

**2010**

# **BUSINESS OUTCOMES STUDY REPORT**

Talent Measurement ROI:  
The Proven Impact of Employment Testing



**PREVISOR**<sup>®</sup>  
TALENT MEASUREMENT

# TALENT MEASUREMENT: ORGANIZATIONAL RESPONSE TO UNPRECEDENTED TIMES

In 2010, the need for companies to demonstrate the business impact of their talent management programs is critical. A recent survey<sup>1</sup> of 230 talent management leaders from organizations around the globe revealed that 70% felt pressure to demonstrate a return on investment from their assessment programs.

With the increased strain on leaders everywhere to find ways to do more with less, an effective talent measurement strategy is critical to driving business outcomes across jobs and industries. Talent measurement, the assessment of current or potential employees' skills, abilities, knowledge, and competencies, provides companies with data to make better talent decisions and ultimately help drive sustained business success.

To meet senior management's increasing demand for quantifiable returns, talent measurement is becoming ever more sophisticated. Successful organizations understand that recruiting, screening, and placement processes must be linked to revenue and profit.

A strong talent measurement program supplies the data leaders need to make decisions about resource allocation, process improvements, staff performance, and ultimately future company direction. With the right information available, each and every hire and placement decision can contribute more towards the top and bottom line.

PreVisor's fourth annual Business Outcomes Study Report provides concrete evidence directly connecting employment assessments to business results. Highlighted studies from the 2010 report show:

- **Increased collections revenue exceeding \$170 million annually in the credit card division of a financial services organization**
- **\$45 Million in additional sales and a reduction in shrinkage of \$8.3 million at an eyewear retailer**
- **Greater employee efficiency leading to 17 additional productive work days per year per employee at a contact center for a leading healthcare organization**

The findings in this report represent studies that PreVisor completed with client organizations both in the U.S. and globally. These studies represent a wide range of industries, including financial and business services, healthcare, retail, transportation, hospitality, and telecommunications. They also focus on a variety of job types including hourly, professional, managerial, sales, and customer service. This report summarizes many key business results found, as well as some important trends uncovered through analysis of all the studies. We are once again pleased to provide you evidence of the value of talent measurement solutions for connecting employment decisions to business results.

1. Fallaw, S.S., & Solomonson, A.L. (2010). 2010 Global Assessment Trends Report. PreVisor.

# INTRODUCTION TO PREVISOR

PreVisor, the leading global provider of on-demand talent measurement solutions for employee selection, placement, and development helps organizations connect employment decisions to business results. Following the rigorous standards of industrial-organizational psychology, PreVisor's assessment content accurately predicts on-the-job performance and supports fair hiring practices. PreVisor's solutions help streamline hiring, reduce recruiting and training costs, and improve corporate performance for companies worldwide, including more than 100 of the Fortune 500.

“ ROI metrics for one of our brands show how an associate who scores high on the sales component of the assessment sells on average \$12 more per hour than someone who scores low. Given a sales force of 6,000 to 8,000, raising the bar during recruiting significantly impacts the bottom line. ”

Carol Spicer - Vice President Human Resources Administration, Luxottica Retail



# A NOTE ABOUT METHODOLOGY

PreVisor conducts research studies in collaboration with its clients, evaluating the link between real-world outcomes and a wide variety of hiring and placement decisions. These business outcome studies are designed to demonstrate the value of online talent measurement solutions against metrics specific to the goals of each organization. PreVisor first works closely with business leaders to identify key business outcomes. Sophisticated research strategies and data analyses are then utilized to evaluate the link between these outcomes (e.g., sales, call time, revenue growth) and the use of talent measurement solutions.

**PreVisor adheres to rigorous scientific guidelines, ensuring reliable conclusions about the assessment program are drawn from the results. These include:**

- Test scores and performance data for a minimum of 300 people in each job are used in this research.
- Employees must have been on the job long enough to provide a reliable measure of their performance in their new role, beyond the initial onboarding or training period.
- Reliable performance metrics must be available, and these must be influenced by an individual's behavior on the job. Metrics include individual sales figures, goal attainment, revenue growth, and other standardized productivity and efficiency measures.
- Multiple measures of performance data must be available for each employee. PreVisor's Optimization Services Team conducts these studies using the scientific method, combined with business metrics, to determine the true link between hiring decisions and on-the-job performance.

# 2010 BUSINESS OUTCOME STUDIES

In 2009, 37 business outcome studies were conducted for clients across multiple industries, including financial and business services, healthcare, retail, transportation, hospitality, and telecommunications. This data was compiled in 2010 for the Business Outcomes Study Report.

## Overall, the analysis revealed:

- **81% of these studies had a favorable or very favorable outcome. This means that the assessment solution had a strong and measurable impact on most or all of the firms' performance metrics.**
- **None of the studies resulted in an unfavorable outcome. The remaining 19% of the business outcomes were deemed to be neutral.**

“We are once again delighted to have seen the dramatic impact that sound talent measurement programs have had for our clients,” states Caroline Paxman, Chief Customer Officer, PreVisor. “Although the positive return from assessment programs has been definitively proven throughout the years, the magnitude of the ROI continues to escalate with the increase in program sophistication. PreVisor is dedicated to a partnership with our customers that continues to push the envelope in driving the direct business results most correlated with their success.”

“Aberdeen’s research revealed that on average, all organizations that currently use assessments achieved improvements in quality of hire (17%), employee performance (18%), and productivity (14%) over the previous year. However, clients of PreVisor have experienced higher performance improvements than their counterparts.”

PreVisor Clients Are Best-in-class among Pre-hire Assessment Users - Aberdeen Group, August 2009, p.7

**Aberdeen Group**  
A Harte-Hanks Company





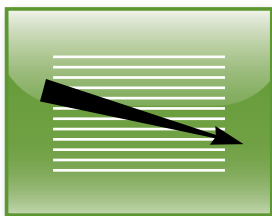
## COLLECTIONS REVENUE

\$170 Million/Year

### FINDING 1

High-scoring collections agent workforce has potential to generate additional \$170 million in annual revenue.

Higher-scoring collections agents in the credit card division of a financial services organization averaged over \$14,000 more in monthly collections revenue. Across the entire agent workforce, this increase amounts to over \$170 million in additional annual collections revenue.



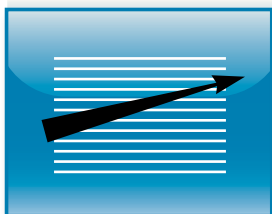
## STAFF TURNOVER

46% Less Likely

### FINDING 2

Healthcare organization connects 46% reduction in telenurse turnover with almost \$2 million reduction in recruitment costs alone.

At a healthcare organization, telenurses who earned high scores on a custom-developed job fit assessment had 46% lower turnover. Over the course of a year, this translates into \$1.8 million in recruitment and hiring cost savings.



## RETAINED

\$55 Million/Year

### FINDING 3

Customer retention team at telecommunications organization “saves” \$55 million.

High-scoring customer retention agents in a telecommunications organization retained significantly more customers compared to lower scorers. High-scoring employees retained \$65,000 more in revenue, on average, each year. Across the entire workforce, this results in \$55 million in retained revenue.



## SHRINKAGE

\$8 Million/Year

### FINDING 4

Eyewear retailer focuses on \$45 million higher sales and more than \$8 million reduction in shrinkage.

At an eyewear retailer, high-scoring sales associates averaged \$12 more per hour in customer sales. Across the entire workforce, this amounts to \$45 million annually. In addition, stores that employed more high-scoring employees experienced substantially lower shrinkage compared to stores with lower-scoring employees. Across the entire organization, the impact would result in a savings of \$8.3 million.



**SALES**  
22% Increase

## FINDING 5

Senior sales professionals at computer equipment organization achieve 22% higher sales plan percentages.

At a computer and office equipment organization, business-to-business sales professionals who earned high scores on a senior-level sales assessment solution achieved on average 22% higher attainment against their sales plans. In addition, when sales leaders were asked to evaluate the performance of these same professionals, high scorers were twice as likely to be evaluated as a strong fit for their job, twice as likely to be evaluated as “definitely would re-hire,” and three times as likely to be viewed as fast starters.



**PRODUCTIVE  
DAYS**  
17 Additional/Year

## FINDING 6

High-scoring customer service agents add 17 more productive days per year while scoring 34% higher on quality.

High-scoring agents at a healthcare call center made 62% fewer errors when interacting with customers, were 34% more likely to meet their quality goals, and handled calls 25 seconds faster, on average. This greater efficiency results in over 950 more calls handled per year per agent, which translates into an additional 17 days of productivity per year for each high-scoring agent.



**SALES  
EFFECTIVENESS**  
63% Increase

## FINDING 7

Customer services associates at a health products retailer are more engaged and offer 63% better sales performance.

At a health products retailer, customer service associates who earned high scores on an assessment containing a realistic multimedia job simulation were 63% more likely to be judged as having high sales effectiveness and two-and-a-half times as likely to be viewed as possessing traits that matched the job requirements. In addition, high-scoring associates were nearly three times as likely to report being highly engaged in their role.



**ANNUAL SALES**  
\$120 Million/Year

## FINDING 8

Automotive parts retailer’s high-performing sales force expected to drive additional \$120 million in sales annually.

At an automotive parts retailer, higher-scoring sales associates averaged \$20 more in sales per labor hour compared to low scorers. Translated across the entire sales associate workforce, consistent and systematic use of the assessment would result in \$120 million in additional annual sales.

# DEMONSTRATED VALUE ACROSS OUTCOMES, JOBS, AND INDUSTRIES

Since 2007, PreVisor has documented over 130 business outcomes.<sup>2</sup> With experience in most industries for most jobs, we are able to demonstrate the impact of talent measurement across a multitude of different business outcomes identified as most important to our customers. The table below provides a sample of the key business results they have achieved.

Category	Outcome	Job	Industry	Year of Report
	\$120 Million in additional overall sales	Sales Associates	Retail	2010
	\$170 Million in additional collections revenue	Collections Agents	Financial Services	2010
	\$55 Million retained by Save Team	Customer Retention Agents	Telecommunications	2010
<b>INCREASING REVENUE</b>	\$42 Million in additional overall sales	Sales Managers	Retail	2009
	\$270 Thousand per salesperson in additional sales	Sales Associates	Retail	2008
	107% more likely to convert sales calls	Outbound Sales Associates	Business Process Outsourcing	2008
	44% increase in collecting outstanding debt	Collections Agents	Financial Services	2008
	\$1,000/Day increase in sales per agent	Reservation Agents	Hospitality	2007
	\$18 Thousand additional revenue annually per agent	Outbound Sales Associates	Telecommunications	2007
	46% reduction in turnover	Telenurses	Healthcare	2010
	\$2 Million saved from reduction in repeat service calls	Broadband Technicians	Telecommunications	2009
	23% reduction in turnover	Call Center Agents	Business Process Outsourcing	2009
<b>REDUCING COSTS</b>	83% reduction in turnover	Reservation Agents	Hospitality	2009
	31% reduction in turnover	Call Center Agents	Insurance	2008
	\$78 Million in reduced shrinkage	Store Employees	Retail	2007
	50% reduction in turnover	Production Workers	Retail	2007
	63% reduction in turnover	Call Center Agents	Telecommunications	2007
	300% higher performance ratings	Frontline Managers	Transportation	2009
	57% more likely to be promoted	Branch Managers	Financial Services	2009
	8% higher sales and profit	Territory Managers	Retail	2009
	59% higher employee engagement	Branch Managers	Financial Services	2009
	30% more likely to be promoted	Senior Management	Healthcare	2007

2. Previous Business Outcomes Study Reports may be downloaded online at [www.previsor.com/resources/reports](http://www.previsor.com/resources/reports)

# DEMONSTRATED VALUE ACROSS OUTCOMES, JOBS, AND INDUSTRIES

Category	Outcome	Job	Industry	Year of Report
 <b>IMPROVING EFFICIENCY AND QUALITY</b>	34% more likely to meet quality goals	Call Center Agents	Healthcare	2010
	\$4 Million realized from improved work efficiency	Logistics	Retail	2009
	18 additional days of productivity, per employee annually	At-home Agents	Business Process Outsourcing	2009
	35% reduction in average handle time	Call Center Agents	Business Process Outsourcing	2009
	18% more effective and 29% more likely to hire again	Claims Adjusters	Insurance	2008
	43% more likely to pass Series 6 Exam	Insurance Agents	Insurance	2008
	8% more calls completed	Call Center Agents	Telecommunications	2008
	40 second reduction in average handle time	Call Center Agents	Telecommunications	2007

Organizations like the ones above have consistently realized significant business outcome results through the use of effective talent measurement programs. From increased sales and retention to improved overall efficiencies and leadership effectiveness, most companies who use assessments and measure the outcome realize a dramatic impact to the bottom line. And with some of the same organizations optimizing their programs over time, they have shown that even small enhancements to an existing talent measurement program can lead to even more impressive results.

“Business outcome studies are one of the best, if not the best, ways to translate the efficiencies gained from talent management processes into actual profits for a company. For example, our business outcome study helped us to determine the financial impact of a new hiring process resulting from reduced turnover and increased sales. Using the results of the business outcome study, we were able to calculate a profit gain of roughly \$24 million on an investment of just over \$100,000.”

Michael Blair - Manager, Strategic Staffing Leader, CenturyLink



**Although objective talent measurement solutions have come a long way in just the past few years, we expect several trends to impact the mission critical activity of “finding the best candidate for the job.”**

## **Quality of hire takes center stage**

Not surprisingly, economic events in 2009 forced organizations to take a harder look at the talent management programs and processes they had in place to uncover opportunities to cut costs and drive revenue. PreVisor's 2010 Global Assessment Trends Report, a survey of over 230 talent leaders from around the world, revealed that approximately 70% of companies feel pressure to show a demonstrable business impact of the assessments they use, with quality of hire being the most common business outcome (85%) that companies seek to improve. This represented nearly double the amount of respondents concerned with efficiency-related metrics like cost of hire and time to hire (45%). Astute leaders want more than just ease of use and reduction of time and resources spent on hiring strategies – they want “quality of hire” metrics and proof.

## **It's time to look within – assessing the employee base**

Employment testing has predominantly been used as a tool for screening candidates during the pre-hire phase of the employee life cycle. Again, due to economic events in 2009, organizations have changed their talent management strategies by putting a greater emphasis on their existing employee base. As reported in PreVisor's 2010 Global Assessment Trends Report, managing the performance of the current workforce has become the number one priority for HR, replacing external recruiting/hiring, which had been the top priority prior to the economic downturn. More and more organizations are using assessments to make better decisions about how to effectively deploy, train, and develop their employees. Kevin Martin, Vice President and Principal Analyst for Aberdeen's Human Capital Management research division, predicted the need for, and continued emergence of, post-hire assessment as an organizational best practice two years ago. The companies that embraced his vision before the economic downturn have a head start on the majority of organizations who are just now instituting post-hire talent measurement programs. We expect this trend to continue over the next several years until talent measurement of the employee base becomes the norm rather than the exception.

## **Whole-person assessments becoming the standard?**

Last year in the 2009 Business Outcomes Study Report Future State section, we noted our observation of an increase in use by organizations of “whole-person assessments.” Whole-person assessments employ a variety of different assessment methods that specifically target those characteristics of the candidate (behavior, ability, skills, and traits) that are most relevant for achieving critical business outcomes, and have been demonstrated to be more predictive than tests that isolate a single competency. We continue to closely monitor this trend, but a particular data point suggests it is emerging into a standard. In a study conducted in Q1 of 2010, PreVisor evaluated the tests administered by 137 new clients who had equal access to whole-person assessments and assessments that measured a single competency. Over 50% of the tests administered by these new clients were whole-person assessments. Considering this type of test has only been commercially available for the past few years, this is truly an intriguing development.

## CONCLUSION

In today's environment, demands on organizations to prove their worth are higher than at any point in decades. With pressure on leaders everywhere to find ways to do more with less, an effective talent measurement strategy can be the key to driving business outcomes across jobs and industries. Leading organizations will leverage the advancements in both the predictive nature and operational efficiencies offered in today's pre- and post-hire assessment programs to ensure they have the right workforce in place to drive their bottom-line results.

"We have been fortunate to be able to partner with best-in-class organizations who not only understand the inherent value of a robust talent measurement program, but who have also been able to realize significant positive impact," states Noel Sitzmann, PreVisor CEO. "We look forward to the continued opportunity to serve our customers and enable their success by providing talent measurement instruments that will drive the greatest return on their investment."

“As a global entity, Xerox draws from the talent and skills of all our professionals. That's why we set out to identify a partner that could help us create an assessment tool to find more of the exceptional talent that makes our company what it is today. We look forward to a follow-up business outcome study, which will give us an opportunity to fine-tune the assessment for even better predictive results.”

Martin A. Spokony - Recruiting Manager,  
Talent Acquisition, Xerox Corporation





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