



Know What You're Buying Going In, Utilizing Assessments in the Hiring Process

By Margaret Graziano, CPC, CTS, CERS

Media from the Wall Street Journal, to CNN, and CEO's with whom I've spoken agree that one of the top strategic initiatives of many companies is hiring not only new talent, but the right talent.

With the diminishing available talent pool, and the compelling messages about off-shore, lower skilled labor and processes, I predict that companies will recognize the need to invest in hiring and retaining key people, at key positions, leveraging their opportunities to innovate, compete and achieve their corporate objectives. The impetus for this talent 'shortage' is that growth oriented companies are demanding more of their workforce, and are unwavering in their expectations to attract and hire 'difference makers.' Companies committed to winning the war for talent will not only have to create an environment that fosters growth, development and challenge, but they will need to implement systems and operating practices that leverage their ability to attract & retain the best. Given the amount of effort and money that will be budgeted to create extraordinary retention programs; these same companies will need to evaluate and improve their internal hiring practices so that only winners get in the door. In today's competitive talent market, with candidates demanding top salaries, companies have the right to know what they are getting and have the right to expect a return on investment with each hire.

Another major consideration affecting the use of assessments, or assessment service companies is the need to really analyze the cost of a bad hire. Besides salary, taxes and benefits, there are an immense number of hidden costs when your company hires someone who does not succeed.

COMPARING COST OF TURNOVER TO COST OF ASSESSMENT PROGRAM.

Company XYZ has 200 employees, of which 40 are sales/execs, and 160 are hourly. They are planning to expand by 10%, or 20 people, during the upcoming year.



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| EXECUTIVE/PROFESSIONAL SALES | <u>TOTAL COST OF TURNOVER</u> | <u>TOTAL COST OF ASSESSMENTS</u> |
|---|--------------------------------------|---|
| If turnover for the sales / execs is 15%, then XYZ Co has turned over 6 people (40 X 15%). If the average sales/exec earns \$80K, then based on DOL figures, the turnover cost for that group is 6 X \$100K (\$80k X 125% = \$100k) | \$600,000 | |
| Assessing new exec/sales candidates, with an average test cost of \$300 X 7.2 tests (6 X 1.2) | | \$2160 |
| HOURLY EMPLOYEES | | |
| If turnover for the hourly employees is 30%, then XYZ Co turnover is 48 jobs. With the average turnover cost at \$6500 for an hourly, the turnover cost for this group is 48 X \$6500 | \$312,000 | |
| With an average test cost of \$180, the cost for testing all new hourly hires would be 57.6 (1.2 X 48) x \$180. | | \$10,368 |
| <u>PROJECTED EXPANSION</u> | | |
| Projected 10% or 4 Exec/Sales positions | | \$1440 |
| Projected 10% or 16 hourly positions | | \$3456 |
| | \$912,000 | LESS THAN \$17,500 |

You can use this formula to compile your own numbers.

The days of testing just your sales people or just your executives, has past. Your admin people represent potential promotions into supervisory positions. What happens to your succession plans when you hire the wrong sales support or customer service person? To compete in international markets, quality companies must find competitive advantages. Personality assessments offer your company another opportunity to avoid costly hiring mistakes and potential litigation. You should want to know in advance that you are about to hire a customer service technician with very limited potential in your company.



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With personality testing, your company can stop hiring candidates with questionable potential and start hiring the best candidates from the outset. Training and compensation dollars will reap larger dividends with the right people. Assessment tools are a fundamental means of evaluating the competency of the candidates you are considering.

The Assessment business is one of the fastest growing HR sectors. Assessments are used to evaluate everything from a candidate's motivations, values and behaviors to their communication style, personality traits and organizational abilities.

There are many questions I recommend you ask before engaging assessment tools. First, what categories of assessments are available? Some assessments are hiring tools that focus only on one dimension of a person's ability, like mental acuity. Other assessments focus on a person's motivations and others on communication styles or personality traits. It is imperative that you choose the right assessment for your service delivery, and most importantly, for your specific needs. I strongly recommend interviewing your internal clients (the actual managers) to determine what they want to achieve, as well as what will improve your ability to strengthen your placement and consultation power with them. You may find that it is important for a manager to have an assessment that enables them to better communicate with and mentor their newly hired employees. You may find what they need is a formalized comprehensive assessment that encompasses all 10 dimensions of personality to aid in the candidate evaluation phase of the hiring process. You may find managers need people with a specific mental capacity because their business process is rapidly advancing and requires very strong conceptual reasoning. The bottom line is that every business has different needs. Knowing and understanding your internal client's assessment needs and being familiar with what the market offers enables you to choose the right assessment wisely.

Validation is an important consideration. If you put a stake in the ground for a single assessment, you should have evidence that this assessment has passed the validation process. Some assessment companies state pointedly in their marketing material that their assessment tool is not to be used as a hiring tool. Other assessment tools fail the 4/5th rule. The 4/5th rule is a legal mandate that states if 4/5th s of a protected class cannot pass the assessment then that assessment is most likely a discriminatory assessment. Another form of



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validation is benchmarking. When an assessment is given to over 100 top performers from different companies performing a similar role, the benchmark validation is the average sum of the results in each category. You can also customize your benchmark by taking 9-13 of the top performers in a specific role within your company and overlay their motivations, traits, and communication style; having someone analyze this data and assess the common denominators is a powerful method to identify success strategies for building with more of the best. Another form of validation is a measure that indicates the number of times a candidate distorted their answers. When a candidate distorts on the assessment, the validity of that assessment is greatly diminished.

Partnership is another aspect of selecting the right assessment. Over the past 8 years I have completed, purchased, represented and administered over 22 assessments. Each vendor has its own specialty and philosophy. I caution you to take your time and partner with someone who understands you and your company's objectives. Find out about training and certification. Research their programs and investigate how they will integrate with your current hiring practices. Using an assessment you know nothing about to determine a candidate's place-ability could be considered akin to carrying a loaded gun without training. Be prepared to answer tough questions and be fully prepared to explain when a candidate that the CEO wants to hire turns up with many red flags.

Commitment is a key element in the decision to use assessments in your hiring process. Are you prepared to get certified? You will most likely need to have someone on staff that can learn these assessments, understand the validation process, and believe in the results that they provide. I am not suggesting that you need someone full time, initially. The other element to consider is the training and development of your recruitment team. If you are planning on using assessments fully and they are being integrated into your hiring process; the people searching, assessing and representing the talent must be fully empowered so they can make educated business recommendations. On the other hand if you simply want a new tool you can pay to have individual assessments done at a higher cost. The advantage is you don't have to get wrapped up in training and developing your team to interpret and integrate the assessment with your existing hiring process. You can simply outsource it! If you buy these assessments individually, be sure the company from which you



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purchase them has a skilled and experienced staff that you can completely trust to aid you in interpreting the assessment.

Consider hiring a coach, or an advisor who is not trying to persuade you to buy their assessment. Use an unbiased third party to assist you. Take your time and conduct your due diligence. There are scores of people who act hastily, pay the fees, sign up, and take a webinar only to find that they are running in the wrong direction. Assessments should not get in the way of your hiring process; they are a tool to augment your hiring process and aid in you in selecting the best while weeding out the rest. If you plan to fully utilize assessments in your hiring process, invest in comprehensive training and learn to interpret all levels of these assessments or hire a consultant to do it for you. Knowledge is power and the cornerstone of your credibility.

In conclusion, as the war for talent races on, your company might find itself in a position to increase benefit offerings, extend vacation policies, offer additional tuition reimbursement and improve development & retention programs; in turn increasing overall overhead. Smart companies that hire top talent, who will tender these new service offerings; need to elevate their ability to choose their talent wisely.



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