# Pre-Employment Assessments: Some Tips on Doing it Right

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"My assets go home every night!" So remarked Michael Eisner, Disney's CEO. Eisner's comment is an example of the current thinking that business value goes much deeper than traditional valuations based solely on capital assets. To a greater extent than ever before, organizations are measured on their ability to gain a return on their intangible assets: assets such as knowledge and the ability to effectively apply that knowledge through a competent, compatible, committed workforce.

The understanding that organizational value lies beyond the financial statements and the physical plant is forcing recognition of the extraordinary impact that human resource departments can have on the successful execution of corporate strategy. In the past, we have all paid lip service to the idea that people are a company's greatest asset. Yet, staffs were built with only a cursory screening of whatever applicants were available at the lowest cost. Now, the "people factor" is finally becoming a strategic focus in reality.

Successful human resource departments must now become the strategic provider of the organization's competencies: providing exceptional people and the necessary training to achieve the organization's vision. Success in this newly-valued role will greatly determine the degree of greatness that the organization achieves as a whole.

Uncommon success is the result of the right strategies executed by the right people. While this seems intuitively obvious, most companies fall well short when it comes to execution. Getting our arms around the "people factor" is imprecise and difficult. Even if we really know what we want, it is difficult to identify it when it walks in the door.

Jim Collins, author of the book *Good to Great*, says that great companies place a priority on having the right people before developing the right strategy. Collins proclaims: "We expected that good-to-great leaders would begin by setting a new vision and strategy. We found instead that they first got the right people on the bus, the wrong people off the bus, and the right people in the right seats – and then they figured out where to drive it."

This may be easy to say but not so easy to do! In truth, most hiring systems are just not refined enough to truly differentiate the top producers from the less effective. We are generally able to eliminate the majority of the applicants who obviously don't represent what we seek, but selecting the true "A" performer from a pool including lots of "B's" and "C's" is largely guesswork. The performance difference between "A" performers and "C" employees is at least 50%, and often 100% or 200%. In the area of sales, it may be 500% or more. Selecting the right people is not just about good HR procedures; it is, indeed, about great business strategies.

To fulfill its true, high-impact role in organizational success, the human resource function must move from primarily being an establisher and enforcer of procedures to being an effective evaluator of risk and reward. It must move to making sound business decisions as a strategic corporate partner. The human resource function, more than any other, can truly build the corporate foundation for greatness. It is the guardian of the company's values, because it is the organization's people, first and foremost, that project the company's image in the marketplace. Getting the right people on the bus and in the right seats is the goal of every hiring decision. The question becomes: how is this best accomplished?

## The Increasing Impact and Use of Pre-Employment Assessments

Of the two general categories of job-applicant evaluation, skills competency and compatibility, most hiring systems focus on skills competency. However, rarely are people fired for lack of competence. It is incompatibility with organizational values and culture that is the cause of most problems.

One definition of exceptional employees is "honest, hardworking, drug-free, reliable individuals who identify with your core values and culture, do things your way, and project the image you want to project, all while gaining a sense of self-satisfaction and accomplishment from their contribution to the organization, and loving the environment in which they work." This definition demonstrates the significance of matching people first to organizations, and then to jobs. Failure to achieve this compatibility causes good people to fail, because they are simply on the wrong bus. All of us know someone who was fired from one company yet went on to become a superstar in another. They didn't suddenly improve their skills. They just found the right "bus."

Use of pre-employment assessments is rising rapidly as employers try to define their organization's unique compatibility factors. Recent advances in psychometric research have created a new breed of pre-employment assessments, specifically designed for business, to meet this demand.

Recent research has shown that employers utilizing "validated selection tests" for pre-employment assessment outperform other businesses, experience lower turnover, and report four times the market value to book value.

## What Should a Pre-Employment Assessment Measure?

Simplistically, an employer wants to know:

1.  Can the applicant do the job?

2.  Does the applicant want to do the job?

3.  Will the applicant do the job within our organizational values and culture?

The "can-do" factor is a question of both skills competency and abilities. Knowing that the abilities and other compatibility factors are present, the hiring manager may decide to make the investment in training to compensate for lack of skills. More and more employers are seeking abilities and compatibility first, even at the expense of skills. Matching abilities to the position has more impact on employee job satisfaction than any other single factor, including personality. Individuals whose abilities exceed the requirements of the job may become bored and be difficult to keep challenged. As a result, they are a likely turnover prospect. In some jobs they may even become a safety hazard because their mind, not being fully engaged, wanders off. Conversely, when mental abilities are less than the job requires, the employee has difficulty keeping pace with the rate of change. This inability becomes a source of frustration to the employee, to co-workers, and to management.

The "will-they-do-the-job" factor is about matching core behavioral competencies. These are the behavioral traits that need to be aligned with the requirements of the job and the values of the organization. It is preferable to have these behavioral tendencies mapped against the working population as a whole. This mapping not only depicts the applicant's traits, but also helps to determine the relative size of the applicant pool. For example, if an employer is seeking people who fall in the top 15% of the population in terms of energy level, then the company is working with a smaller applicant pool, meaning it may take longer to fill the position. Consequently, the employer may need to have a little more patience or run the risk of selecting someone without the necessary energy to sustain the pace the job requires.

The "do-they-want-to-do-the job" factor is about interests. People become more engaged in and passionate about things that interest them. What we want to learn here is simply whether the job contains elements that appeal to the interests of the job candidate. The assessment method you choose should have the capability to create a compatibility model representing proven superior performers (the top 20% or so). This model should clearly differentiate the superior performers from the rest of the population, thereby demonstrating the correlation between assessment results and performance on the job. Once the compatibility model is developed, applicants may be compared to it to see how well they fit. Preferably, this fit should be reported as a percentage so an acceptable baseline may easily be developed.

## Does Using an Assessment Increase My Exposure to Litigation?

Pre-employment assessments or tests must be job-related and nondiscriminatory, i.e., required of all applicants in a particular job category. Protection from litigation, particularly claims of discrimination, is best achieved by being objective, consistent and fair. The assessment must be administered using consistent procedures. The information must be relevant to job performance, and it must be used in a consistent manner. When this is done, assessments can bring a level of objectivity to an otherwise very subjective process, thereby reducing exposure to litigation.

If you have at least 15 employees, be certain that your hiring process, including the administration of assessments, complies with the Americans with Disabilities Act (ADA) by providing reasonable accommodation for individuals with disabilities.

## Elements of Effective Assessments

One critical aspect of an effective assessment is a clear correlation between the results of the assessment and an employee's eventual performance on the job. This correlation brings a level of objectivity not obtained through the interview process, even when using behavioral, structured interviewing techniques. Developing this objective correlation is where many "personality" tests fall short. Generally, if the test reports results in one of four quadrants, colors, letters or numbers, then it is known as *ipsative*, meaning that it measures respondents against themselves rather than job-related standards. For example, two job applicants may have the same test profile, say XYZ, because each applicant is more "X" than they are "Y" or "Z". What may not be known is that one applicant may be 10 times more "X" than the other. This means there are some key personality differences between the two applicants that, in turn, may mean significant performance differences.

An assessment must also have a "fakeability detector." How does an employer know if the respondent is being truthful or just answering the questions with answers they think the company wants to hear? In other words, the assessment must distinguish between results that are trustworthy and those that are merely distorted.

Assessments should be self-explanatory and easily understood for use by all managers, particularly managers at remote field locations. If the assessment requires interpretation or a certified individual to present the results, then its usefulness is somewhat limited, and the cost of using it is increased. All managers should be able to easily and objectively use the information for selection, promotions, and coaching. This not only increases usability and reduces expense, but it can also reduce exposure to misuse and litigation.

Reliability and validity are two technical properties of assessments that measure quality and usefulness. These are the two most important features of an assessment.

Reliability refers to the repeatability of results. In other words, does the instrument measure what it claims to measure consistently or dependably? Reliability is the extent to which a person gets the same results when retaking the assessment. Reliability ratings above 90% are considered to be excellent, 80% to be good, and 70%( to be adequate.

Validity is the most important issue in selecting an assessment; it is the extent to which an assessment measures what it claims to measure. An assessment cannot be valid if it is not first reliable. Validity is measured by a validity coefficient value where 0.35 and above is considered very useful.

The higher the reliability and validity, the greater chance there is of hiring the best candidate for the job.

## Other Critical Factors

Ensure that a technical manual exists for the assessment and that it contains the statistical tables demonstrating that adverse impact have been considered. Adverse impact can be acceptable only if proven to be based on business necessity – it is a bona fide occupational qualification, not mere preference – and is proven to be job related for the position in question. In other words, be able to prove that better performers are selected when the assessment is used.

Be certain that the assessment has been designed specifically for business use. It must comply with privacy laws and should avoid questions involving sexual practices, and religious and political beliefs. If it is not appropriate to ask the question in an interview it should

not be asked on an assessment!

The assessment should be normed against the working population at large. This will allow the decision maker to clearly see the segment of the population where the respondent falls. For example, if the respondent falls in the upper 2.5% of the population in "assertiveness," a potential employer would know that the individual is more assertive than 97.5% of the workers in the labor market.

Look for ongoing value well beyond the hiring event. The assessment information should become part of a leadership system used to assist in coaching to peak performance, team building, career development, conflict resolution, and succession planning. In the final analysis, it is a company's employees that give it a competitive advantage. Reliable, valid assessments are the means to hone your organization's edge.

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### Checklist for Choosing an Assessment

- Designed specifically for use in staff selection and coaching High reliability and validity scores

- Normative (normed against a population), not ipsative

- Measures cognitive, conative, and personality

- Provides job-match "models" that are tailored to a specific company and job

- Does not require technical interpretation, with reports that are clear and easily understood

- Contains built in checks to spot "distortion" and faking

- Provides the minimum return on investment required for other significant company investments

- Has current validation (not more than 5 years old) and supportive technical manual

- Data from each assessment has multiple uses, e.g., staff selection, career coaching and development, succession planning, team engineering, team building, management coaching, and training needs analysis

- Complies with EEOC, ADA, and other appropriate Texas and federal requirements

- Easy to administer, preferably internet-accessible, with paper administration as a backup

- Does not require certification, fees, or extensive training to implement

- User company can query, control and secure the assessment information data base

- Provides guidance to assist in interviewing and coaching

- Provides coaching guidance

- Takes less than 90 minutes to complete

### The U.S. Dept of Labor's 13 Principles for Using Assessments

1. Use assessment tools in a purposeful manner

2. Use the "whole-person" approach to assessment

3. Use only assessment instruments that are unbiased and fair to all groups

4. Use only reliable assessment instruments and procedures

5. Use only assessment procedures and instruments that have been demonstrated to be valid for the specific purpose for which they are being used

6. Use assessment tools that are appropriate for the target population

7. Use assessment instruments for which understandable and comprehensive documentation is available

8. Ensure that administration staff are properly trained

9. Ensure that testing conditions are suitable for all test takers

10. Provide reasonable accommodation in the assessment process for people with disabilities

11. Maintain security of assessment instruments

12. Maintain confidentiality of assessment results

13. Ensure that scores are interpreted properly