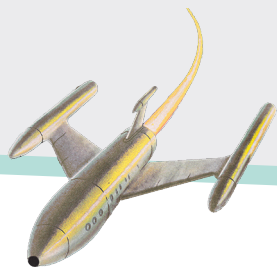
Figure 4: Three Scenarios for Prehire Testing for Typists

Scenario 1 Use GPA	In the first scenario, the predictor is GPA. Note that this predictor does not have anything to do with the ability to type. So using GPA as a predictor of typing speed would not really support accurate decision-making. Hiring decisions made using GPA would then predict the ability to type quickly and accurately at a level that would be about the same as random chance. Using GPA as a predictor would have little value at all when it comes to ensuring that the typists you hire generate revenue via typing.
Scenario 2 Years of Experience as an Administrative Assistant	In the second scenario, the predictor is number of years of experience the applicant has working in an office as an administrative assistant. In this scenario, there is some relationship between office work experience and typing. This may be due to the fact that people who have worked at a job that requires typing will have some experience with it. Note that this is not a perfect test because there are many factors that could relate to the desired outcome that are not measured by the test. However, in this case, the predictor is moderately accurate at determining typing speed. So using this test can actually return some value because it allows some confidence that those hired based on past office experience can generate revenue via typing.
Scenario 3 A Typing Test	In the third scenario, the predictor is a typing test. In this scenario, it is very easy to see that the test content is directly related to the job performance domain. Those who score highest on the typing test will type faster with fewer errors and, therefore, generate much higher revenue via typing.

Source: Bersin & Associates, 2012

While a simplistic example, these scenarios demonstrates the importance of choosing tests that measure the job performance domain. Tests that fail to tap this domain provide no value when it comes to predicting future job performance.

Note that even in the highest value scenario, the overlap between the circles is not perfect. Even when a test is highly relevant to the job performance domain, it is never going to provide perfect levels of accuracy. This is due to the extreme variation in human behavior and the presence of error. So, while demonstrating the value of prediction to employment testing, this model also demonstrates the importance of being realistic about what assessments can and cannot do.



The Reality of Assessment and Prediction

Even the best assessments are far from perfect. This does not mean they do not add value. Assessments with only moderate levels of predictive accuracy can have tremendous value when used correctly.

It is important to understand that talent assessments should be used as one part of a larger process designed to systematically collect relevant data from applicants. Having multiple opportunities to collect predictor data helps experts (i.e., recruiters and hiring managers) build a complete picture of the applicant's ability to perform the job within the organization. The information gathered via assessment then serves to help support informed decision-making.

It is absolutely essential that organizations using assessment understand what can be expected of an assessment program and what cannot.

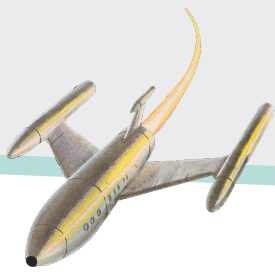
What talent testing CAN do:

- Provide extra data points about an applicant to help support the decision-making process and to help provide supporting evidence for trends identified via other hiring methods
- Provide a standardized way to gain insight into applicant qualities that are not always apparent (i.e., personality, motivation, abilities, etc)
- Screen out applicants least likely to succeed while helping focus on those with the most potential
- Provide direct ROI via an impact on valued outcomes that are measured by companies as part of their business processes
- Help provide a baseline understanding to feed post-hire development

What talent testing CANNOT do:

- Provide all the information that one needs to know about an applicant
- Take the place of informed, expert decision makers
- Guarantee that applicants will be successful
- Be 100 percent effective
- Make up for other parts of the hiring process that are broken or ineffective

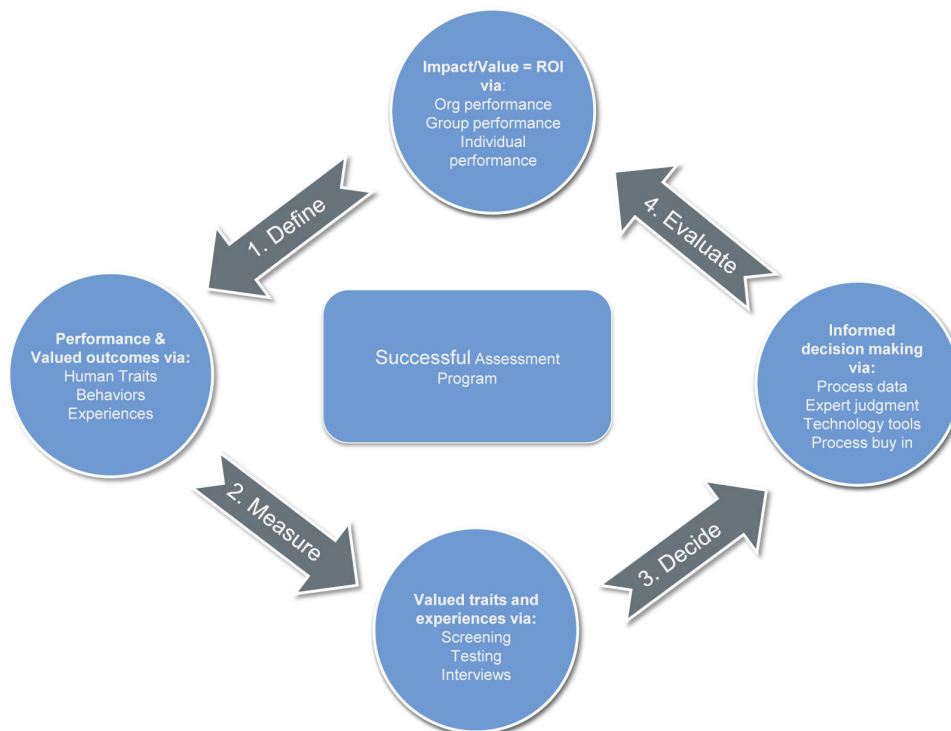
Reaping the benefits of predictive accuracy is not automatic. Within this process there are many decisions to be made and many options to choose from. The old adage, "garbage in garbage out" definitely applies when it comes to employment testing.



Four Steps to Success Using Talent Assessments

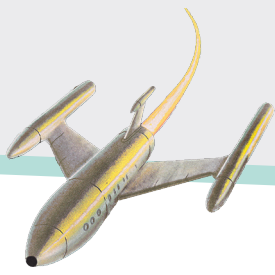
Best practices show that there are four steps to selecting and implementing talent assessments. (See Figure 5.)

Figure 5: Four-Step Assessment Model



Source: Bersin & Associates, 2012

Leaving out any one of these steps can greatly reduce the accuracy of the test and, as a direct result, its value to the organization. On the other hand, following the process and getting it right pays tremendous dividends. The following sections of this report present a roadmap for success that is based on following each of the four steps to optimize the prediction of future performance via sound hiring decisions.



Step 1: Define - Identify the human elements required to perform the job and how they impact valued business outcomes^d

Effective prediction requires a thorough understanding of what is being predicted. Skipping the definition phase virtually assures the assessment process will fall short of its potential. Failure to make the definition process a priority is one of the most common issues among assessment users.

The first step in defining what is to be measured by assessments is an understanding of the strategic goal of the assessment program. Only when there is alignment between what is measured and an organization's strategic objectives can assessment have value for the organization.

Success via assessment requires a focus on defining success at the micro level by linking human terms (the characteristics required for successful on-the-job behaviors) to business terms (valued organizational outcomes) and macro-level strategic objectives. This understanding is created via a process whereby these objectives are clearly defined so they can be measured and evaluated. The result of this definition process is a job performance model in which the various elements required for job success, and their direct relationship to that success, are documented.

There are a variety of definition methods available and, while there is no one right or wrong method, the most accepted is known as job analysis.

Job analysis studies can vary significantly in complexity depending on the situation. More complex job analysis studies can take months to complete and result in extremely detailed specifications. Simpler job analysis studies involve experts verifying that each element of a set of job performance requirements is, indeed, related to job performance. No matter how complex, the goal of all job analyses is to provide a blueprint of a job and detail the process used to create it. Figure 6 outlines some of the methods available.

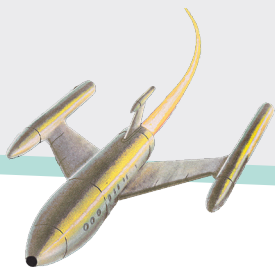


Figure 6: Alternative Methods for Job Definition

Confirmatory Job Analysis	In this process, the vendor usually provides an electronic survey to existing subject matter experts in which they are presented with a list of key elements required for job performance and asked to check those applicable.
Transportation of Aalidity	A process based on the idea that a test has worked well in a particular situation (in one organization) and thus will work well in similar situations (in another organization). This method is based on empirical data showing the jobs are similar across both situations.
Profiling	The methodology requires incumbents, usually top performers, to take the assessment. Their responses are then used to create a scoring profile with which applicants are compared. This is also referred to as “top performer analysis.”
Expert Judgment	In many cases, assessments are chosen based on an expert’s review of the situation and his/her selection of a prepackaged solution created to provide assessment for a particular job or situation.
Ad Hoc (non-expert judgment)	Assessments are frequently chosen on the opinion of a non-expert. For instance, hiring managers or HR professionals often use a job description to identify several important factors they feel define, or are essential to, job performance and then choose a test that measures those things.

Source: Bersin & Associates, 2012

More detail on Step 1, can be found in a separate report titled, **Defining Job Requirements for Employee Selection.**

Step 2: Measure – Construct a Hiring Process That Uses Predictive Assessments to Effectively Measure the Elements Required to Perform the Job

The second step to ensuring success with assessment is using the output from step one to choose and configure assessment content. The key to the effective use of assessment tools is to create a process in which various complementary selection tools are used to provide differentiation between potential high and low performers while minimizing process waste (incorrect hiring decisions). The concept of a funnel provides an excellent analogy and model for the effective configuration of selection tools within the hiring process.

The funnel analogy involves the positioning of assessment tools to systematically narrow down the applicant pool from all possible applicants (top of the funnel) to only those who are made job offers based on the data collected during the various stages of the hiring process (bottom of the funnel).

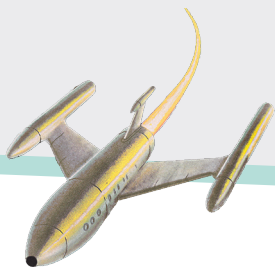
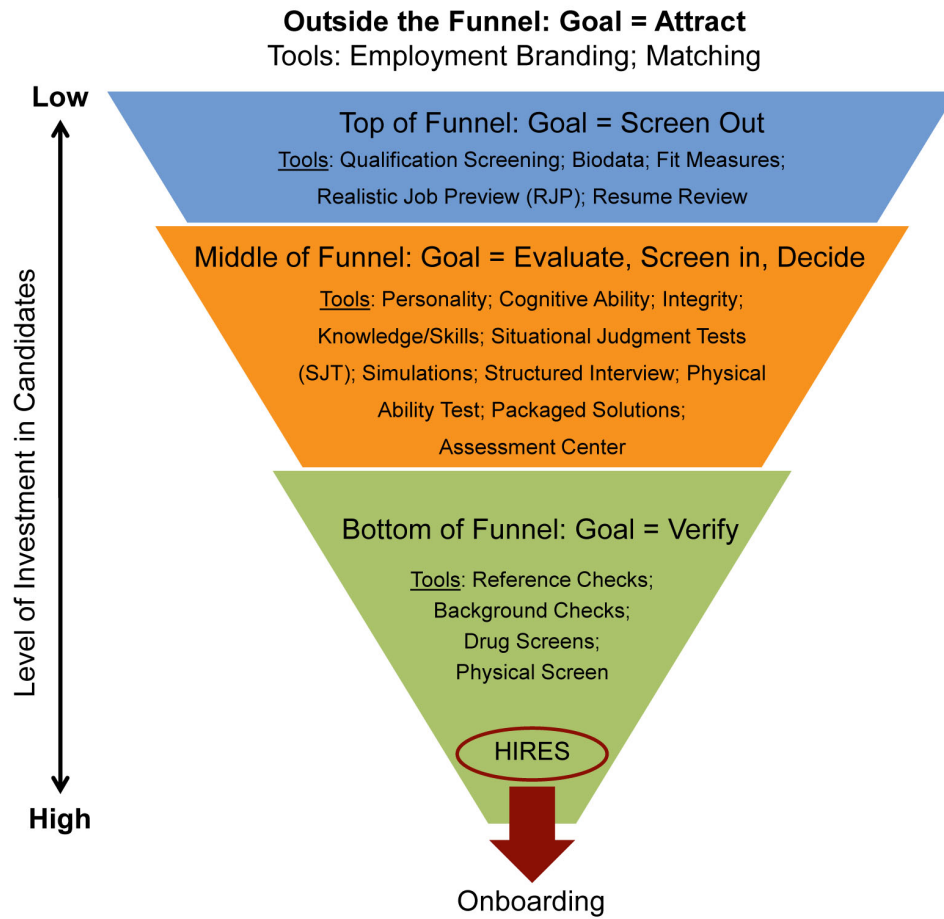


Figure 7: The Funnel – A Process Model for Assessment



Source: Bersin & Associates, 2012

In general, assessment tools are configured to provide differentiation by “screening out” at the top of the funnel. As the dialogue between candidate and the organization deepens, the focus of assessments further down the funnel becomes one of “screening in” via a more in-depth evaluation of candidates who have provided data indicating they are worth the increased investment.

Figure 8 provides an overview of the major types of assessment tools and illustrates the most common position they occupy within the hiring process, as well as a brief description of each.

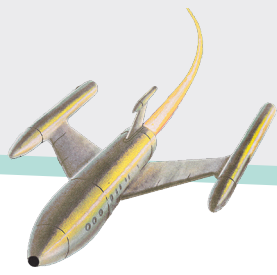


Figure 8: Types of Assessment Methods

Assessment Method	Description
Employment Branding	How companies communicate who they are, how they are different and a value proposition to potential applicants. This enables a company to differentiate itself, and compel people with specific values and characteristics to apply for a job opening.
Matching	Matching tools are based on the collection of various key pieces of information from job candidates, including skills, experience and certifications, as well as simple assessment tools focused on understanding what a candidate values in his/her work environment.
Top of Funnel	
Qualifications Screen	Qualification screens are a way to ask candidates questions to determine if they possess specific characteristics needed to perform a job. Qualification screens can also be used to collect basic job application information, such as a candidate's address, phone number and names of previous employers.
Biodata	Biographical history data, or biodata, is an assessment technique of asking questions about an individual's life or past job performance, and supports the basic premise that the best predictor of future performance is past performance.
Fit Measures (can also be used in middle of funnel)	These assessments are used to determine how well an applicant will fit into or enjoy a particular work environment or organization. They are usually designed to predict tenure and organizational commitment as opposed to superior job performance.
Realistic Job Previews (RJP)	RJPs explore both the positive and the challenging aspects of a job relatively early on in the application process. Those who did not realize the less glamorous aspects of the job can remove themselves from the process.
Résumé	Although slowly being replaced by dynamic online profiles maintained on social networking sites, résumés are a good source of high-level information about a candidate.
Middle of Funnel	
Personality	Personality measures are designed to predict an applicant's natural behavioral tendencies, work habits and interpersonal style. Personality measures are usually untimed, and ask a series of self-descriptive questions about a candidate's likes, preferences, behaviors and past experiences.

Source: Bersin & Associates, 2012

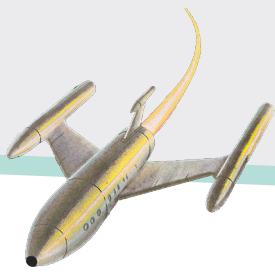


Figure 8: Types of Assessment Methods (con'd)

Assessment Method	Description
Middle of Funnel (con't)	
Cognitive	Cognitive ability tests are designed to predict an applicant’s ability to process and manage different types of information, solve problems, and figure out or learn new concepts and ideas. They are typically timed, and have clear right and wrong answers.
Integrity	These are a specific type of measure designed to predict whether an applicant will engage in highly counterproductive activities, such as theft, drug use, violence or unsafe behavior.
Knowledge/Skills	These tests assess knowledge and skills with regard to specific subject areas. The content of these tests usually appears fairly straightforward, and closely mimics information or tasks people actually work with or do on the job.
Situation Job Tests (SJT)	These assessments present applicants with a set of job-related scenarios and require them to choose the best, and sometimes the worst, possible response given the specific situation. These assessments’ function is to help identify the individual’s ability to understand a situation and choose the most effective course of action.
Simulations	Simulations predict job performance by evaluating how candidates respond to situations replicating actual job tasks. Simulations vary from simple text descriptions of different job scenarios to highly realistic, multimedia scenarios integrating video and audio to recreate the work environment.
Structured Interview	In most cases, interviews consist of a simple non-standardized set of questions determined by the individuals who are conducting them. Interviews can occur at multiple times in the hiring process, including HR interviews, hiring manager interviews and technical interviews.
Physical Ability Test	In jobs requiring physical labor, it is important to determine if the applicant has the necessary abilities, strength, stamina, dexterity, etc., required to perform the physical aspects of the job. Physical ability tests provide a way to verify whether an individual can safely do what is required on the job.
Packaged Solutions	It is common for test providers to package several types of assessment measures into an off-the-shelf solution designed to predict performance for a specific job.
Assessment Center	Assessment centers are not a physical place but, rather, a group of exercises that applicants complete to provide a very thorough picture of their likelihood of success in a job based on the required knowledge, skills, abilities and other requirements.

Source: Bersin & Associates, 2012

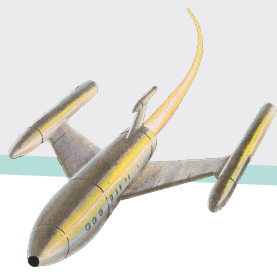


Figure 8: Types of Assessment Methods (con'd)

Assessment Method	Description
Bottom of Funnel (post-hire)	
Reference Checks	Reference checking is often done informally by calling on references provided by the candidate.
Background Checks	These investigations gather information about a candidate from sources other than the candidate, and include employment verification, criminal record checks and reference interviews.
Drug Screen	Drug screening is used mostly to ensure safety in the work environment. The most common use of drug testing is for jobs in which safety is a factor.
Physical Screen	These measures help to ensure that the candidate is healthy enough to perform the job for which he/she is hired.

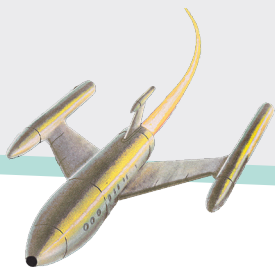
Source: Bersin & Associates, 2012

The choice and configuration of assessments is referred to as an “assessment strategy.” Developing an assessment strategy can be relatively simple in cases where only one specific KSAO (Knowledge, Skills, Abilities, Other) is to be evaluated, such as using an integrity test to help remedy a problem with shrinkage or absenteeism. Assessment strategies can also be complex, as in the case of a global rollout of an entirely new hiring process making use of assessments throughout the funnel, or the use of assessment to support a high-level organizational strategy.

- **Knowledge** – A body of information applied directly to the performance of tasks required on the job. It usually relates to proficiency with specific computer programs such as Java or mastery of a specific body of information like tax law.
- **Skills** – The ability to perform specific tasks via the application of knowledge and abilities in specific ways such as computer programming, interpersonal or data analysis skills.
- **Abilities** – Innate individual traits that drive performance on specific tasks. Usually relate to mental or cognitive functions like problem solving, reading comprehension, numerical reasoning, etc. but also to basic personality traits such as flexibility, adaptability and resilience.
- **Other** – A catchall covering the most commonly used human terms for defining job performance including attitudes/values, experiences and competencies.

The information collected in step one of the four-step assessment model (the definition phase of developing an assessment program), combined with the overall assessment strategy, serves as the foundation for the configuration of assessment tools within a hiring process.

More detail on Step 2, can be found in a separate report titled *Measuring Job Requirements for Employee Selection*.



Step 3: Decide – Empower expert decision makers to use the data generated from assessments to inform hiring decisions

Step three centers around the integration of assessments within the hiring process and the information that is yielded to support decisions to narrow the field of candidates and make definitive hiring decisions. The goal is to align the data provided by the assessments within a strategic process and make sure decision makers know how to use the information generated through assessment.

Decision Making Strategy

When integrating a specific assessment into a hiring process, there are many ways to use the information they provide for decision-making. The most common of these are:

- **Automated** - Assessment data collected from applicants is scored mechanically and used to determine if the applicant will advance in the hiring process (i.e. a numeric score is used to rank candidates).
- **Manual – People** (i.e. recruiter, hiring manager) manually review assessment information and determine whether an applicant should move forward or be eliminated.
- **Knockout** – The assessment sets a criteria and if a candidate does not reach that criteria they are automatically knocked out of the process (i.e. a pass/fail test, similar to a drug test or basic skills or writing test).
- **Multihurdle** - A selection process with multiple assessments may have some “knockout” assessments and others which are “considerations” in the process.

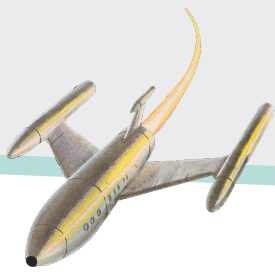
Key Technical Parameters

Determining which decision-making strategy to apply at a given point within the hiring process is the most technically complex area associated with the use of assessments. Companies adopting large-scale testing programs should involve a technical expert able to address key technical issues such as cut scores, adverse impact, and selection ratios. Balancing these factors is critical to the success of the program as well as its legal defensibility.

- **Cut Scores** - A cut score represents the threshold score associated with an assessment (ie. a passing grade).
- **Adverse Impact** – Adverse impact deals with the difference between scores of the majority group (white males) versus those of protected classes such as racial minorities, women and those over the age of 45. (If an assessment discriminates against protected classes you, as an employer, can be sued).
- **Selection Ratios** – The selection ratio is simply the number of people to be hired, or number of open positions, divided by the number of applicants. The lower the ratio, the greater the likelihood of making good selection decisions.

Technology

Assessment vendors have a wide range of technology to help with delivery, data collection, and analysis. Determining the exact type of technology that is required will depend on a detailed understanding of the specific application of the assessment. Getting the right type of technology in place is a critical parameter and should be included in the overall strategy for implementation. We are entering into a new era in assessment technology in which increasingly sophisticated business analytics will continue to add to the value proposition by increasing users’ ability to understand an assessment’s relationship to post-hire outcomes.^d Those using assessment technology systems should consider including an analytics component to help provide a better understanding of the impact the system is providing.



Reporting

One important aspect of an assessment technology system is the type of reporting it provides. The reporting and data management capabilities of a system are integral to making good decisions. The value of any report is in its ability to give decision makers access to specific information at various times during the hiring process.

Technology systems of today provide users with three levels of reporting, all of which are important to the decision-making process based on the specific type of reports they provide. These levels are:

- **Information about an individual applicant** – Information providing insight into one person’s suit ability for a given job based on the assessments he or she has completed
- **Information about applicants relative to one another** - Ability to compare individuals to one another based on a common set of data points.
- **Information about applicants in aggregate** – In order to deliver and support a higher level of analytics based on the needs of the organization.

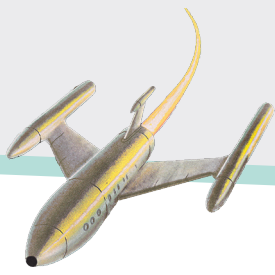
The selection and configuration of reports should align with the overall assessment strategy and serve the practical purpose of providing decision makers with timely and specific information. Failure to provide usable reporting to decision makers will lead to a misuse of assessment information and is often a reason that end-users will give for their failure to buy into the process. In fact managing the changes required to support an assessment process is critical to its success.

Change Management

One cannot ignore the fact that the ultimate goal of assessment is to support organizational decision makers. Assessment is something that is often misunderstood and gaining buy-in from stakeholders often requires a strong change management effort as part of implementation. Several key issues to consider as part of this human element to the effectiveness of assessment systems include:

- Change Management as part of overall implementation strategy
- Education about assessments for end-users
- Empowerment of decision makers to make sound decisions using data and expert judgment
- Collaboration among those who will work directly with those being hired
- Candidate buy-in about why the assessment is being used, its value and what comes next in the hiring process.

More detail on Step 3, can be found in a separate report titled, ***Making Hiring Decisions Using Prehire Assessment Data.***



Step 4: Evaluate – Collect data to understand the business impact of decisions made using assessments in the hiring process^d

Since assessment is an imperfect science and you always need to improve the process, the final step is evaluating effectiveness. This means evaluating the assessment's impact on business results. Unfortunately, the majority of companies utilizing assessment tools fail to evaluate their effectiveness.

Further, recruiting metrics commonly focus on simple and easy-to-measure data such as time-to-hire and cost-to-fill an open requisition. While these metrics definitely have value, they do not address the impact hiring makes on the organization. The strategic use of assessment requires staffing be viewed as a business process. In this context, three areas that companies need to focus on are improving quality of hire, cultivating a Six Sigma³ mindset and understanding the concept of test validation.

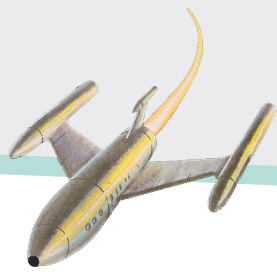
- **Process Efficiency** - Assessment can provide value via its ability to increase the efficiency of the hiring process. This is especially true in situations with high numbers of applicants. A well placed and properly validated assessment can give time back to recruiters and hiring managers because it removes unqualified applicants, allowing them to focus only on those applicants who are best suited for the job.
- **Quality of Hire⁴** – Quality of hire is an important concept because it captures the idea that hiring decisions have a component related to the effective performance required to drive business results.g customer service employees on four key elements including performance metrics, manager feedback, retention rates, and absenteeism.
- **A Six Sigma Mindset** - The core of Six Sigma methodology involves measurement and evaluation as a way to quantify process outcomes, identify defects and make adjustments to improve the process. Ensuring quality hires with fewer errors demands an evaluation function so the impact of decisions can be understood and waste (incorrect hiring decisions) can be minimized.
- **Test Validation** - We can now actually validate the power of the assessment. You can understand the predictive accuracy by evaluating the performance of people on the job based on their test scores (true positives) while correctly identifying those who cannot do the job based on test scores (true negatives).

Evaluation should move away from computing a validity coefficient toward a focus on analyzing the actual business impact, or ROI, of the assessment process.

Data management advances are creating significant opportunities to increase the impact of the hiring process and its various elements on outcomes of value to organizations. This revolution is based on quantum leaps in the ability to collect, organize and analyze data. While the use of data for evaluating business impact is broadly referred to as business intelligence or business analytics, in the case of the contributions of humans to organizational outcomes, the use of data-based analytics is known as “talent analytics.”^d

³ “Six Sigma” is a rigorous, focused, high-impact process that uses proven quality principles and techniques to reduce process variance. For more information on Six Sigma, please visit <http://www.isixsigma.com>, which offers articles and easy-to-read examples of how to apply Six Sigma to any business process.

⁴ “Quality of hire” refers to a hire of appropriate cost who successfully meets the expectations and performance standards of a position, while fitting in with the corporate culture and values of an organization.



In summary, a wide range of outcomes are likely to be impacted by the use of predictive hiring tools. It is common for companies using assessment to realize outcomes such as:

- Increased reliability of employees
- Increased sales and collections revenue
- Increased levels of customer service
- Reduced accidents
- Reduced shrinkage (AKA employee theft)
- Reduced turnover
- Reduced hiring cycle time

There is considerable evidence that these kind of outcomes result in significant amounts of ROI for the businesses that use them. For example, at an automotive parts retailer, salespeople who earned high scores on an assessment designed to measure sales potential achieved 25 percent more revenue per hour than salespeople who earned low scores on the assessment. The average high-scoring salesperson sold more than \$630 more per week than the average low scorer. Across the entire organization, this translates into an annual difference of more than \$200 million. (Also, see Case in Point: Sprint Nextel's Prehire Assessments Transform Performance.)

More detail on Step 4, can be found in a separate report titled, *Evaluating Business Impact of Hiring Decisions*.

Expanding Talent Assessment to Post-hire Talent Management

Talent assessment decisions determine the talent hired into the organization and, therefore, have important ramifications on the management of employees. Key areas of impact for post-hire talent management include:

- Leadership development
- Succession management/planning
- Career management
- Performance management

Many organizations fail to view talent assessment data as an important input into talent management efforts. In most cases, the data collected during the hiring process does not live past the hiring decision. The failure to value talent data as part of post-hire talent management activities represents a wasted opportunity to realize a deeper level of predictive value from assessment tools.

Expanding the focus beyond talent acquisition to the broader concept of talent management further demonstrates the strategic value of talent assessment to the movement and development of talent within the enterprise. Figure 9 shows the relationship between talent assessments and other key talent management components. A strategic approach to talent means that talent assessment is viewed as the first step in an ongoing post-hire development process that can have even longer-term impact for organizations. The same models used to assess potential external employees are effective as part of ongoing succession planning and career development processes and are effective tools to help organizations to:

- Build bench strength
- Make effective internal promotions
- Enable internal talent mobility
- Build employment brand
- Identify and develop future leaders
- Create and maintain organizational culture
- Achieve strategic business objectives

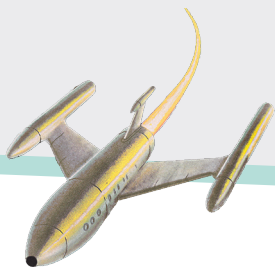
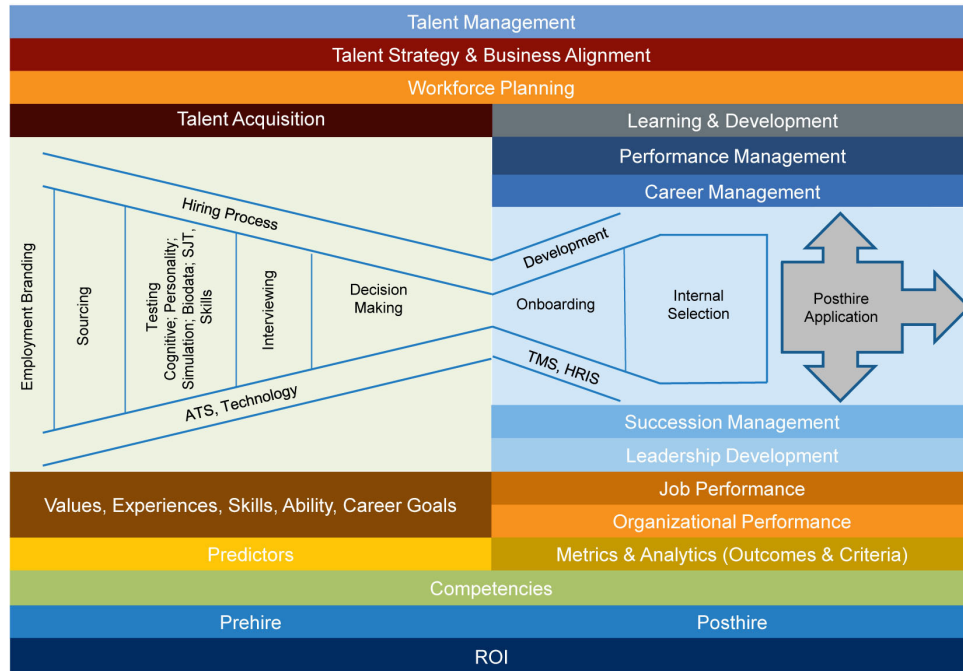
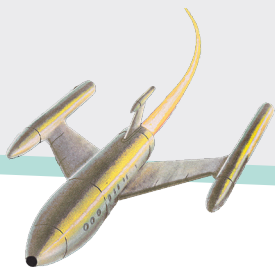


Figure 7: The Funnel – A Process Model for Assessment



Source: Bersin & Associates, 2012

The advent of talent analytics is providing the ability to collect and evaluate the relationships between pre- and post-hire data in new ways. Organizations that leverage this data to help them understand their talent acquisition and talent management functions, and the relationship between the two, will have a competitive advantage moving forward.



Case in Point: PNC Financial Jump Starts Talent Development through Assessments

When financial services firm PNC formed its talent development organization three years ago, the team faced significant challenge. At that time, the company had no structured, enterprisewide development initiatives and little concrete information on skills gaps to guide development priorities. Basically, the team started from scratch.

One of the first steps was to create a set of enterprisewide leadership competencies. Developed in collaboration with senior-level leaders across the organization, the leadership competencies established the foundation for assessing the company's current and future leaders.

Next, the team implemented leadership assessments to help identify current strengths and skills gaps. The assessment results sparked a rich set of discussions – for the first time, executives talked in an objective way about their leadership strengths and areas for improvement. This provided a basis for a more comprehensive development and succession planning process.

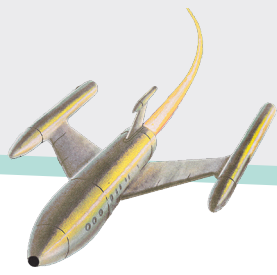
Over the last three years, PNC's demand for leadership development has risen significantly, fueling the talent development team's rapid growth. In the past 12 months, the team added three staff members, bringing its headcount to 26, and increased its offerings 150 percent. One of the new positions manages the assessment process, including implementation of new assessment and succession planning technology. Previously, assessments were conducted manually via databases; automating the process has improved efficiencies and enabled a wider reach. In fact, the number of assessments completed over the past year is three times that of the prior year.

PNC credits the use of assessments as a key catalyst for the growth in its leadership development efforts. The company has continued to hire at a rapid pace, unlike many of its peers, and is faced with an increasingly competitive job market. Hiring and then developing the best and brightest is key to continued growth and future success.

Summary

While there continues to be a good deal of skepticism around the value of talent assessment, it is now entering into a golden era. We can now benefit from more than 50 years of experience understanding how to measure human traits and their impact on business results. When combined with new advances in staffing technology systems and the dawn of the era of big data and talent analytics, we have the ability to clearly demonstrate the value of predictive data on decision-making within the hiring process.

Although there are seemingly endless numbers of options and contingencies to consider when it comes to talent assessments, the four-step model presented in this report represents a baseline for ensuring success.



Application and Practice

The following represent key takeaways related to the use of talent assessments and the four-step model presented in this report.

Overall Points

1. Keep a realistic set of expectations. Talent assessment, no matter how good, will not be perfect and should not replace the expertise of trained decisions makers. Consider it an additional piece of high-quality data that supports an informed decision-making process.
2. All tools used in the hiring process must be shown to be job-related and that the process is the same for all persons applying for a given job. However, employment tests represents the most complex tools for evaluating applicants and, therefore, their use requires a bit more concerted, careful consideration.
3. Organizations with little experience and knowledge should strongly consider hiring a testing professional to help them with the process of selecting and implementing assessments.
4. It is especially important that organizations seeking to use talent assessments do not begin the process by evaluating a list of vendors. Rather, as the first step, organizations should clearly understand what it is they are seeking to measure and why.
5. Successful use of assessment requires adherence to the four-step model. Failure to include any one of the four steps will greatly reduce the overall impact of the initiative. Each step represents a new set of challenges and requires the organization to make important decisions.

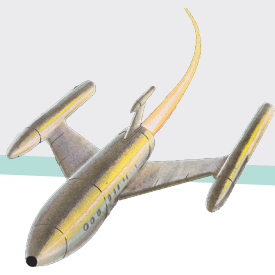
Step by Step

Step 1: Defining Job Requirements for Employee Selection

- You must understand what you are trying to measure to accurately measure it.
- It is important to first understand the scope of the initiative. Organizationwide assessment programs will require a different definition effort than business unit or assessment programs that focus on one specific job or position.
- There are many job definition methods to choose the right one depends on the resources available.
- Job analysis is the catch-all term for a process used to understand what is to be measured in the selection system.
- No matter what process is used, good definition requires the input of job experts and the documentation of a critical set of performance dimensions.

Step 2: Measuring Job Requirements for Employee Selection

- Assessment content should be chosen that reliably and accurately measures the criteria defined in the job definition.
- Taking a process-based approach in which assessments are configured in a logical order is ideal.
- The key to making effective choices of the different types of assessments lies in understanding what is to be measured and when.
- The assessment funnel (Figure 7) serves as a basic model for configuring assessment tools with more coarse and shorter tools at the top of the funnel and more in-depth tools at the bottom.



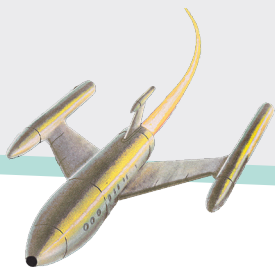
- Tools at the top of the funnel are meant to screen out applicants and often handle larger volumes, while bottom-of-the-funnel tools are meant to screen in candidates focusing on those who have the best chance of success in the role.
- Effective hiring begins outside of the funnel via sourcing and employment branding efforts that identify and engage the right talent.

Step 3: Making Hiring Decisions Using Prehire Assessment Data

- There are a number of decision-making strategies available to the assessment user; choosing the best one depends on a variety of technical parameters.
- Technical expertise will help optimize the decision-making process.
- Reporting is one area that has been greatly helped by technology by making information accessible in a timely manner.
- It is critical to get buy-in from end-users for the assessments they will be using. This often involves an education and change management process in which end users are able to see how the tools work.

Step 4: Evaluating Business Impact of Hiring Decisions

- Evaluation is the most skipped of the four steps. This is unfortunate because this step is essential for understanding the value of an assessment program. Organizations wishing to take the optimal approach to using assessment will not skip this step.
- There are many ways to evaluate assessment tools with test validation being the most common one.
- Test validation involves documenting the impact on job performance provided through the use of an assessment tool. Almost every assessment vendor can provide validation resources.
- Decades of test validation have led to a strong trend in results demonstrating the economic impact assessments can have.
- As we enter the era of big data and analytics there are increasing number of options for evaluating the impact of various components within the hiring process. It makes a lot of sense for end-users of assessment to begin leveraging new analytic capabilities to help them better understand their hiring process.
- Firms that take the time to evaluate their assessment programs are able to provide leadership with tangible evidence to support the value of the hiring process, helping make staffing a profit center.



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