THE STRATEGIC VALUE OF ASSESSMENT: BUILDING BUSINESS ADVANTAGE WITH ACCURATE INFORMATION ABOUT PEOPLE

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INTRODUCTION

"People are our company's most important asset." For years, executives have asserted this claim. But in practice, it is seldom applied—not because companies do not believe it or are insincere, but because many do not know how to properly collect, quantify, and evaluate the data on their human capital "assets."

Today, when it comes to human capital management, modern managers and executives are becoming increasingly sophisticated. They realize the importance of objective HR assessment and establishing the ROI on their human resources. And that information collected, compiled, consumed, and applied from assessment practices can have a tremendous impact on organizational success.

In this white paper, we'll demonstrate the essential role that assessment plays in developing a world-class workforce; provide an overview of assessment tools; and show how to best use assessment tools, systems, and processes to build a competitive advantage through people. We'll also outline the five common pitfalls that undermine assessment (see sidebar).

PEOPLE ARE ESSENTIAL DRIVERS OF BUSINESS STRATEGY

Every day, organizations make critical business decisions, many of which are centered on people, such as:

> Rapidly building workforce capacity (e.g., expanding a sales force, starting up a new facility)

> Supporting a shift in strategic direction (e.g., moving from transaction-based selling to consultative selling)

> Identifying high-potential candidates (e.g., following a merger, choosing among internal or external candidates for key positions)

> Strengthening current talent (e.g., through steady state hiring, or developing current talent for future roles)

> Growing an organizational culture rooted in strategically important competencies

To make the best possible people decisions, many organizations turn to various forms of assessment. Assessment helps organizations make better decisions about hiring and developing people, and the best assessment techniques align with the business purpose objective.

Specifically, effective assessment:

> Reduces errors when making decisions between candidates and increases the probability that an individual who is chosen has the skills, motivations, and experiences needed to succeed in a new position.

> Provides insights that can accelerate an individuals' development.

Once an assessment need is identified, many organizations quickly search for tools to fit the need. But how should the choice be made when there are so many approaches and options available? A quick review of some assessment basics can help.

FIVE COMMON PITFALLS LEADING TO INVALID ASSESSMENT

The obvious benefits of assessment have spawned well-meaning initiatives at numerous organizations across many industries. Unfortunately, many of these programs fail because of poor design, execution, analysis, and application.

When organizations lack systematic and job-relevant assessment tools and processes, they run the risk of encountering avoidable problems. An invalid assessment initiative can cause communication to become muddled, decision-making accuracy and confidence to plummet, and the feedback provided to those being assessed to be misunderstood, which may negatively impact performance. Ultimately, frustration on both sides builds and productivity suffers.

Following are five frequently found problems that adversely affect the accuracy and reliability of candidate assessment:

1. **Use of subjective judgment (intuition).** People normally draw conclusions about others very quickly—usually within the first few minutes of interacting with them. The problem is that these evaluations are replete with biases. Typically, the evaluator is unaware of these biases. Often, the conclusions they draw about the people being evaluated have nothing to do with actual job-relevant skills and potential.

Further clouding these conclusions is the fact that, when left to their own devices, people tend to exaggerate their accomplishments. This is especially true for people skilled at "impression management." Research also shows that misrepresentation is less likely to occur if individuals know what they say can and will be verified. Tests, simulations, and behavioral interviews that incorporate good follow-up questions are all proven strategies for overcoming a twisting of the facts.

2. **Untrained interviewers and assessors.** Accuracy and reliability of ratings are essential to assessment success. When interviewers and assessors are not thoroughly trained in the competencies to be rated, in standards, in use of scales, and in the intricacies of particular assessment techniques, then the data derived from assessments is compromised.

3. **Inconsistent ratings among multiple observers.** Even with adequate training, reliability of assessor ratings cannot be taken for granted. It is essential that assessors follow agreed-upon criteria (e.g., well-defined competencies) and standards (e.g., examples of outstanding performance that include specific actions, behaviors, and results). With established criteria and standards, it is easier to clearly communicate expectations and deliver performance feedback, and participants are more likely to accept assessment data. Additionally, an integrated session, in which assessors discuss their ratings and reach consensus, is one way to boost reliability. Periodic quality checks or audits provide additional reassurance.

4. **Reliance on a single assessment method.** No single method, no matter how accurate, tells you the whole story about an individual's potential for success. Jobs and organizational roles are too complex to be measured by only one technique. As job situations vary, so do the characteristics required to be successful, and specific techniques are better measures of some personal characteristics than others.

Using different assessment methods or tools increases overall accuracy. Tests or simulations combined with interview results, for instance, create better prediction than does either method alone. Multiple methods also help with fairness. No single measure will assess everyone with complete accuracy; people with similar ability levels can and do perform differently when measured using different assessment tools. For example, some people "test well" and others "interview well."

5. **Taking shortcuts to assessment.** Developing a structured assessment process is time-consuming—but worthwhile. An assessment process that lacks structure exposes an organization to possible legal and professional challenges. Conversely, well-crafted assessment systems can improve the quality of new hires, and offer rich feedback that supports rapid learning. Yes, assessment takes time to design and implement effectively. But well-designed assessments support good decision making and create a sense of fairness essential to good working relationships, so it is time well spent.

ASSESSMENT TOOLS: AN OVERVIEW

Tools for assessing people are available in many shapes and sizes, but most fall within a few basic categories:

Screening Tools. These are the modern equivalent of the job application form. For instance, deployed on a career Web site, screening tools determine which candidates meet the basic qualifications and critical competencies and should advance in the selection process.

Tests & Inventories. Testing batteries collect objective data on job-relevant abilities, skills, and dispositions. They measure cognitive ability, technical proficiency, reasoning skills, situational judgment, motivational fit, and various aspects of personality. Tests and inventories allow you gain early insight into top candidates' strengths and development needs.

Interviewing. Well-conducted interviews provide excellent insight into job relevant competencies and can help predict a candidate's future success. But, when hiring managers are unprepared, veer off course, and fail to gather valid candidate data, they also can represent lost opportunities. For that reason, an objective, behavior-based interviewing system that's tied to well-defined competencies is best.

Simulations & Assessment Centers. Simulation exercises measure competencies that are critical for candidates' future performance in real-world scenarios. Simulations can be customized to span all levels (hourly to executive) and across all industries (e.g., sales, service, and manufacturing). Assessed in person, via phone, or over the Internet, candidates are evaluated on interaction, decision-making, critical-thinking, and other skills essential for

success. Assessment centers use multiple simulations, creating a "day-in-the-life" experience to produce a holistic view of candidates.

Although each of these tools is an effective method for collecting assessment information, each also serves fundamentally different purposes. These differences are best understood by considering whether the tool is a "sign" of how the candidate may behave in the future or a "sample" of expected future performance.

To help illustrate this point, consider the following analogy: When assessing the quality of a new car, an automobile critic may first conduct research about the car's design, how it was manufactured, and the suppliers used for critical components. He or she also may test technical features such as fuel consumption and power output. All of these data points are classified as "signs" of how well the car may perform. Next, the critic may drive the car under a variety of conditions (hills, curves, highway, slick and dry pavement, etc.), and rate the car's drivability. These measures would be "samples" of the car's performance; that is, the critic is sampling the drivability of the car.

In this analogy:

Signs are measures of factors that may influence the drivability of the car.

Samples are small examples of drivability taken under controlled and consistent conditions.

Signs of future success can be derived from the candidates' answers to screening questions about education, work experience, and specific events in their background. These measures are usually easy to collect, and can be very informative and effective predictors

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of later success. Other signs of future success can include measures such as tests of abilities, skills, values, and personality. These are all characteristics that can influence individual effectiveness and potential success; however, it is critical that all of these types of measures are implemented carefully—they require technical analyses to show a relationship between what is being measured and what is being predicted. Simply choosing measures because they seem like they fit the purpose can lead to ineffective prediction and even legal difficulty if the assessment process is challenged.

Samples also are used in assessing people. During simulation exercises, individuals perform specific tasks and are assessed using carefully developed standards. Useful samples also can be collected during structured interviews that probe for specific elaborations of past behavior. Of course, instead of witnessing actions live, interviewers are collecting descriptions of past actions.

PRACTICAL VALUE OF COMBINING ASSESSMENT TECHNIQUES

Drawing distinctions between "signs" and "samples" helps clarify how assessment techniques differ. But one should not view them in terms of having to use one technique or the other. For many purposes, combining different assessment methods—the "signs" and the "samples"—reveals important information about candidates. Assessment center techniques, for instance, always include some form of sample-based assessment, such as a job simulation, enabling in-depth insight into the individual's actions under realistic work conditions. Assessment centers are useful for many purposes, and, because of the rich feedback they provide, serve as an exceptional foundation for building future development.

There are many ways to blend assessment types to meet business needs. When staffing for high-volume positions, such as call center representatives, for instance, many big companies use large-scale selection systems. Often, these systems use sign-based assessments, like tests and questionnaires, to pre-qualify thousands of job candidates. Those candidates demonstrating potential advance to more expensive and time-consuming assessments, such as simulations and interviews.

By integrating technology into the assessment process, efficiency and quality have improved significantly. For example, a corporate career website can administer nationwide recruiting for a critical leadership position, including simple screening questionnaires, to assess education, experience, and background. The successful candidates are invited to test their problem-solving and decision-making skills, as well as some basic personality characteristics. Next, smaller groups of very qualified people complete day-in-the-life leadership simulations administered over the Internet. Finally, the cream of the crop is invited to structured interviews with hiring managers. Selection systems such as these can reduce pools of several thousand applicants to a few exceptional candidates in a matter of days.

LEVERAGING ASSESSMENT TO BUILD A COMPETITIVE ADVANTAGE

Understanding the underlying principles and basic tools is critical to effective assessment. But to truly maximize the value of assessment for business purposes, there are several significant considerations that must be taken into account.

Assessments must be aligned with business purpose. For instance, tests are

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cost-effective when their purpose is to screen out the unqualified, or to identify those who are likely to do well in later evaluations. They are, however, not particularly good at identifying the most qualified among a final list of acceptable candidates. In situations where it is critical that the best candidate is selected, behavioral interviews and simulations deliver the most accurate information on which to base hiring decisions.

Alternatively, assessments used for professional development tend to be more in-depth than those used for selection. In developmental assessments, candidates receive detailed insights into their performance across a broad range of competencies. In times of substantial organizational and job change, to assure accuracy and fairness, assessment results are often blended with information about current performance as the criteria for placement and downsizing decisions.

Multiple assessment methods create better prediction and development insights. The skills required for a role or a job are broader than what can be measured by any one technique. All facets of success—competencies, experience, knowledge, and other personal attributes—should be systematically evaluated to make reliable hiring, promotion, and succession management decisions, and to provide sound developmental insights.

Selection has a greater impact than development. In the long run, well-designed and implemented selection processes—hiring, promotion, and succession management—can have a significant impact on organizational effectiveness. Finding "the right player for the play" is a key to success for both the organization and the individual. Once people are in the right positions, development tools can maximize their effectiveness. Though assessment tools are effective when used for both selection and development, greater value is realized from applying assessment techniques to selection because of the impact good selection decisions have on an organization's success.

Validity and utility of assessments must be demonstrated. For simulations and interviews, a job-analysis process should link job activities to assessment tools and targets. For tests and inventories, links should be established to job performance. When it comes to choosing assessments to maximize performance outcomes, the accuracy of the process, and the decision rules that are used to determine pass and fail points, are as important as the legal considerations surrounding assessments.

Also, a means of demonstrating return on investment should be established. According to utility analyses, tests and assessment centers prove their financial investment when used for selection purposes. And, because assessment generally has high validity, its return on investment escalates when applied to jobs when:

> large numbers of people are selected.

> good job performance makes a big difference in dollar outcomes.

> only candidates who earn high ratings in the assessment process are selected.

Assessments should be fair and perceived as such. Assessments need to be designed and delivered in a manner that is fair and accurate for all types of candidates, including protected groups (minorities, people over 40 years of age, the

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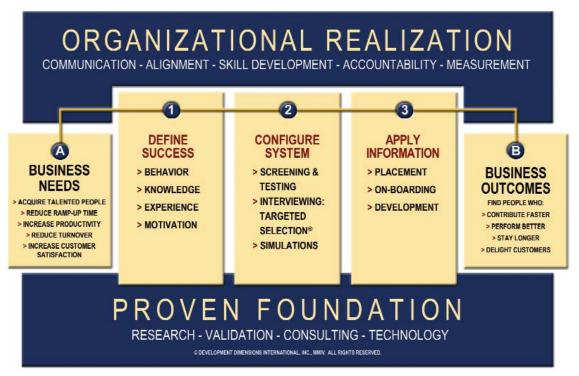DEVELOPMENT DIMENSIONS INTERNATIONAL

disabled, etc.). To reassure such groups, it is important that the process be *perceived* as fair. This can be achieved by clearly linking the assessment to jobs or work roles, by the way it is delivered, and by providing enough advance information. Organizations also need to be cognizant of and adhere to applicable legal and professional guidelines.

Talk with candidates about their assessment results and uses. Most people are resistant to evaluation, especially when they are uncertain of how it impacts them. Explaining the business reasons for assessment reduces this natural resistance and engages the candidates, thereby producing greater acceptance. Additionally, unexplained changes in how organizations use assessment results can impact acceptance and morale. For example, using an assessment process described to participants as a "developmental opportunity" when, in actually, it is for outplacement purposes,

can seriously diminish employee confidence in the organization, and severely damage the credibility of the organization's leaders. For these reasons, candidates should be able to see the job- or business-relevance of the assessment process. They also should know who will review the results and how the results will be used with regard to their career. This is especially important when candidates are employees.

Technology enhances the assessment process. Technology continues to advance our ability to collect and track information about people, presenting vast benefits. An integrated set of automated tools that helps administer recruiting, hiring, on-boarding, performance management, and talent development can create abundant efficiencies and new opportunities to use assessment information to guide an organization's human capital processes.

FIGURE 1: ASSESSMENT MODEL

ORGANIZATIONAL REALIZATION
COMMUNICATION - ALIGNMENT - SKILL DEVELOPMENT - ACCOUNTABILITY - MEASUREMENT

A
BUSINESS NEEDS
> ACQUIRE TALENTED PEOPLE
> REDUCE RAMP-UP TIME
> INCREASE PRODUCTIVITY
> REDUCE TURNOVER
> INCREASE CUSTOMER SATISFACTION

1 **DEFINE SUCCESS**
> BEHAVIOR
> KNOWLEDGE
> EXPERIENCE
> MOTIVATION

2 **CONFIGURE SYSTEM**
> SCREENING & TESTING
> INTERVIEWING: TARGETED SELECTION®
> SIMULATIONS

3 **APPLY INFORMATION**
> PLACEMENT
> ON-BOARDING
> DEVELOPMENT

B
BUSINESS OUTCOMES
FIND PEOPLE WHO:
> CONTRIBUTE FASTER
> PERFORM BETTER
> STAY LONGER
> DELIGHT CUSTOMERS

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For example, integrated systems:

> Enable new employees to start jobs with development plans already in place, allowing them to rapidly grow into new areas of contribution.

> Allow an organization to understand how an applicant's critical background experiences relate to his or her propensity to commit to the organization and grow as a leader.

> Provide human capital managers with up-to-the-minute snapshots of how their talent portfolio is growing relative to the organization's strategic needs.

PUTTING ASSESSMENT INTO ACTION

One of the most common mistakes that organizations make when implementing assessment systems is to overlook critical aspects of the context into which an assessment is being implemented. Consideration of a few key factors can make a huge difference in the success of an assessment implementation.

Effective workforce decisions begin with accurate information about people. DDI's newly enhanced assessment model (see Figure 1) serves as a bridge for companies, leading them from clearly defining business needs through talent assessment and decision-making processes to help realize their business objectives. This model is based on DDI's 35 years of experience, validation evidence, research results, assessment tools, and comprehensive support processes designed to help organizations around the world hire better people faster. The model comprises three steps:

1. **Define Success.** When job requirements are clearly defined and linked to business strategy, you are better equipped to hire the right people for the right jobs the first time. DDI emphasizes a holistic view of candidates:

   > *What you can do* (competencies)

   > *What you've done* (experience)

   > *What you know* (knowledge)

   > *Who you are* (attributes)

2. **Design System.** Assessments and decisions about individual candidates will have infinitely greater accuracy when standardized objective data gathering processes are used, as are multiple techniques—including test batteries, behavior-based interviewing, simulation exercises, multirater assessments, and more.

3. **Apply Information.** Effective data integration and summary contributes to better, faster decisions about hiring and promoting the best people. And, through the use of tailored development guides and other tools, this process is sustainable as the candidates selected contribute faster and stay longer.

Organizations that follow this approach, and support it through effective communications, organizational alignment, skill development, individual accountability, and comprehensive measurement, are more likely to realize desired business outcomes.

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CONCLUSION

Regardless of your business needs, accurate assessment can help you identify, select, and deploy the right talent who can make faster, lasting contributions to your company.

Understanding how assessment tools work, how data are collected and analyzed, and how this knowledge should be applied can ultimately help you create a competitive advantage for your company.

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