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SHL Talent Analytics: The Next Evolution of Talent Assessment

On September 29, 2011 SHL unveiled its latest offering in the talent assessments space, Talent Analytics. This new evolution in how SHL brings its data and insights to customers is aimed at helping organizations analyze not only their own talent data, but to also look at that data in the context of the millions of external data points SHL has collected. The insights from the new offering are designed to help companies make better predictions of performance, as well as gain a deeper understanding of the organizations ability to attract the talent it needs to support business strategy. Aberdeen's recent research on *Assessments* has highlighted the importance of assessment data in helping companies find, retain and develop the talent required to execute business strategy. Talent analytics looks to evolve talent assessments to an even more powerful tool to accelerate business performance and manage talent risk.

Business Context

In today's competitive global market, strong business requires strong talent. *Aberdeen's Quarterly Business* review from Q1 2011 found that growth was at the top of the business agenda. But the most pressing challenges to that growth, based on over 1,300 global respondents, come down to talent (Table 1).

Table 1: Top Business Challenges

	Large	Medium	Small
Economic conditions	3.21	3.13	3.19
Ability to execute strategy	3.11	3.10	2.88
Increased competition	3.09	2.98	3.00
Retaining key employees	3.02	2.90	2.44
Rising operational costs (wages, materials, transportation, etc.)	2.98	2.89	2.60
Improving employee engagement	2.98	3.03	2.52
Market volatility	2.95	2.89	2.90
Shortage of key skills available in the market	2.77	2.80	2.50
The ability to identify key employees	2.65	2.51	2.13
Workforce productivity	2.57	2.75	2.41

Source: Aberdeen Group, June 2011

Market Alert

Aberdeen's Market Alerts provide timely analysis of current market events drawing upon independent fact-based research to lend insight into the topics that impact organizations

Company Size Definition

In Figure 1, the following company size definitions were used:

- √ **Large:** USD\$1 Billion
- √ **Medium:** USD\$50 Million to \$1 Billion
- √ **Small:** USD\$50 Million or less

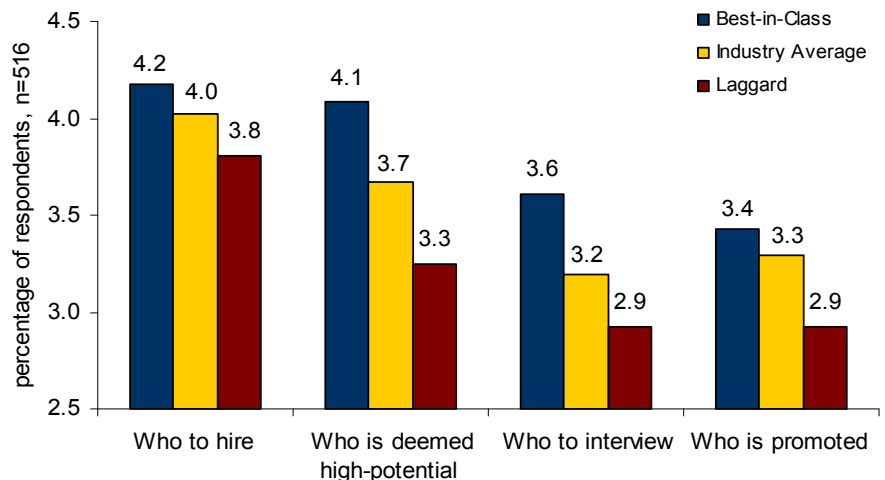
Among the top 10 challenges identified, the six highlighted in bold are all talent challenges. These represent critical points of friction that can prevent an organization from achieving optimal organizations results. At the heart of these challenges, from the ability to execute to the ability to identify the individuals who truly deliver top performance, is information and insight. Companies don't all have the tools in place to help them align activities and decisions with what will drive the business forward. Leaders today want to know what they can do to overcome these challenges, and one powerful way is through the use of assessments.

Aberdeen's [HR Executive's Agenda 2011](#) report found that assessments, both in the pre- and post-hire were not only among the top three most common enablers of success, but were also one of the biggest points of differentiation between high-performers and low. In fact, Best-in-Class companies were 69% more likely to have assessments in use post-hire than all others (the Industry Average and Laggard companies combined). For organizations today, talent is the fuel that powers the business engine. But in order to tune that engine, just like with the engine in your car, diagnostics are required - and that is where assessments come into play. Talent analytics takes this insight a step further to try and help companies a step beyond just the talent they have today and help them understand what they need to do to position themselves to be able to attract and retain the talent they need in the future. The offering itself provides access to a global database of talent data in order to allow companies to benchmark their performance to drive better decisions.

Assessments throughout the Lifecycle

One of the clearest trends in the past several years of Aberdeen's analysis of the assessments space is the expansion of assessments into the post-hire, and to a wider array of job roles within the organization.

Figure 2: Importance of Assessment Data for Critical Decisions



Rated on a scale of 1-5 where 1 = little importance and 5 = critically important
Source: Aberdeen Group, April 2011

Defining the Best-in-Class

In its December 2010 study [HR Executive's Agenda 2011](#), Aberdeen used three key performance criteria to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggard (bottom 30%) organizations, with mean performance among the Best-in-Class as follows:

- ✓ 87% of employees rated themselves as “highly engaged” in their most recent engagement survey
- ✓ 78% of key positions have a ready and willing successor identified
- ✓ 12% year-over-year improvement in hiring manager satisfaction

Defining the Best-in-Class

In its April 2011 study on [Assessments](#), Aberdeen used three key performance criteria to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggard (bottom 30%) organizations, with mean performance among the Best-in-Class as follows:

- ✓ 73% of employees received rating of “exceed” on last performance review
- ✓ 69% of key positions have at least one willing and able successor identified
- ✓ 19% year-over-year improvement in hiring manager satisfaction

Traditionally, many thought of assessments as a sort of new-hire pre-test to see if they had requisite skills. Today, as organizations seek ongoing alignment to help them overcome business challenges, the use of assessments has expanded. Companies are also embracing the fact that there are different types of assessments that provide value at different points of the talent lifecycle and different levels of the organization. As Figure 2 shows, top performing organizations place more value on assessment data for more decisions than all other maturity classes, and at all stages of the talent lifecycle.

Across the board, at every decision point, Best-in-Class companies place greater value on assessment data as a part of that decision process. This indicates that these organizations acknowledge that gut instinct alone is not enough to help them make the call on evaluating future potential, whether it be that of a new hire or an existing employee. Finding ways to quantify, evaluate, and help make better decisions for the future of the organization is a priority for top performing companies. One of the key features of the talent analytics offering is the ability to look at the pipeline of talent, both while hiring and among existing employees, and help give the organization insights into whether or not there are enough people with the potential, and the potential within the required timeframes, to support future business. Of course, no one tool can predict the development path of every individual, but the intent is to offer benchmarks that will help organizations make educated analysis of the talent pipeline.

The research has shown that to get the most out of assessments, they must be integrated throughout the lifecycle, and validated appropriately. There are two types of validity that organizations should consider. The first is that of the text itself, and it's compliance with regulatory rules and laws based on its external scientific validity. And indeed, "valid and reliable science behind the assessments offered" was the top vendor selection criteria, cited by 44% of the Best-in-Class. This external validity is important, but so is an assessment's validity within your organization. Without linking the output of an assessment to a business goal there is no way to see if you're really improving the process the assessment is designed to help, whether that be hiring, promoting or developing. Top performers are 85% more likely to be able to correlate post-hire assessment results to ongoing performance results than all others (48% vs. 26%) and 42% more likely to be able to tie ongoing performance back to pre-hire assessments (47% vs. 32%).

Aberdeen's August 2010 [Talent Acquisition Strategies](#) report discussed the importance of being able to track ongoing performance back to the hiring process, including being able to trace back to the source of high performing talent to impact quality of hire. Assessment data must be used the same way, and the types of assessment results that are strongly correlated to long-term performance and potential for your particular organization should be tracked to measure the ongoing impact on quality of alignment. Twenty-nine percent (29%) of the Best-in-Class indicate that they can link the use of assessments directly to changes in profitability or revenue, and have the data to back that linkage up, as compared to just 12% of Industry Average

Fast Facts

Organizations using assessments saw, on average:

- ✓ **10%** greater overall organizational goal achievement
- ✓ **28%** higher employee engagement
- ✓ **64%** greater improvement in quality of hire
- ✓ **more than 2x** the improvement in cost per hire

compared to organizations not using assessments

Best-in-Class Definition

In Aberdeen's September 2011 report [The Talent Acquisition Lifecycle](#), the following key performance were used to distinguish the Best-in-Class (top 20% of aggregate performers) from the Industry Average (middle 50%) and Laggard (bottom 30%) organizations, with mean performance among the Best-in-Class as follows:

- ✓ **95%** of first-year employees were retained
- ✓ **82%** of employees hired in the last 12 months met first performance milestones on time
- ✓ **16%** year-over-year improvement in hiring manager satisfaction

organizations and 6% of Laggards. It is not enough to simply conduct assessments, or even to conduct them and use them to guide decisions. The impact of those decisions on the business and the ability to tie back ongoing performance to the assessment output is critical to managing the long-term return on assessment investment.

In the case of hhgregg below, we see how one organization puts their assessments to the test to not only deliver results now, but to help them fine tune their hiring process.

Case Study — hhgregg

The H.H. Gregg company – now branded as hhgregg - was founded with one storefront in Indianapolis Indiana in 1955. It is now one of the fastest growing home appliance and consumer electronics retailers, with over 200 locations in the United States. Their key differentiator in this highly competitive space is the focus on customer service, including in-depth product knowledge on the part of store associates. With annual full time sales associate hires currently topping 6,700 year to date, getting the right individuals into this key role is a top priority. But at the same time, store managers need an efficient process for hiring that keeps them on the sales floor and working with their current team members to drive sales in their store.

In 2008 the organization decided it was time to revamp the hiring process. “We know in retail that the right pre-employment assessment can be a strong indicator of success,” said Cathy Avallone, Vice President of HR for hhgregg. “Having a strong assessment process was one of the focal points of our redesign.” Now, every candidate who applies fills out some initial profile information and goes immediately to the assessment provider’s site to complete an online assessment before they can even complete the full application. Sales associates at hhgregg are highly consultative given their brand differentiation, so the assessment solution was tailored to a mid-level sales professional profile, and looks at three main criteria – customer service, professional potential, sales potential and persistence and planfulness.

Integrating the right assessment into the hiring process was only the first step however. In the spring of 2010, hhgregg undertook a study to understand how the assessment outcomes correlated to business outcomes. They looked at every applicant from August to December the previous year and compared their scores on the assessment tool to that individual’s scores on key business metrics assigned by the business, including revenue attainment. The study revealed a high correlation between the assessment score and positive performance on those business metrics, a positive proof point for the assessment initiative, but they went even further. The assessment scores were coded red, yellow and green for recommended not to hire, caution, and recommended to hire.

continued

Case Study — hhgregg

Individuals in the study were from all three bands, and their performance fell in line with the assessment predictions, making a strong case to hiring managers to take this recommendation into consideration in their hiring decisions. But what really caught their attention was some simple multiplication. By taking the revenue differential between “red” or “yellow” candidates and a “green,” and multiplying that number by the number of red and yellow hires, the company was able to calculate the lost revenue over the course of year if they hired all the full time associates that were green and yellow.

“This got managers excited, and helped them see how the assessment could help them solve their business problem – generating store sales,” said Avallone. The HR leadership took this information on a road show to all of the stores, along with further insight into turnover among the three bands, and engagement. “Our best hires were leaving us and we were spending all of our manager’s time on our low performers, which isn’t surprising, but was certainly eye opening,” continued Avallone.

All of this insight did more than encourage adoption and acceptance however. With the additional data hhgregg also raised its cut score, eliminating more unqualified applicants before they even entered the process, saving time and resources. And they changed the weights on the three criteria, based on analysis that identified which elements were most directly correlated to performance. The assessment process wasn’t just validated; it was also the catalyst for improving the overall hiring process. “And we’re not done,” said Avallone. “We know the economy is changing so the profile of candidates looking for work in retail will change too. And we’re moving into new geographies with varied talent pools. We’ll keep doing the analysis to make sure our assessment is still appropriate, and giving us the information we need to make strong hiring decisions.”

Like hhgregg, many organizations today want to ensure they are building an employment brand that helps them attract the talent they need. But traditionally this was something that could only be measured as a lagging indicator. Only when talent shortages appeared did a company realize it had a problem. The Talent Analytics offering is designed to let a company be more predictive, and based on SHL's many years worth of assessments data, allow an organization to model the impact of the quality of talent they are attracting. This would mean that based on the information available now, a company could predict whether or not the current approach to hiring will deliver the talent needed into the future. This would also mean that, if the data is right, a company could actually quantify the value of it's employer brand in terms of it's influence maintain, decrease or increase the overall quality of talent brought in to the organization. The ability to identify in business terms the impact of the brand could change the conversation as

companies seek to improve their ability to attract top talent in an increasingly competitive marketplace.

Key Takeaways

From who to hire, to whom to promote, to where to develop, assessments provide critical data to make effective, informed talent decisions. Selecting the right type of assessment tool for the right type of decisions, and fully understanding how to use that data in the talent process is critical to the ongoing success of organizations. With the additional capability to contextualize assessments data with external data through the talent analytics offering, SHL is looking to change the game by giving employers new avenues of insight to power decision-making. The full capabilities and applications of talent analytics still remain to be seen as SHL continues its rollout in the coming months, but employers should watch this space. Just as internal assessment data has changed how companies make talent decisions, this integrated view holds great promise to change it again.

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

Related Research

[*Assessments 2011: Selecting and Developing for the Future*](#); May 2011
[*Learning & Development 2010: Bridging the Gap Between Strategy and Execution*](#); November 2010

[*Succession Management: Sustainable Leadership for the Future*](#); July 2010
[*Talent Assessment Strategies: A Decision Guide for Organizational Performance*](#); March 2010

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