

Talent Assessment Strategies

A Decisive Guide for Organizational Performance

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A Decision Guide for Organizational Performance

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Executive Summary

Organizations today are continually looking for ways to make better decisions about talent in order to minimize the risk of a bad hire or promotion and to ensure that individual efforts are aligned with organizational goals. In this research, conducted between January and March 2010, over 400 organizations were studied to understand how they use assessments to drive better decisions and impact business performance. Top performing organizations were found to be using assessments more broadly across employee populations and job roles, as well as more frequently and consistently than other organizations. Underlying assessment success were strong ties to the business, organizational leadership buy-in, and a competency framework to assess against.

Best-in-Class Performance

Aberdeen used the following three key performance criteria to distinguish Best-in-Class companies:

- 84% of employees received a rating of “exceed” on last performance review
- 81% of key positions have at least one willing and able successor identified
- 33% average year-over-year improvement in hiring manager satisfaction

Competitive Maturity Assessment

Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- Stakeholder collaboration and buy-in to define competencies against which new hires and existing employees can be assessed
- Providing context on how assessments should be used and what their intended purpose is within the organization
- Ensuring that assessments look at multiple aspects of an individual in order to create an accurate and comprehensive evaluation

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Use assessments in the pre- and post-hire, and throughout the employee lifecycle
- Define a competency framework to assess against
- Link assessment results to organizational performance metrics, and communicate the impact regularly

Research Benchmark

Aberdeen’s Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

"The primary key elements (of an assessment strategy) are, 1) having a business focus to your competency development and assessment process, 2) having this supported from top and local management as a business initiative and 3) having metrics and accountability to ensure that employee development and assessment take place."

~ David Demski, Manager of Competencies and Employee Development, Halliburton

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Chapter One: Benchmarking the Best-in-Class

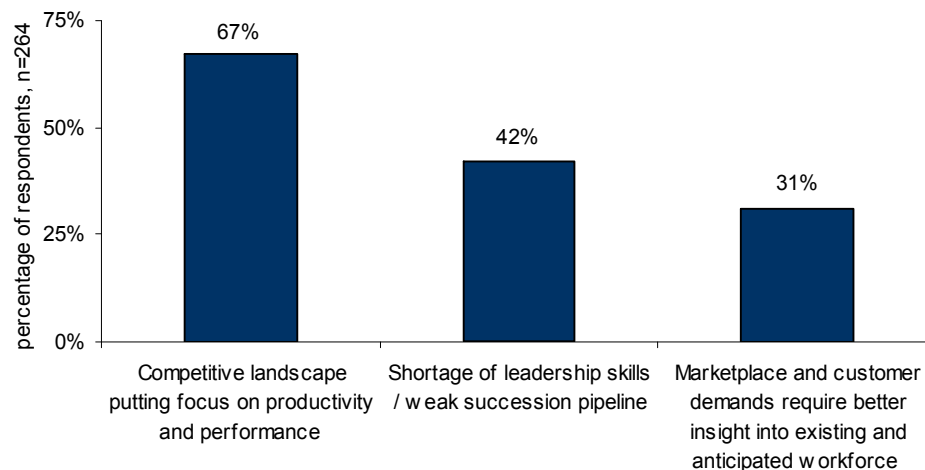
Business Context

Despite growing optimism around the state of the global economy, organizations can't afford to waste anything these days - time, money or resources. Companies are looking to improve internal alignment, and leverage data to drive faster, better decisions. These things are true within every function of the organization, but never more so than in talent management. Aberdeen's *Economic Outlook 2010* report found that 68% of organizations surveyed expect the economy to recover by Q3 2010, and as a group, anticipate revenue growth of 10.5% in 2010 over 2009. But in the same time period, average headcount was expected to grow only 4.3%. Given this context, organizations are trying to ensure that the people they do hire, and the people already employed by the company are put in the right roles, are developed in the right ways, and are prepared for upcoming leadership challenges as effectively and efficiently as possible. And Aberdeen's latest research shows that assessments - used for selection, development and succession - are a powerful tool to make sure this happens.

Alignment is Driving Performance

The whole point of assessing individuals is to gain insights - into their skills, their behaviors, and their working style - in order to evaluate them against a set of criteria that are important to the organization. Aligning skills, behaviors and styles with what the business needs is a critical piece of driving performance, which is a top pressure driving organizations to use assessments (Figure 1).

Figure 1: Pressures Driving the Use of Assessments



Source: Aberdeen Group, March 2010

Fast Facts

Organizations using assessments are:

- ✓ **24%** more likely to have a ready and willing successor named for each key position

And demonstrated a:

- ✓ **75%** greater year-over-year improvement in hiring manager satisfaction
- ✓ **75%** year-over-year decrease in hiring costs
- ✓ **2.5 times** greater year-over-year increase in profit per full time equivalent

compared to organizations not using assessments (see Figure 4 for further detail)

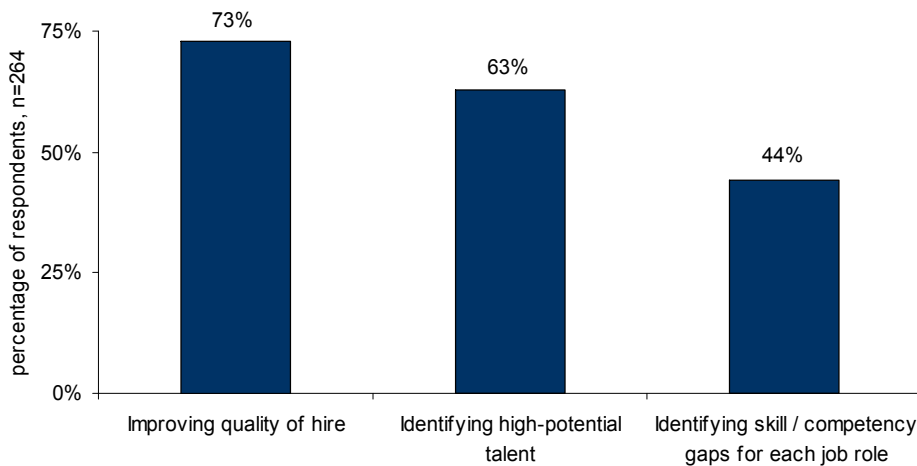
This increasingly competitive landscape was also the top pressure identified in Aberdeen's December 2009 report, *Integrated Talent Management*. That study also found that the number one Best-in-Class strategy put in place to address that rapidly changing competitive environment is to align talent management efforts with the goals of the organization. And that strategy is supported by capabilities such as collaboration between HR and the business to define success criteria. Assessments are critically important to help ensure this alignment, to allow managers to make better talent decisions, and to put people in roles where they can have the greatest impact on their team's productivity and performance. They also help provide visibility into the current readiness of each employee and identify gaps so that appropriate development plans can be put in place.

Hiring needs are still front of mind as well when people think of assessments, and companies are focused on using them to find people with critical skills, particularly those that may be in short supply in the marketplace. But companies are taking a longer-term view of the needs of the marketplace and want to be prepared with the right talent to address those needs.

Assessments Making a Difference in the Post-hire

Assessments have long been considered a tool used in hiring decisions - and 91% of Best-in-Class organizations in Aberdeen's March 2009 study on assessments in talent management use assessments in recruiting. However, 55% of all organizations surveyed indicated they use assessments in both the pre- and post-hire. This migration toward use throughout the talent lifecycle is reflected in the objectives companies are seeking to address through the use of assessments (Figure 2).

Figure 2: Most Important Objectives for Use of Assessments



Source: Aberdeen Group, March 2010

In the pre-hire, quality of hire is a metric that all talent leaders are concerned with. In Aberdeen's December 2009 report on [Integrated Talent Management](#), respondents were asked to rank the most important metrics that they use to measure the effectiveness of overall talent management efforts, and quality of hire came out on top. Even though Aberdeen's research shows that organizations may not be pursuing new hires in the same numbers that they laid off workers in recent years, the investment they make in those individuals they do hire must be carefully monitored. Aberdeen's August study on [Talent Acquisition Strategies 2009](#) broke down quality of hire and found that organizational fit, hiring manager satisfaction, and time to productivity were all critical to quantifying quality of hire. As the rest of this report will show, all of these component parts can be addressed through the use of assessments.

But as important as assessments are to selection and hiring decisions, they are also continuing to be important in development and succession planning as well. The use of assessments to identify high-potential talent for development and promotion opportunities closely follows quality of hire as a key objective in the use of assessments. Organizations are almost twice as likely to use assessments in both the pre- and post-hire (55%) than in just the pre-hire alone (29%). The following sections of this report will explore how organizations are implementing and utilizing assessments throughout the talent life cycle to improve performance and decision making.

The Maturity Class Framework

Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. Only organizations currently using assessments were benchmarked:

- **Employee performance** is defined as the number of employees who received a rating of "exceeds expectations" as of their latest performance review. This is an indicator of how well organizations are able to align individual's efforts with the work that the organization is expecting of them.
- **Bench strength** is defined as the number of key positions for which at least one ready and willing successor has been identified. This is an indicator of how well organizations are performing at identifying and developing the next generation of talent, based on future needs.
- **Hiring manager satisfaction** is defined as the degree to which hiring manager satisfaction with new hires has improved over the past 12 months. This is an indicator of how well the recruiting and staffing organization is able to match the skills, behaviors and talents of new employees to the needs defined by the hiring manager.

These three elements in combination look at how organizations are using assessments in the pre-hire to improve fit, and in the post-hire to deliver results in the near term as well as plan to address future organizational needs.

Table 1: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
<p>Best-in-Class: Top 20% of aggregate performance scorers</p>	<ul style="list-style-type: none"> ▪ 84% of employees received rating of “exceed” on last performance review ▪ 81% of key positions have at least one willing and able successor identified ▪ 33% year-over-year improvement in hiring manager satisfaction
<p>Industry Average: Middle 50% of aggregate performance scorers</p>	<ul style="list-style-type: none"> ▪ 46% of employees received rating of “exceed” on last performance review ▪ 56% of key positions have at least one willing and able successor identified ▪ 23% year-over-year improvement in hiring manager satisfaction
<p>Laggard: Bottom 30% of aggregate performance scorers</p>	<ul style="list-style-type: none"> ▪ 29% of employees received rating of “exceed” on last performance review ▪ 32% of key positions have at least one willing and able successor identified ▪ 1% year-over-year <u>decrease</u> in hiring manager satisfaction

Source: Aberdeen Group, March 2010

The Best-in-Class PACE Model

Using assessments to achieve talent management and organizational goals requires a combination of strategic actions, organizational capabilities, and enabling technologies that can be summarized as follows:

- Collaborating with stakeholders across the business to define competencies against which new hires and existing employees can be assessed
- Getting buy-in from leaders and employees on how assessments are used and what their purpose is within the organization
- Ensuring that assessments look at multiple aspects of an individual from diverse points of view in order to create an accurate and comprehensive evaluation

Table 2: The Best-in-Class PACE Framework

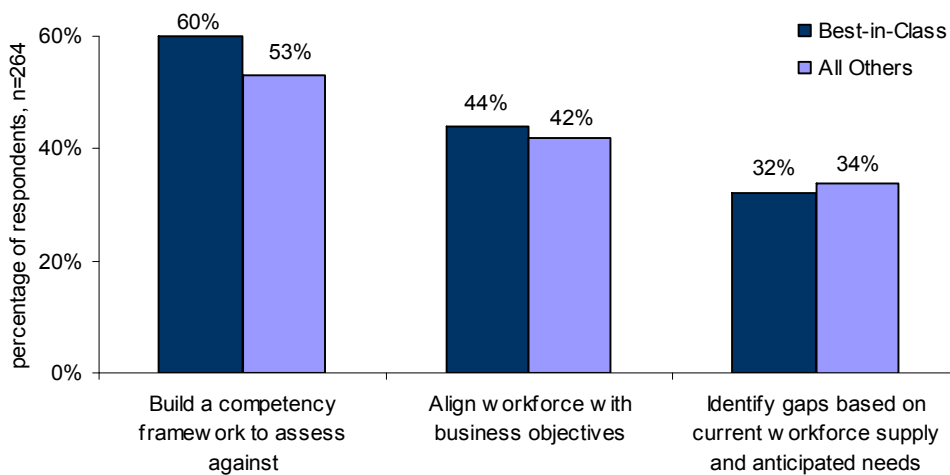
Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> Increasingly competitive landscape forcing a focus on productivity and performance 	<ul style="list-style-type: none"> Build a competency framework against which the organization can make better selection, placement and promotion decisions Align workforce with business objectives 	<ul style="list-style-type: none"> Support and buy-in for assessments from senior executives and organizational leadership Workforce core competencies (skills, knowledge, and attributes) for all job roles have been defined Employees understand how assessments are conducted and interpreted Clearly defined process to assess candidates and applicants Collaboration between HR and line of business management to ensure that assessment content truly addresses business needs 	<ul style="list-style-type: none"> Behavioral-based / personality type assessments Skill-based assessments Critical thinking / cognitive ability assessments Multi-rater / 360-degree assessments Competency model libraries Competency gap analysis tools Assessment / test building software tools

Source: Aberdeen Group, March 2010

Best-in-Class Strategies

The top strategy organizations are putting in to place to support assessment success is to define the criteria against which assessments will be made by building a competency framework (Figure 3). Defining competencies is critical for many talent management processes. Aberdeen's June 2009 study of *Employee Performance Management* showed that Best-in-Class organizations are more than twice as likely to identify competency data (regarding skills, knowledge, attribute, behaviors) for each employee.

Figure 3: Top Strategic Actions to Support Assessment Efforts



"Leadership buy-in is essential to implementing a successful assessments strategy."

~ Director, Leadership and Organizational Development, Large Medical Devices Company

Source: Aberdeen Group, March 2010

The other top strategies of aligning the workforce and identifying gaps are very interrelated with the idea of defining a set of success criteria. In order to align the workforce with the objectives of the business, those objectives must be clearly communicated. And in order to identify gaps between the current workforce and future needs, the forward looking objectives of the business must also be clearly identified and communicated. The number one pressure in Aberdeen's November 2009 research on [Competency Management](#) found that the need to take a longer-term view of talent needs in light of marketplace changes was the number one pressure pushing organizations to focus on defining competencies. Clearly, this idea of defining what success looks like from an organizational performance and customer-centric focus is critical to business success. Chapter Two of this report will look at some of the capabilities and tools that support competency framework definition.

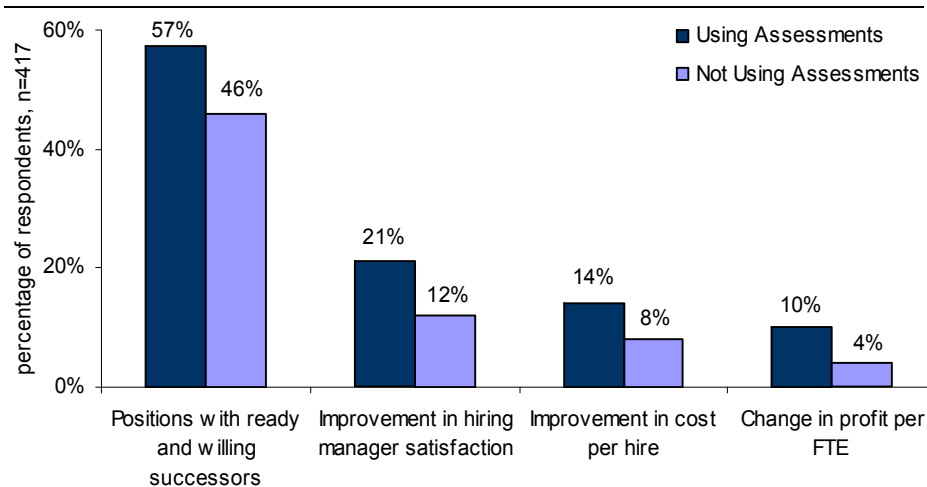
Fast Facts

- ✓ **63%** of organizations surveyed use some kind of employee or candidate assessments, of those organizations:
- ✓ **55%** use them both pre- and post hire
- ✓ **29%** use them only pre-hire
- ✓ **16%** use them only post-hire

Assessments are Making a Difference

No matter what type of assessments an organization is using, simply putting them in place can have a huge impact, not only on talent metrics like hiring manager satisfaction and bench strength, but also on cost and profitability (Figure 4).

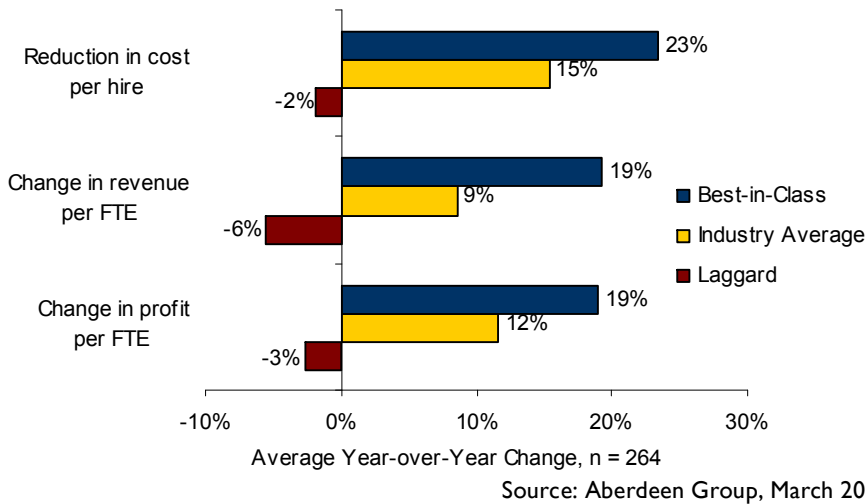
Figure 4: Performance on Key Metrics



Source: Aberdeen Group, March 2010

The case to be made for implementing assessments is a strong one based on these results alone. But it is important to note that not all assessments, nor all assessment efforts, are created equal. The capabilities put in place to support the use of assessments, interpret their output, and determine the types of assessments make a big difference. The organizations achieving the most from assessments efforts, those that have earned Aberdeen's Best-in-Class performance designation, are achieving even greater results (Figure 5). By taking assessment efforts to the next level by implementing the capabilities and enablers that characterize top performance, organizations can add significantly to the organizational impact and business metrics.

Figure 5: Performance on Key Metrics by Best-in-Class



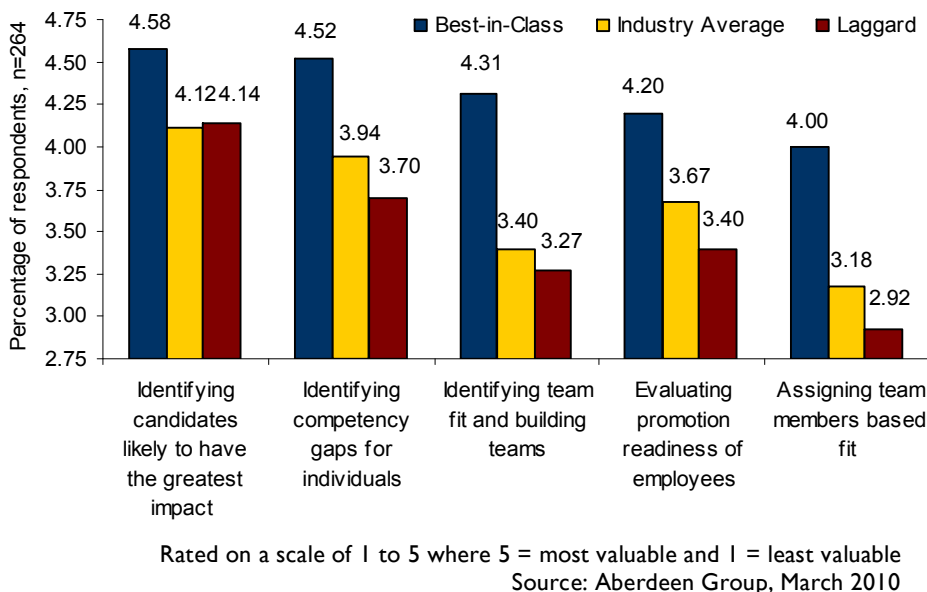
"Success is contingent on a true understanding of how to use the assessment results. If we don't fully understand what the results potentially indicate, it could be used inaccurately to make decisions, or provide false confidence in decision making because it is a 'test'."

~ Ross Selden, Manager of Global Talent Practices, Starkey Laboratories, Inc.

Putting Assessments in the Right Context

As mentioned, assessments have long been considered a tool used in hiring decisions, and they are increasingly being used to address challenges throughout the talent lifecycle. However, on a scale of how valuable various uses of assessments are, the only use rated higher than a "4" by non-Best-in-Class organizations related to the pre-hire. Certainly Best-in-Class organizations place a premium on the ability to find candidates most likely to impact the organization positively. However, these top-performing companies are far more likely to value the use of assessments for alignment and engagement purposes among current employees (Figure 6).

Figure 6: Most Valuable Uses of Assessments



And Best-in-Class organizations in particular are finding high value in using assessments to assemble teams that will work together effectively to drive a business impact. Assessing for fit, in the pre- and post-hire is important to drive performance. Competencies also show up again here, with the ability to identify, and eventually address, competency gaps as the second most valuable use. By understanding these gaps, and evaluating individual readiness, organizations are also finding value in using assessments in promotion decisions.

These uses all look at various aspects of an individual, and it's important to remember that different assessments have different purposes. Some evaluate for behaviors, some for working styles, some for skills. It is important to understand the context in which assessment results will be used when trying to determine which assessments should be used. One of the most predominant Best-in-Class capabilities, cited by 85% of Best-in-Class companies, is to ensure that employees understand how assessments will be used. Ensuring that the proper context is understood will help build trust and transparency into an assessments strategy. Assessments can only be beneficial if the organization trusts the results, and if users clearly understand what those results really mean. Assessments are just one input into better talent decisions, but used correctly and in the right context they are a powerful one.

Chapter Two of this report will look in more detail at how organizations are implementing assessments and the types of capabilities and technologies that are supporting these key strategies.

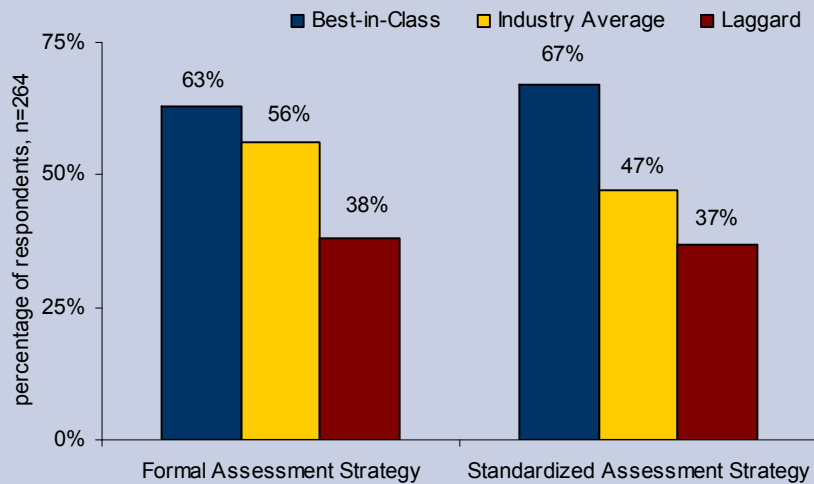
Aberdeen Insights — Strategy

As organizations continue to expand the use of assessments to new populations and to achieve more organizational goals, it makes sense that they are formalizing assessment efforts. Over half (51%) of all organizations surveyed report that they have a formal employee assessment strategy with clear process definition, documentation of assessment results, stakeholder buy-in and accountability across the organization. In addition to formalizing assessment efforts, organizations are also standardizing these efforts, with 48% of all respondents indicating that all candidates / employees are evaluated regularly against a standard set of criteria or competencies across all job roles. The research also indicates that Best-in-Class companies are more likely than Industry Average and Laggard companies on both fronts (Figure 7).

continued

Aberdeen Insights — Strategy

Figure 7: Formal and Standard Assessment Strategies

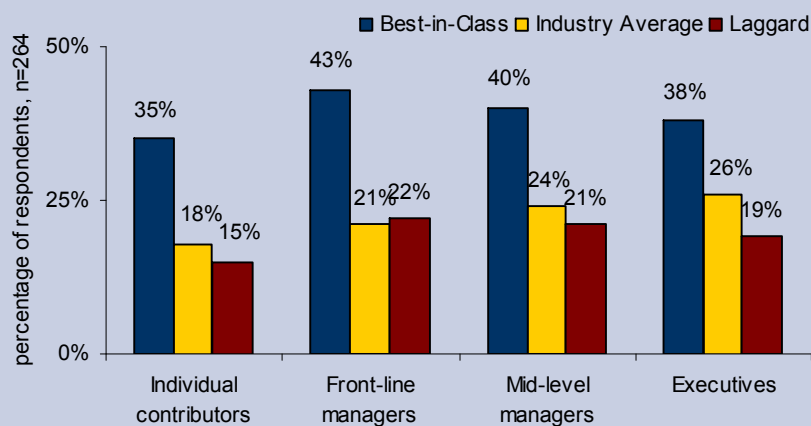


Source: Aberdeen Group, March 2010

Perhaps it should come as no surprise that organizations with both formal and standardized assessment strategies are twice as likely as all others (Industry Average and Laggard companies combined) to have achieved Aberdeen's Best-in-Class designation for this research. Indeed, ensuring that the purpose and process of employee assessment is consistent throughout the organization is an important performance differentiator.

Best-in-Class organizations are also more likely to assess individuals in both the pre-and post-hire across more job roles.

Figure 8: Groups Assessed in Pre- and Post-hire



Source: Aberdeen Group, March 2010

continued