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What is the Business Case for Using Assessment Tools in the External Selection Process for Executives?

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What is the Business Case for Using Assessment Tools in the External Selection Process for Executives?

Abstract

There are many different types of assessment tools, the most common being classified as cognitive tests, personality tests, multisource feedback, assessment centers, leadership style inventories and simulations. Companies most commonly use multisource ratings (e.g., 360 Degree), personality inventories and interviews in assessing senior executives.

Keywords

human resource, transparency, performance management, assessments, external candidates, ratings, assessment tools, HR function, talent, recruiting, risk management, job fith

Comments

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EXECUTIVE SUMMARY

RESEARCH QUESTIONS

What is the business case for using assessment tools in the external selection process for executives? Additionally, how do candidates perceive and experience selection assessments at the executive level?

INTRODUCTION & TYPES OF ASSESSMENTS

There are many different types of assessment tools, the most common being classified as cognitive tests, personality tests, multisource feedback, assessment centers, leadership style inventories and simulations.ⁱ Companies most commonly use multisource ratings (e.g., 360 Degree), personality inventories and interviews in assessing senior executives.ⁱⁱ

BUSINESS CASE

HR functions can add value to the business by employing effective selection methods such as assessment tools.ⁱⁱⁱ Assessment tools ensure that employees have the right skills,^{iv} which enables their ability to drive results and achieve goals. Furthermore, assessment tools become more important at senior levels when job scope is broader and more closely tied to the strategic goals of the organization^v.

There are many ways in which the use of selection assessment tools links to and benefits the bottom line of a company. These include:

- *Job fit and subsequent cost savings on turnover/recruitment* - Unlike other subjective methods of selection, provide objective and accurate depictions of candidates' attributes and skills. Thus, when skills are aligned to job responsibilities, employees are more effective in role.^{vi}
- *Succession planning* - Companies can also use assessment tools to inform succession planning for critical internal roles, highlighting capability gaps and prompting the creation of development plans^{vii} to result in a seamless transition of leaders and reduced costs associated with absent talent and recruiting.
- *Risk management* - By using objective assessment tools, companies avoid the possibility of making hiring decisions rooted in unconscious bias.^{viii} In this way, companies replace unstructured interview processes (with potential for discrimination) with assessment tools that match candidate skills to job requirements.^{ix} This transition lessens the potential for lawsuits which are not only costly but damaging to a company's brand.

If assessment tools are not used, there are additional threats to the bottom line:

- *Misfits* - Employees hired without objective assessment of personal skills and fit with company needs may become misfits. This can lead to a lack of high productivity and morale.^x
- *Manager time and energy* - A significant amount of manager time is spent on fixing people related problems (e.g., through coaching). More intentional hiring via assessment tools can reduce this and allow for managers to appropriately redirect their resources towards accomplishing business goals.^{xi}

CASE STUDIES

1) *PZ Cussons*: At PZ Cussons, external and internal executive candidates attend the professional assessment center held by a third party institute to determine their suitability for specific types of employment. The candidates complete a forty-minute online personality questionnaire and a thirty-minute intelligence test as well as participate in a Behavioral Event Interview (BEI). The personality questionnaires are based on the Wave Model which is built around 4 clusters, 12 sections, 36 dimensions and 108 facets. At first, PZ Cussons works with the professionals in the Assessment Center (AC) to define the competencies and then the AC customizes the reports based on the BEI and Wave Test. The final reports are given to the CHRO and top management for potential talent selection. The final reports are customized to the company's needs, which are embedded in the

organization and being used as a standard across its business.^{xii}

2) *FoSunPharma*: The company collaborates with a head-hunting company and leverages Hogan assessments to identify external high potentials. The Hogan assessments measure normal personality characteristics, career derailment risks, core value drivers and cognitive style. The company uses Hogan assessment because that assessment tool maintains industry's largest and most well-developed archive of original research, affording access to hundreds of real-world validity studies demonstrating the extent to which the assessments could predict performance. The massive database helps HR and top management to objectively select talents with targeted competencies.^{xiii}

ADDITIONAL CONSIDERATIONS

Candidate Perceptions/Experiences

Companies have found that, during the recruitment process, 95% of applicants complete assessment tools with only 5% opting out, suggesting that it is a myth that candidates have a strong aversion to requests for completion of assessments.^{xiv} Research also shows that a company's brand is closely linked to a candidate's perception/experience with assessments. As such, a candidate is more likely to be willing to complete an assessment if the company has a strong external brand. If the company does not, candidates tend to view assessments as offensive to their capabilities.^{xv} Thus, as companies develop selection processes to include assessments, it is important for them to first consider how potential candidates are experiencing their external brand.

International Differences

While headquartered in the United States, a global company must acknowledge the implications of an enterprise-wide selection strategy that includes assessments. For example, in France and Germany, HR functions must collaborate with local Works Councils to determine how data will be shared.^{xvi} Additionally, in the Middle East, legal requirements mandate that a company must hire a certain number of locals regardless of whether or not they pass an assessment.^{xvii}

Legal Requirements

There are a number of legal requirements that concern the use of assessment tools. In administering assessment tools, companies should be aware of the Uniform Guidelines on Employee Selection Procedures to evaluate if an assessment is causing adverse impact, and the Americans with Disabilities Act of 1990 (ADA) which outlines requirements and eligibility to provide reasonable accommodation for completing assessments.^{xviii}

BEST PRACTICES

The SHRM Foundation provides effective practice guidelines which outline key factors in determining which assessments are appropriate for your company, as follows:

- *Validity*: accuracy of the tool in predicting job performance
- *Adverse impact*: the possibility of protected group members performing worse on the assessment than majority group members
- *Cost*: expense of developing and administering the assessment
- *Applicant reactions*: how positively or negatively candidates perceive the assessment^{xix}

CONCLUSION & RECOMMENDATIONS

Selection assessments have clear business benefits such as job fit and risk management. When evaluating and administering assessments, companies should consider the strength of its external brand and global contexts, and also leverage legal resources to guide and protect the company.

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