

July, 2010

SHL Clients: Demonstrating the Positive Impact of Assessment on Business Performance

While assessments have been a critical part of the talent management landscape for some time, the ways organizations go about using them has been evolving. SHL, a player in the assessments space since 1977, has also evolved as the industry has experienced pressure to create a more holistic view of talent, expanding the use of assessments from a pre-hire HR activity to a valuable tool used throughout the organization and the employee lifecycle. In Aberdeen's March 2010 study *Talent Assessment Strategies*, over 250 organizations currently using assessments were studied, including 74 organizations using SHL solutions. This Research Brief will look at how users of SHL assessments are performing in three key areas - extending the use of assessments into the post-hire, providing managers with actionable assessment output, and making better entry-level hiring decisions.

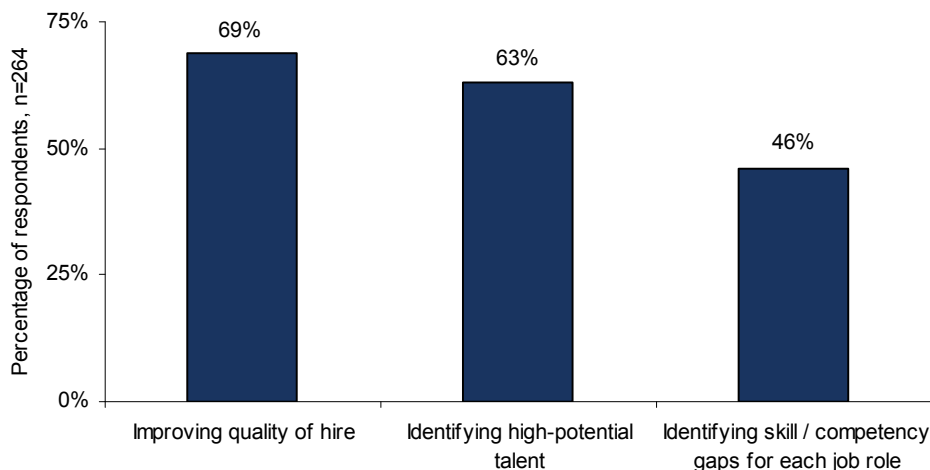
Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

Assessments Throughout the Lifecycle

The past few years have seen several shifts in the use of assessments - organizations are using assessments in new ways, and are integrating assessments data throughout talent management systems to make better talent decisions. In both 2009 and 2010, respondents to our surveys indicated that increased business competition and skill shortages were the top two pressures driving them to pursue a talent assessment strategy. To combat these perennial pressures, assessments are being viewed as having an impact well beyond just hiring decisions (Figure 1).

Figure 1: Goals for the Use of Assessments



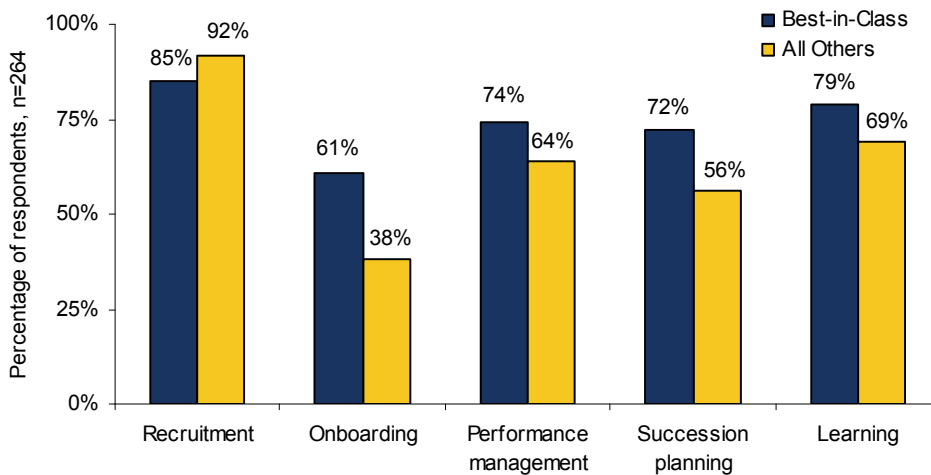
Source: Aberdeen Group, June 2010

"For an assessment strategy to take off, it needs management commitment, competency level definitions, and valid and reliable assessment tools."

~ Lara Kenchington, Manager,
HR Development /
Organizational Development,
Areva Resources,
Southern Africa

Assessments have long been viewed as a tool for pre-hire decision making, but an increasing number of organizations are using them as guidance at multiple points in a career. This shift in emphasis has led organizations to look at how assessment tools are used throughout the employee lifecycle. However, this broader use of assessments requires increased consistency in the qualities or skills that are being assessed. Building or acquiring a competency framework to assess against was the top strategy identified by organizations to achieve their assessment goals. And in Aberdeen's November 2009 look at *Competency Management*, it was discovered that Best-in-Class organizations not only utilize competency frameworks against multiple aspects of talent management, but that those using a consistent competency model across talent acquisition, learning, performance management and succession processes are five times as likely to achieve Best-in-Class performance as those that do not. This need to consistently apply an assessment strategy, and integrate the results of assessments across talent processes is clearly demonstrated by Best-in-Class organizations (Figure 2).

Figure 2: Assessments Integrated with Talent Management Processes



Source: Aberdeen Group, June 2010

While top performing companies still do integrate assessments in the pre-hire, they are more likely to use them at all other points in the talent management lifecycle. Clearly, the consistent use of assessments in the pre- and post-hire is a growing trend, and for good reason as the next section will demonstrate.

Consistency is King

Regardless of the source of assessments, using them consistently is critical to achieving maximum benefit. As Figure 3 shows, using assessments in both

Fast Facts

- √ Organizations integrating their competency framework across the entire talent lifecycle are **5 times as likely** to achieve Best-in-Class performance

Best-in-Class Criteria

The following key performance indicators were used to determine the Best-in-Class for use of assessments, with top performers achieving impressive results:

- √ 84% of employees received rating of "exceed" on last performance review
- √ 81% of key positions have at least one willing and able successor identified
- √ 33% year-over-year improvement in hiring manager satisfaction

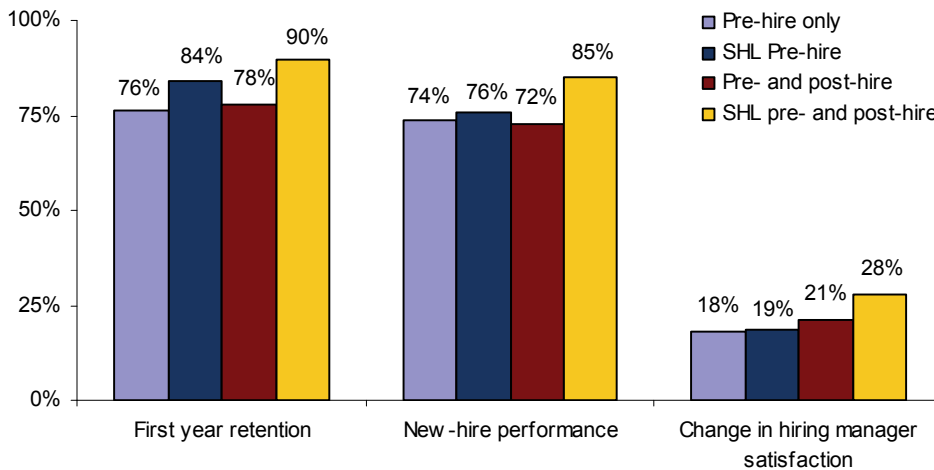
Best-in-Class: top 20% of aggregate performance scorers

Industry Average: middle 50% of aggregate performance scorers

Laggards: bottom 30% of aggregate performance scorers

the pre- and post-hire versus in the pre-hire alone results in increased performance on several key metrics. And SHL's clients are reaping the benefits of this shift in focus as well. Figure 3 compares those using assessments in the pre-hire stages only, as well as those using both pre- and post-hire assessments, to their peers that have partnered with SHL.

Figure 3: Performance on Key Metrics



Source: Aberdeen Group, June 2010

Fast Facts

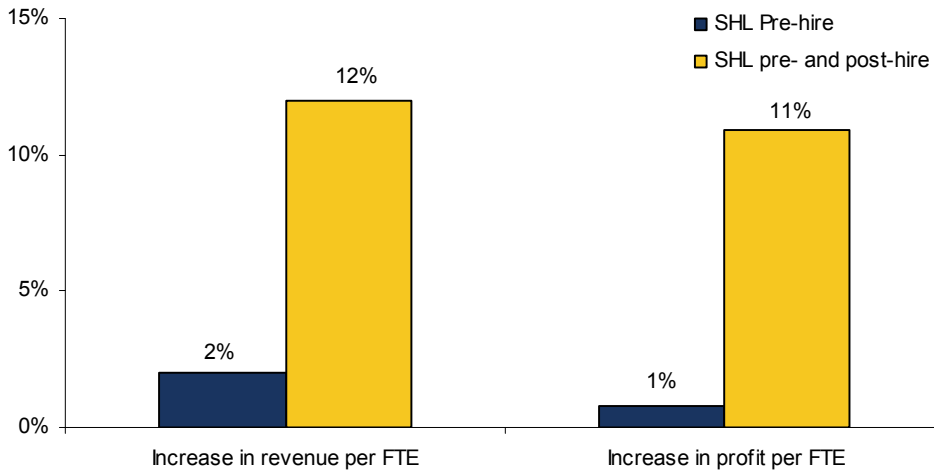
Compared to organizations using other solutions, SHL customers using assessments in the pre- and post-hire are seeing:

- ✓ **15%** greater performance in first year retention
- ✓ **18%** greater new-hire performance
- ✓ **33%** greater improvement in hiring manager satisfaction

It is interesting to note that even in pre-hire metrics, performance is improved when the organization has committed to a strategy that includes the use of assessments in both the pre- and post-hire. And the results are even better for SHL users implementing assessments across the talent lifecycle. SHL customers using assessments in the pre- and post-hire are seeing 15% greater performance in first year retention, 18% greater new-hire performance, and a 33% greater improvement in hiring manager satisfaction versus organizations using other solutions. These results send an important message to anyone looking to impact metrics usually associated with hiring and onboarding through the use of assessments in the pre-hire. While first year retention, new-hire performance (defined as the achievement of first performance milestones within agreed-to timeframes) are often rolled into quality of hire metric reporting, performance in all of these areas is improved if the assessment culture is continued beyond the hiring process.

Even more importantly to managers and leaders is the impact the use of SHL assessments across the employee lifecycle is having on profit and revenue. Using SHL assessments in the pre-hire only is having a positive impact on financial performance (measured as change over the previous 12 months), but when used in both the pre- and post-hire the improvement is dramatic (Figure 4).

Figure 4: Performance on Key Metrics



Source: Aberdeen Group, June 2010

Fast Facts

SHL customers (compared to organizations using assessments in the pre-hire only) using assessments in both the pre- and post hire saw:

- ✓ **Six-times** greater increase in revenue per FTE
- ✓ **Eleven-times** greater increase in profit per FTE

Managers Take the Lead

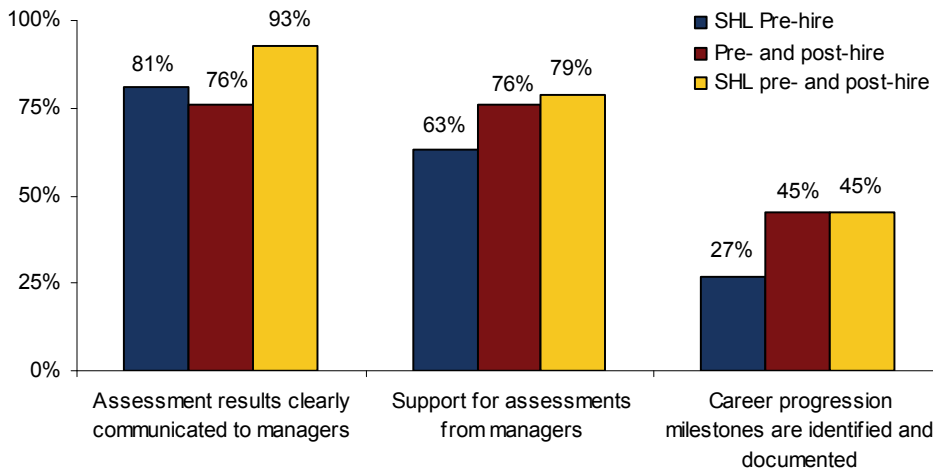
Obviously, simply purchasing and implementing an assessment solution in and of itself will not result in improved performance. Like any tool or technology solution, the context in which that tool is used has a great impact on the results attained. Given the performance levels achieved by SHL's clients, it makes sense that the capabilities in place to support the use of assessments are differentiated.

As a whole, SHL clients are 31% more likely than non-SHL clients to have in place one key capability: the clear and regular communication of assessment results to managers. With 88% of SHL clients citing this capability, it is the most commonly found capability among this subgroup, and it sets the tone for how assessments are viewed within the organization. Those that view assessments as a tool to be used by managers to make real time decisions that will impact the business and allow them to employees in front of the right customers armed with the right skills, behaviors, aptitudes competencies and information are going to achieve better results. And when we break down the top capabilities among organizations utilizing assessments in the pre-hire only versus pre-and post, the contrast is even more striking (Figure 5). Clearly, integrating the use of assessments into the pre- and the post-hire is emerging as a best practice for all organizations.

Fast Facts

- ✓ SHL customers are **31% more likely** than all other organizations to have in place a process to clearly communicate assessment results to managers

Figure 5: Capabilities Supporting Performance



Source: Aberdeen Group, June 2010

Putting the results of assessments into the hands of managers is critical to help drive performance for organizations. And these same companies that are getting assessment results into the hands of managers are also getting greater buy-in for the overall assessments strategy. SHL clients using assessments in the pre- and post-hire are 25% more likely to support the assessment strategy than those using them in the pre-hire only. This makes sense because the more managers realize that assessments can help guide decision making, the more supportive they will be of their use.

The last differentiated capability was the definition of career progression milestones and metrics. This capability is linked to the previous discussion of defining competencies. When there is a clear picture of what is required, both at an organizational level and for individual job roles, it is much easier to assess against those criteria. In many organizations, job descriptions and requirements for entering the organization have been made clear. But for an individual wishing to progress their career or a manager wanting to help coach someone along to take on a new role, the next steps can often be less clear. When career paths are laid out, assessments can be used at an individual level to test for readiness, to help gauge potential, and to help an employee plan their development to get to the next level. This type of clarity on what will be required can also help mine existing talent pools for untapped aptitudes and competencies to make better decisions about career progression for both the individual and the organization. And for a manager, laying the results of assessments against the picture of what they need to move the organization forward can help them identify critical gaps and maximize existing talent.

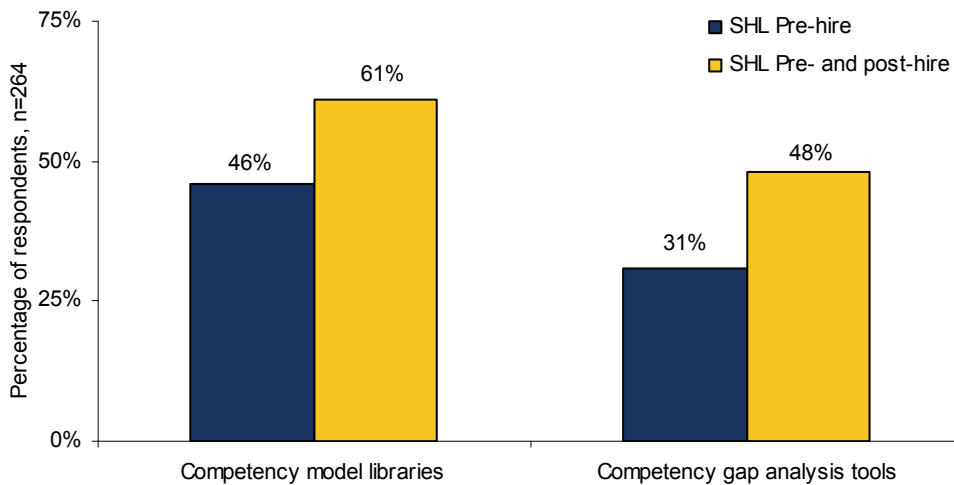
In addition to these capabilities, several differences were seen in the enabling tools and technologies that SHL customers were using to support their success through assessments. The most differentiated tools are all around competencies and gap assessment. As illustrated in Figure 6, the

Fast Facts

- ✓ SHL customers using assessments in the pre and post-hire are **25% more likely** to have manager buy-in and support for their assessments strategy

ability to use assessments to support the development of the skills, capabilities and knowledge required of the business is a key driver of success.

Figure 6: Enablers Supporting Performance



Source: Aberdeen Group, June 2010

Fast Facts

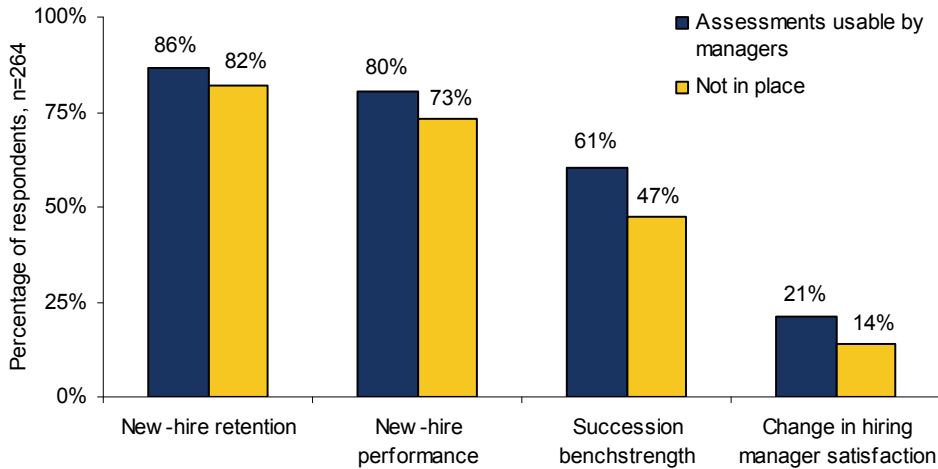
✓ **88%** of organizations using SHL assessments ensure that assessment results are clearly communicated to managers, compared to 81% of the Best-in-Class and just 67% of users of other assessment solutions

In embarking on an assessments initiative, it is important to remember the critical role of the manager when evaluating the user experience, the types of reporting, and how the solution fits in with the rest of the talent management processes and solutions already in place. The number one criteria cited by Best-in-Class companies for assessment vendor selection was the ability to integrate with other HR and talent management software, a key feature of SHL's value proposition for its users. And, as mentioned, currently 88% of organizations using SHL assessments ensure that assessment results are clearly communicated to managers, compared to 81% of the Best-in-Class and just 67% of users of other assessment solutions. Having tools that are integrated with existing talent management software, designed to be used by managers, and that deliver clear, actionable results to the line is a critical capability, and one that SHL is addressing for its customers. This mindset is also driving performance improvement on both quality of hire and succession benchstrength (defined as the percentage of key roles for which one or more successor has been identified) metrics (Figure 7).

“Quick and easy-to-interpret reports enable interview panels across our operations to consistently ask the right type of questions to ensure we get the very best candidates who possess the relevant key Oxfam GB behaviors. Furthermore, we have seen a consistent improvement in the quality of candidates hired.”

~ David Benson, Head of Talent at Oxfam GB, an SHL User

Figure 7: Performance of Companies with User Friendly Output



Source: Aberdeen Group, June 2010

Case in Point

The case study below of one SHL client illustrates how one global organization took its assessments strategy from pre- to post-hire, and created a new culture of feedback and assessment. Their story demonstrates how they built internal demand for expanded use of assessment tools by first demonstrating the benefits to a core group of managers, and helping them improve the business.

Metso is a global supplier of technology and services for the mining, construction, power generation, oil and gas, recycling, and pulp and paper industries. With over 27,000 employees in over 50 countries worldwide, Metso is a major player in three primary market segments: mining and construction technology, energy and environmental technology, and paper and fiber technology. From its home base in Finland, the company is committed to the strategic priorities of sustaining profitable growth over the long term, and on improving competitiveness and cash flow in the short term.

Even among other organizations of its size, Metso faces some unique challenges that come as a result of its company origins. The business was founded in 1999 with the merger of two existing Finnish companies. This confluence of cultures, having occurred so recently, made it difficult for Metso to establish a cultural identity of its own. This became a top priority for the company, which knew that a business spread out over such a variety of services and over such a wide geographical distribution would need a strong performance-oriented culture. One of the big ways in which this was accomplished was through the use of talent management assessments.

The assessments strategy that Metso laid out, in partnership with SHL, took a two-pronged approach, the first being on the pre-hire side. This was

“Where at first our recruiters felt fear at using pre-hire assessments, now they feel more and more pride in their professionalism, and know that they have the tools to help hiring managers make quick, efficient and effective hiring decisions.”

~ Hilikka Alatalo-Korpi,
SVP of Talent Management,
Metso, an SHL User

essential for the company because, in order to establish a common culture, Metso needed to make sure it was attracting people with a common set of traits that fit with organizational goals. And the company also wanted to ensure that it was hiring people with the right skills to achieve top performance. This pre-hire assessment process aligns with Metso's competency model to help create a more scientific view of each candidate and inform hiring decisions that will strengthen quality of hire. By starting with a small group, Metso was able to develop several internal proof points and make the case to all of their recruiters and hiring managers on the importance of pre-hire assessments. "Where at first our recruiters felt fear at using pre-hire assessments, now they feel more and more pride in their professionalism, and know that they have the tools to help hiring managers make quick, efficient and effective hiring decisions," said Hilikka Alatalo-Korpi, Senior Vice President of Talent Management at Metso.

Despite early success in the pre-hire stage, the process of implementing a post-hire assessments strategy proved somewhat of a challenge. Metso has never been feedback oriented, but there had always been hunger within the organization for feedback. According to Alatalo-Korpi, "At Metso, any feedback is like a gift, so by focusing on creating a new culture of feedback through the use of 360 we began to build traction." Knowing that failure to launch, and dismissal of 360 assessments and feedback as a "flavor of the month" was a very real threat, the company decided to take it slow and once again rely on the support of internal champions. The process started with a contained launch, implementing 360-degree assessments for a small group of middle managers who latched on to the feedback not only as a tool to help them focus their own development, but as a tool to help them have better conversations with their teams. The group that had been selected for the first assessment rollout became champions for the process and started sharing their experience with others. In just a short amount of time it went from a highly contained and risky venture to a fully-adopted, fully-supported, and mandatory company process. Metso also has a core group of people who are thoroughly trained to provide 360 feedback that are helping to build assessments into the entire talent management process. "When people go through a 360, they need to know what to do next. Assessments are becoming a bigger and bigger part of the development process - evaluating our talent pipeline, and how we identify new and high-potential talent," said Alatalo-Korpi.

The payoff from Metso's assessment process has already been significant, both from the pre- and post-hire standpoint, even while the process is still maturing. From the pre-hire side, multiple teams reported satisfaction with the fact that they were able to make the interview process more efficient and minimize risk by taking a more scientific approach to selecting the right candidate. From the post-hire standpoint, by integrating assessments with the company performance management process, Metso was able to achieve measurable gains in employee performance. Perhaps more importantly, though, the company was able to make incredible progress in building the cultural identity it was looking for – one that actively engages in

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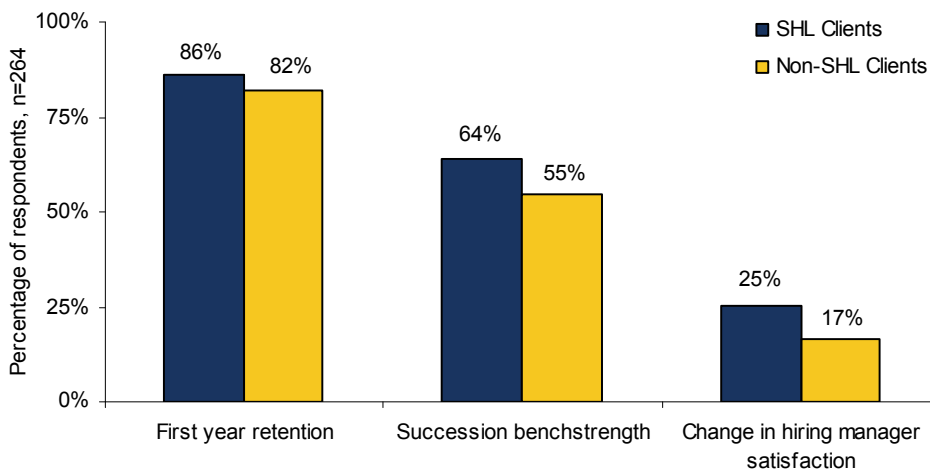
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development and feedback, fosters high performance, and makes it possible to achieve faster and more sustainable growth.

Selection for all Levels

Even though the value of assessments throughout an employee's relationship with an organization has been clearly demonstrated, it's also important to think about selection assessments for all levels of employees joining the organization. While the use of assessments has evolved, the pre-hire assessment process is still extremely important to getting performance off to a good start. Among all respondents to the March 2010 study on *Assessments*, 77% indicated that the use of pre-hire assessments for entry-level hires, making it the area where pre-hire assessments were most widely used. And SHL customers are dominating in this space. While the percentage of organizations using assessments for entry-level applicants jumps to 88% among Best-in-Class companies, 92% of SHL clients are assessing this critical group of candidates. This use of assessments at the start of a career is important because when someone is coming into an organization with little experience, their assessment results can help validate their capabilities, and can even inform steps to close any necessary gaps. Clients using SHL pre-hire assessments for the hiring of this important and often largest group of candidates are seeing a positive impact on the results achieved by those new hires as a result (Figure 8).

Figure 8: Performance Impact of Assessing Entry-Level Hires



Source: Aberdeen Group, June 2010

Fast Facts

- ✓ 92% of SHL clients are assessing entry-level candidates, compared to 88% of Best-in-Class
- ✓ SHL users are demonstrating a 47% greater improvement in hiring manager satisfaction by using assessments for entry-level

The impact that a strong assessment process for entry-level hires has on succession benchstrength is important to note. SHL clients are 16% more likely to have successors in place when assessments have been used at the ground level of hiring efforts. Particularly given the shortages of key talent and critical skills highlighted at the beginning of this report, this is a powerful finding. By hiring the right people at the beginning of their career, who can

not only be successful in the short term, but lay the foundation to grow in the long term is critical to combat these skill shortages. In addition, SHL users are showing a 47% greater improvement in hiring manager satisfaction by using assessments at the entry-level. Truly, hiring, development and performance can not be looked at in a vacuum. They are closely interrelated, and the assessments used to evaluate individuals along that continuum must be as well.

Key Insights

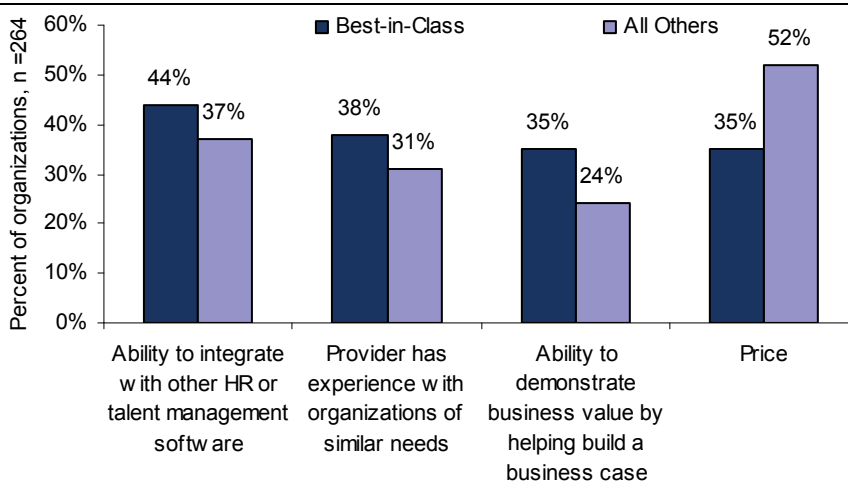
Utilizing assessments to not only select the right people, but to develop and monitor performance throughout the life cycle is critical. Maintaining a consistent assessment strategy and a consistent set of competencies against which to perform these assessments is important as well. Aberdeen's research has shown that organizations executing on this idea are outperforming those who don't, but it has also show that organizations using SHL solutions to do so are outperforming those organizations using assessments from other sources. In the use of assessments across both the pre- and post-hire, the involvement of managers through accessible and actionable output, and in screening entry-level hires, SHL users were demonstrating performance levels above the rest of the crowd. The solutions offered by SHL are connecting the dots for organizations throughout the employee lifecycle, and driving performance results.

When it comes to evaluating assessment solutions and providers, Aberdeen found that Best-in-Class organizations are mostly concerned about the solution's ability to integrate with existing systems. Whereas organizations that are not the Best-in-Class place the highest value on price, top performers rank it a somewhat distant fourth. The data also found that a provider's ability to work with the end-user organization to build a business case and establish metrics or pain points is also a key factor in the decision making process.

Fast Facts

- √ The ability to *integrate assessments with existing HR or talent management solutions* was the top vendor selection criteria identified by Best-in-Class organizations

Figure 9: Solution Selection Criteria



Source: Aberdeen Group, March 2010

Clearly, the selection of a particular solution provider, or indeed a specific assessment tool or product is not going to drive success alone. But when the selection of a tool and provider is made in support of other key organizational capabilities, performance is dramatically improved. And paramount among these, for SHL clients and all Best-in-Class companies is to involve managers in the assessment process, and make assessments, along with the results gleaned from those assessments, meaningful to how managers make decisions and manage talent.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research	
Talent Assessment Strategies: A Decision Guide for Organizational Performance ; March 2010 Onboarding: The First Line of Engagement ; February 2010 Integrated Talent Management: Improving Business Results through Visibility and Alignment ; December 2009 Competency Management: The Foundation for Talent Success ; November 2009	Talent Acquisition Strategies 2009: Cutting through the Clutter and Proactively Managing Quality Candidates ; August 2009 Employee Performance Management: Individual Goals Boost Satisfaction Inside and Out ; July 2009 Assessments in Talent Management: Strategies to Improve Pre- and Post-hire Performance ; March 2009
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