

# WHAT YOU LOSE

When You Try to Save Money on Employee Assessments

*By Dr. Kurt Hulett*



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# EMPLOYEE RETENTION

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**Following the great recession of 2008,** companies all over the US—and the globe for that matter—began feverishly working to cut costs. As a general approach, this was a good and prudent thing to do. Far too many companies had become fat, and they needed a good trimming. However, companies continue to look for potential cost-cutting targets that they believe are non-essential to revenue growth, some businesses have very erroneously chosen to cut corporate assessment budgets. Their most egregious error is in the assumption that cutting the corporate assessment budget will not have a negative impact on revenue. Not only does this practice compromise revenue, but it also has a number of other negative impacts and costs to the company—which all ultimately lead to an adverse impact on the bottom line.

I am stunned that any company today knowingly chooses to engage in the hiring process without leveraging corporate assessment tools. The research is empirical and the data is robust; the use of these very

inexpensive tools have an enormous impact on the hiring and retention process.

According to Russom (2009), “In such circumstances a rigorous selection technique is exactly what is needed, and is actually highly cost effective. In reality, psychometric assessments constitute only four percent of the total cost of the selection process. In addition to being a low-cost, high-yield endeavor, these assessments are able to provide insights and information that extend well beyond what is accessible during an in-person interview.”

*“Research has consistently demonstrated that psychometric testing offers unique and valuable predictive information about an individual’s on-the-job performance. Cognitive reasoning tests in particular offer valuable information about an individual’s verbal, numerical, and conceptual skills that can be generalized across different types of jobs and situations. Personality or work style questionnaires are also commonly used to assess*

*job-relevant behaviors and preferences in a work context. The use of psychometric testing can lead to higher employee commitment, satisfaction, and reduced turnover, as they assist in placing the candidate in a role they are well suited to, where they are more likely to have a higher level of job satisfaction, and consequently stay in the role for longer."*

Whether you rely on research, data, or just common sense, a very compelling argument can be made for the use of these assessments in the hiring and employee development process.

One of the primary goals of every business is—or at least should be—to mitigate and minimize risk to the company. So, if the research is clear as to the benefits of using these assessments, what are the risks and costs associated with not employing these tools? Several of the costs have direct, quantifiable impacts to revenue, some fall under the umbrella of opportunity cost, and the rest fall under the category of “difficult-to-isolate-and-measure,” but are quite obviously important and impactful. This paper will outline the four most significant costs to a company that eliminates corporate assessments from its talent acquisition and development arsenal. Before you take out that red pen and slash through the corporate assessment budget, I recommend you first consider the following costs and impacts of flying blind in your business’s talent management arena. The costs are far greater than the savings.



### **Cost #1: Making the Wrong Hire**

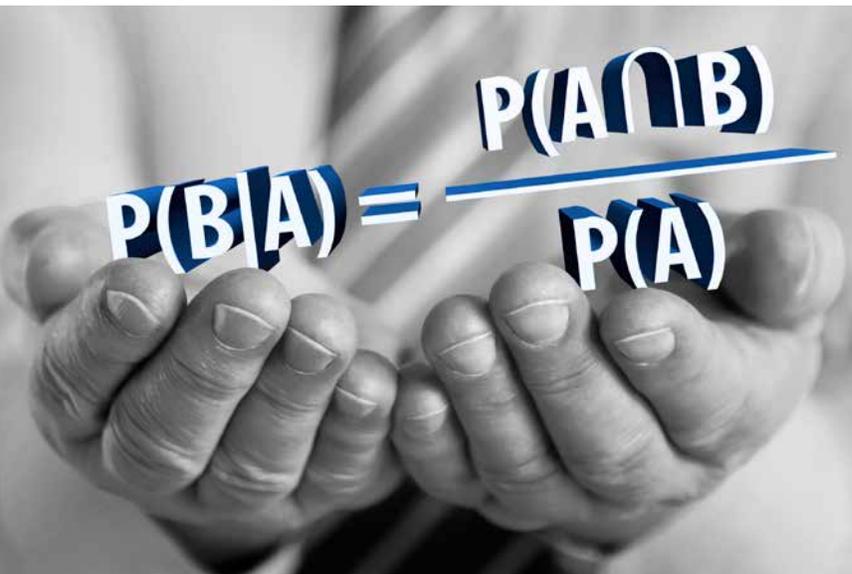
There is no lack of research on the costs associated with making the wrong hires. Estimates range a great deal, but one thing is consistent; a wrong hire is extremely expensive and damaging to the bottom line. For example, Dr. Bradford Smart (TopGrading) found the cost of hiring the wrong manager to be between 15 to 27 times their base salaries. According to Right Management Consultants, “Some of the negative consequences of bad hires include lowered employee morale, decreased productivity, lost customers and market share, and higher training, severance, and recruitment costs.” Whether it’s the negative impact on culture or morale, or simply an employee’s inability to perform the job at a high level, a wrong hire has a profoundly painful impact on the entire organization. At a minimum, corporate assessments do an exceptional job of helping you eliminate the chance of a bad hire:

an individual whose core personality and cognitive traits just don't match the requirements and demands of the job.

### Cost #2: Not Finding the Diamond in the Rough (The Brilliant Introvert)

It is certainly easier to quantify the negative revenue impact of the wrong hire, but I don't think anyone can credibly dismiss the positive impact the right hire has on revenue. Research supports the positive impact that right hires have on the bottom line. According to Human

psychometrics would be \$102,545 more valuable on average than one hired using an interview alone." Every company is looking for the potential standout employee. I refer to these hires and employees as my "all-stars." Every company has these folks, and every company will do nearly anything to keep these people on the team. By using corporate assessments, companies markedly increase their chances of finding not only the all-stars, but in particular the data to help avoid being influenced and persuaded by the wrong variables.



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Factors International, "By helping select the right candidate, what value do psychometric assessments add to the recruitment process? By using selection methods that have been scientifically linked to job performance, the client was consistently selecting successful employees and improving the value per hire. For example, a director hired using

I recently read an article that argued introverts are among the best hires and potential employees. The article was fascinating, and I agreed with most of the arguments—although the majority of the points were anecdotal in nature and not based in empirical research. That being said, the author made a number of compelling, common sense points. One point in

particular that grabbed my attention was that the extrovert tends to score better in interviews due to charm and other soft skills. The author contended that the extrovert's easiness with social situations, quick wit, broad smile, and general confidence tend to translate in interviewers' minds as superior candidates compared to those that don't display those traits. Unfortunately, these soft skills quite often serve as a mask that conceals a lack of substance and critical skills. It's not to say extroverts naturally have fewer or lesser skills; rather, it means that the extrovert is often able to impress an interview panel with personality traits that do not necessarily translate into success on the job. Truth be told, asserted the author, the introvert tends to work better on teams, has less need for attention, tends to be more authentic, is less likely to be grandiose, and is more prone to have strong skills hiding underneath a humble exterior.

In my experience, some of my greatest hires and employees have been absolute introverts. They were quiet, unassuming, humble, and gentle people. They each also tend to have extraordinary skills in multiple areas. Although all of these people are quite different individually, they all share two consistent traits: (1) they all performed poorly in the in-person interview, and (2) they all scored extremely high in multiple subsections of the corporate assessments that were administered. Many of these candidates had poor eye contact, their posture did not exude confidence, each was often short in his or her responses,

and most smiled infrequently. This being said, each has performed extremely well in a variety of areas of the business and the performance of each has been very consistent with the results of the corporate assessments. I have found it is far, far easier to fool a panel of interviewers than it is to fool a psychometric assessment linked to specific job indicators and characteristics. It's easy to claim you have strong analytical and quantitative skills, and use a couple nifty terms during an interview, but it's quite another thing to correctly answer a cognitive reasoning question on the quantitative section of a sophisticated corporate assessment.

### Cost #3: Increased Search and Interview Costs

With today's technology, it is extremely easy and cost-effective to have candidates from all over the world





Whether it's taking personal interest surveys on Facebook, Survey Monkeys at work, or completing a survey for a dating site application, we are very familiar with taking assessments as a part of our personal lives.

take pre-screening assessments. Furthermore, when using scientifically-sound, employee assessments that are linked to specific job indicators, companies can reliably eliminate candidates who are likely to be unsuccessful and recruit those that score high on desired indicators. Whether saving on travel costs or not tying senior executives up in lengthy interview processes, screening instruments allow companies to avoid the laborious task of face-to-face interviews with the wrong candidates.

#### **Cost #4: Perception is Reality— The Reality of Looking Ancient**

Companies all over the world regularly spend tens of thousands of dollars trying to control the perception of their brand. Advertising, at its core, is an exercise in nothing more than perception control. Today, some of the trends that matter involve being environmentally friendly and socially progressive. Whenever we see

sensational news stories, such as comments made by the owner of the LA Clippers of the NBA, one of the first things to be reported is the list of advertisers and sponsors who immediately void the sponsorship contract and post statements condemning the situation. Are these relationships severed so immediately due to their moral convictions and personal disdain held by the executives of these companies? My guess is no. A far more likely scenario is that they do not want to be branded, nor linked in any way, shape, or form with the behaviors being publicly reported. These companies are well aware of the negative impact the perception of a company can play on the bottom line. The great fear is that being an advertising partner will in some way place them in perceived support of said behavior. For example, when the Lance Armstrong story broke in 2013, his sponsors dropped him like a hot potato. My guess is that many of those sponsors had suspicions well before the news

broke, but they really didn't care since he was helping to make them money. Once he became a financial liability to the brand, they took quick and decisive action to drop him.

None of this is groundbreaking news; however, it is pertinent. A company in today's environment that does not use corporate assessments as a tool in the hiring process is going to appear prehistoric and out of touch. Assessments are a part of our daily life. Whether it's taking personal interest surveys on Facebook, Survey Monkeys at work, or completing a survey for a dating site application, we are very familiar with taking assessments as a part of our personal lives. As the worldwide use of corporate assessments grows exponentially, it is becoming a common expectation among candidates to be required to take employee assessments. The company who chooses to ignore this expectation is likely to be perceived as out-of-touch, antiquated, or cheap. Successful businesses invest time and money identifying the best possible people for their teams.

### **It All Comes Down to Opportunity**

The concept of "opportunity cost" is one of the most important things I learned in my Econ 101 class, and

the first thing that comes to mind when I think about a company cutting their corporate assessment budget. The basic concept of opportunity cost is essentially the value of the best option forgone. This is becoming increasingly important as companies continue to look for areas to save costs.

Although a few dollars—and I literally mean a few dollars—may be saved by eschewing corporate assessment, the costs of doing so are significantly real. Whether it's the financial or cultural impact of making the wrong hire, the impact of missing the superstar candidate, the hit the company's brand takes when looking unsophisticated and ancient to candidates in a competitive market, or over-spending and under-performing during the search and interview process, the opportunity costs of not using corporate assessments can be extremely damaging.

Before you even consider touching that red pen to the talent management budget, I strongly recommend you consider how much opportunity, financial, and human cost your company is prepared to bear.

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