

# Talent Assessment Strategies

A Decision Guide for Organizational Performance

March 2010

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## Executive Summary

Organizations today are continually looking for ways to make better decisions about talent in order to minimize the risk of a bad hire or promotion and to ensure that individual efforts are aligned with organizational goals. In this research, conducted between January and March 2010, over 400 organizations were studied to understand how they use assessments to drive better decisions and impact business performance. Top performing organizations were found to be using assessments more broadly across employee populations and job roles, as well as more frequently and consistently than other organizations. Underlying assessment success were strong ties to the business, organizational leadership buy-in, and a competency framework to assess against.

### Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations

### Best-in-Class Performance

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Aberdeen used the following three key performance criteria to distinguish Best-in-Class companies:

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

### Competitive Maturity Assessment

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Survey results show that the firms enjoying Best-in-Class performance shared several common characteristics, including:

- Stakeholder collaboration and buy-in to define competencies against which new hires and existing employees can be assessed
- Providing context on how assessments should be used and what their intended purpose is within the organization
- Ensuring that assessments look at multiple aspects of an individual in order to create an accurate and comprehensive evaluation

"The primary key elements (of an assessment strategy) are, 1) having a business focus to your competency development and assessment process, 2) having this supported from top and local management as a business initiative and 3) having metrics and accountability to ensure that employee development and assessment take place."

~ David Demski, Manager of Competencies and Employee Development, Halliburton

### Required Actions

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In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Use assessments in the pre- and post-hire, and throughout the employee lifecycle
- Define a competency framework to assess against
- Link assessment results to organizational performance metrics, and communicate the impact regularly

## Table of Contents

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|   |    |
|---|----|
| Executive Summary.....                                  | 2  |
| Best-in-Class Performance.....                          | 2  |
| Competitive Maturity Assessment.....                    | 2  |
| Required Actions.....                                   | 2  |
| Chapter One: Benchmarking the Best-in-Class.....        | 4  |
| Business Context .....                                  | 4  |
| The Maturity Class Framework.....                       | 6  |
| The Best-in-Class PACE Model .....                      | 7  |
| Best-in-Class Strategies.....                           | 8  |
| Chapter Two: Benchmarking Requirements for Success..... | 14 |
| Competitive Assessment.....                             | 15 |
| Capabilities and Enablers.....                          | 17 |
| Chapter Three: Required Actions .....                   | 22 |
| Laggard Steps to Success.....                           | 22 |
| Industry Average Steps to Success .....                 | 23 |
| Best-in-Class Steps to Success.....                     | 23 |
| Appendix A: Research Methodology.....                   | 26 |
| Appendix B: Related Aberdeen Research.....              | 28 |

## Figures

---

|   |    |
|---|----|
| Figure 1: Pressures Driving the Use of Assessments .....            | 4  |
| Figure 2: Most Important Objectives for Use of Assessments .....    | 5  |
| Figure 3: Top Strategic Actions to Support Assessment Efforts ..... | 8  |
| Figure 4: Performance on Key Metrics .....                          | 9  |
| Figure 5: Performance on Key Metrics by Best-in-Class .....         | 10 |
| Figure 6: Most Valuable Uses of Assessments.....                    | 10 |
| Figure 7: Formal and Standard Assessment Strategies.....            | 12 |
| Figure 8: Groups Assessed in Pre- and Post-hire.....                | 12 |
| Figure 9: Top Sources of Competency Definitions.....                | 18 |
| Figure 10: Measuring the Impact of Assessments on the Business..... | 19 |
| Figure 11: Solution Selection Criteria .....                        | 20 |
| Figure 12: Integration with Talent Management Elements .....        | 21 |
| Figure 13: Impact of Integration on Key Metrics.....                | 24 |

## Tables

---

|  |    |
|--|----|
| Table 1: Top Performers Earn Best-in-Class Status.....                   | 7  |
| Table 2: The Best-in-Class PACE Framework .....                          | 8  |
| Table 3: The Competitive Framework.....                                  | 16 |
| Table 4: The PACE Framework Key .....                                    | 27 |
| Table 5: The Competitive Framework Key .....                             | 27 |
| Table 6: The Relationship Between PACE and the Competitive Framework.... | 27 |

## Chapter One: Benchmarking the Best-in-Class

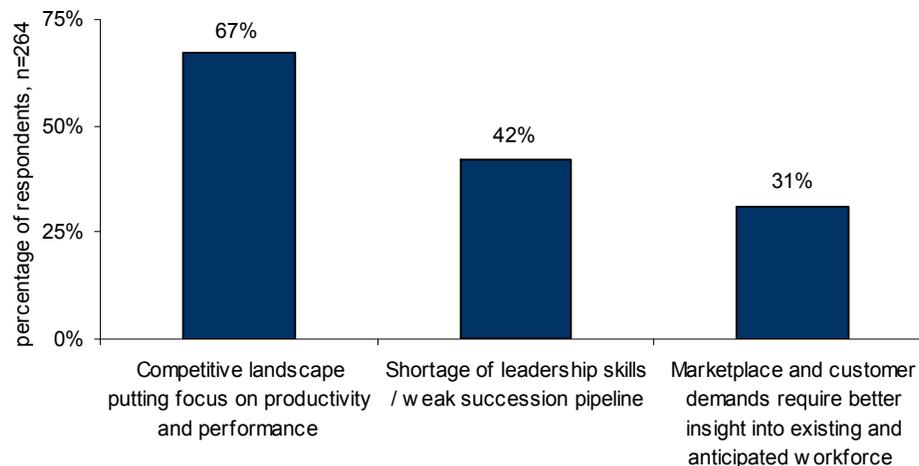
### Business Context

Despite growing optimism around the state of the global economy, organizations can't afford to waste anything these days - time, money or resources. Companies are looking to improve internal alignment, and leverage data to drive faster, better decisions. These things are true within every function of the organization, but never more so than in talent management. Aberdeen's *Economic Outlook 2010* report found that 68% of organizations surveyed expect the economy to recover by Q3 2010, and as a group, anticipate revenue growth of 10.5% in 2010 over 2009. But in the same time period, average headcount was expected to grow only 4.3%. Given this context, organizations are trying to ensure that the people they do hire, and the people already employed by the company are put in the right roles, are developed in the right ways, and are prepared for upcoming leadership challenges as effectively and efficiently as possible. And Aberdeen's latest research shows that assessments - used for selection, development and succession - are a powerful tool to make sure this happens.

### Alignment is Driving Performance

The whole point of assessing individuals is to gain insights - into their skills, their behaviors, and their working style - in order to evaluate them against a set of criteria that are important to the organization. Aligning skills, behaviors and styles with what the business needs is a critical piece of driving performance, which is a top pressure driving organizations to use assessments (Figure 1).

**Figure 1: Pressures Driving the Use of Assessments**



Source: Aberdeen Group, March 2010

### Fast Facts

Organizations using assessments are:

- ✓ **24%** more likely to have a ready and willing successor named for each key position

And demonstrated a:

- ✓ **75%** greater year-over-year improvement in hiring manager satisfaction
- ✓ **75%** year-over-year decrease in hiring costs
- ✓ **2.5 times** greater year-over-year increase in profit per full time equivalent

compared to organizations not using assessments (see Figure 4 for further detail)

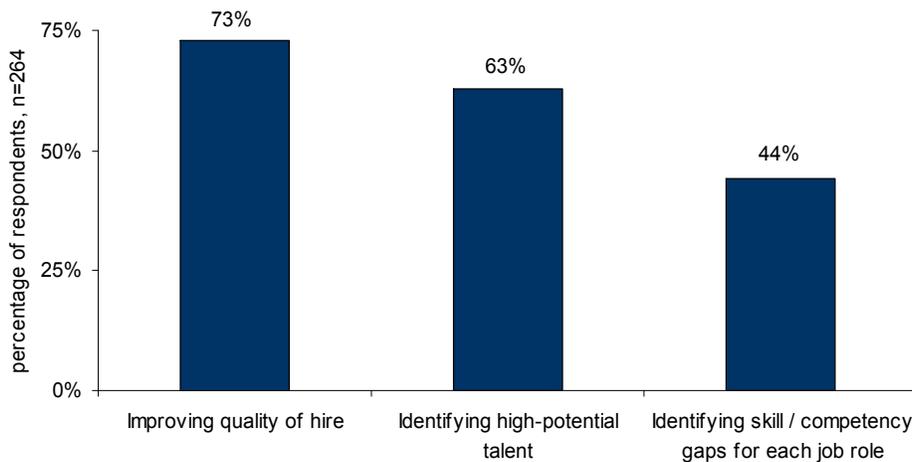
This increasingly competitive landscape was also the top pressure identified in Aberdeen's December 2009 report, *Integrated Talent Management*. That study also found that the number one Best-in-Class strategy put in place to address that rapidly changing competitive environment is to align talent management efforts with the goals of the organization. And that strategy is supported by capabilities such as collaboration between HR and the business to define success criteria. Assessments are critically important to help ensure this alignment, to allow managers to make better talent decisions, and to put people in roles where they can have the greatest impact on their team's productivity and performance. They also help provide visibility into the current readiness of each employee and identify gaps so that appropriate development plans can be put in place.

Hiring needs are still front of mind as well when people think of assessments, and companies are focused on using them to find people with critical skills, particularly those that may be in short supply in the marketplace. But companies are taking a longer-term view of the needs of the marketplace and want to be prepared with the right talent to address those needs.

### **Assessments Making a Difference in the Post-hire**

Assessments have long been considered a tool used in hiring decisions - and 91% of Best-in-Class organizations in Aberdeen's March 2009 study on assessments in talent management use assessments in recruiting. However, 55% of all organizations surveyed indicated they use assessments in both the pre- and post-hire. This migration toward use throughout the talent lifecycle is reflected in the objectives companies are seeking to address through the use of assessments (Figure 2).

**Figure 2: Most Important Objectives for Use of Assessments**



Source: Aberdeen Group, March 2010

In the pre-hire, quality of hire is a metric that all talent leaders are concerned with. In Aberdeen's December 2009 report on [Integrated Talent Management](#), respondents were asked to rank the most important metrics that they use to measure the effectiveness of overall talent management efforts, and quality of hire came out on top. Even though Aberdeen's research shows that organizations may not be pursuing new hires in the same numbers that they laid off workers in recent years, the investment they make in those individuals they do hire must be carefully monitored. Aberdeen's August study on [Talent Acquisition Strategies 2009](#) broke down quality of hire and found that organizational fit, hiring manager satisfaction, and time to productivity were all critical to quantifying quality of hire. As the rest of this report will show, all of these component parts can be addressed through the use of assessments.

But as important as assessments are to selection and hiring decisions, they are also continuing to be important in development and succession planning as well. The use of assessments to identify high-potential talent for development and promotion opportunities closely follows quality of hire as a key objective in the use of assessments. Organizations are almost twice as likely to use assessments in both the pre- and post-hire (55%) than in just the pre-hire alone (29%). The following sections of this report will explore how organizations are implementing and utilizing assessments throughout the talent life cycle to improve performance and decision making.

## **The Maturity Class Framework**

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Aberdeen used three key performance criteria to distinguish the Best-in-Class from Industry Average and Laggard organizations. Only organizations currently using assessments were benchmarked:

- **Employee performance** is defined as the number of employees who received a rating of "exceeds expectations" as of their latest performance review. This is an indicator of how well organizations are able to align individual's efforts with the work that the organization is expecting of them.
- **Bench strength** is defined as the number of key positions for which at least one ready and willing successor has been identified. This is an indicator of how well organizations are performing at identifying and developing the next generation of talent, based on future needs.
- **Hiring manager satisfaction** is defined as the degree to which hiring manager satisfaction with new hires has improved over the past 12 months. This is an indicator of how well the recruiting and staffing organization is able to match the skills, behaviors and talents of new employees to the needs defined by the hiring manager.

These three elements in combination look at how organizations are using assessments in the pre-hire to improve fit, and in the post-hire to deliver results in the near term as well as plan to address future organizational needs.

**Table 1: Top Performers Earn Best-in-Class Status**

| Definition of Maturity Class  | Mean Class Performance  |
|---|---|
| <p><b>Best-in-Class: Top 20%</b><br/>of aggregate performance scorers</p>       | <ul style="list-style-type: none"> <li>▪ 84% of employees received rating of “exceed” on last performance review</li> <li>▪ 81% of key positions have at least one willing and able successor identified</li> <li>▪ 33% year-over-year improvement in hiring manager satisfaction</li> </ul>    |
| <p><b>Industry Average: Middle 50%</b><br/>of aggregate performance scorers</p> | <ul style="list-style-type: none"> <li>▪ 46% of employees received rating of “exceed” on last performance review</li> <li>▪ 56% of key positions have at least one willing and able successor identified</li> <li>▪ 23% year-over-year improvement in hiring manager satisfaction</li> </ul>    |
| <p><b>Laggard: Bottom 30%</b><br/>of aggregate performance scorers</p>          | <ul style="list-style-type: none"> <li>▪ 29% of employees received rating of “exceed” on last performance review</li> <li>▪ 32% of key positions have at least one willing and able successor identified</li> <li>▪ 1% year-over-year <u>decrease</u> in hiring manager satisfaction</li> </ul> |

Source: Aberdeen Group, March 2010

## The Best-in-Class PACE Model

Using assessments to achieve talent management and organizational goals requires a combination of strategic actions, organizational capabilities, and enabling technologies that can be summarized as follows:

- Collaborating with stakeholders across the business to define competencies against which new hires and existing employees can be assessed
- Getting buy-in from leaders and employees on how assessments are used and what their purpose is within the organization
- Ensuring that assessments look at multiple aspects of an individual from diverse points of view in order to create an accurate and comprehensive evaluation

**Table 2: The Best-in-Class PACE Framework**

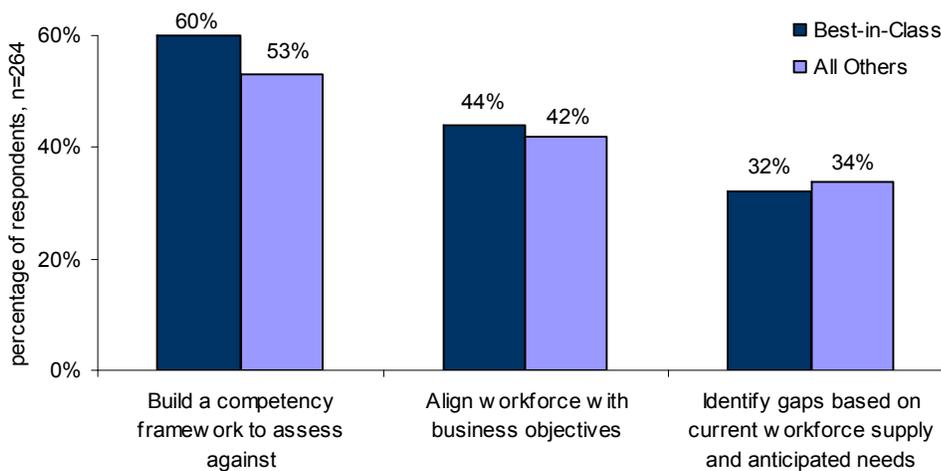
| Pressures  | Actions  | Capabilities   | Enablers  |
|--|--|--|---|
| <ul style="list-style-type: none"> <li>Increasingly competitive landscape forcing a focus on productivity and performance</li> </ul> | <ul style="list-style-type: none"> <li>Build a competency framework against which the organization can make better selection, placement and promotion decisions</li> <li>Align workforce with business objectives</li> </ul> | <ul style="list-style-type: none"> <li>Support and buy-in for assessments from senior executives and organizational leadership</li> <li>Workforce core competencies (skills, knowledge, and attributes) for all job roles have been defined</li> <li>Employees understand how assessments are conducted and interpreted</li> <li>Clearly defined process to assess candidates and applicants</li> <li>Collaboration between HR and line of business management to ensure that assessment content truly addresses business needs</li> </ul> | <ul style="list-style-type: none"> <li>Behavioral-based / personality type assessments</li> <li>Skill-based assessments</li> <li>Critical thinking / cognitive ability assessments</li> <li>Multi-rater / 360-degree assessments</li> <li>Competency model libraries</li> <li>Competency gap analysis tools</li> <li>Assessment / test building software tools</li> </ul> |

Source: Aberdeen Group, March 2010

### Best-in-Class Strategies

The top strategy organizations are putting in to place to support assessment success is to define the criteria against which assessments will be made by building a competency framework (Figure 3). Defining competencies is critical for many talent management processes. Aberdeen’s June 2009 study of *Employee Performance Management* showed that Best-in-Class organizations are more than twice as likely to identify competency data (regarding skills, knowledge, attribute, behaviors) for each employee.

**Figure 3: Top Strategic Actions to Support Assessment Efforts**



"Leadership buy-in is essential to implementing a successful assessments strategy."

~ Director, Leadership and Organizational Development, Large Medical Devices Company

Source: Aberdeen Group, March 2010

The other top strategies of aligning the workforce and identifying gaps are very interrelated with the idea of defining a set of success criteria. In order to align the workforce with the objectives of the business, those objectives must be clearly communicated. And in order to identify gaps between the current workforce and future needs, the forward looking objectives of the business must also be clearly identified and communicated. The number one pressure in Aberdeen's November 2009 research on [Competency Management](#) found that the need to take a longer-term view of talent needs in light of marketplace changes was the number one pressure pushing organizations to focus on defining competencies. Clearly, this idea of defining what success looks like from an organizational performance and customer-centric focus is critical to business success. Chapter Two of this report will look at some of the capabilities and tools that support competency framework definition.

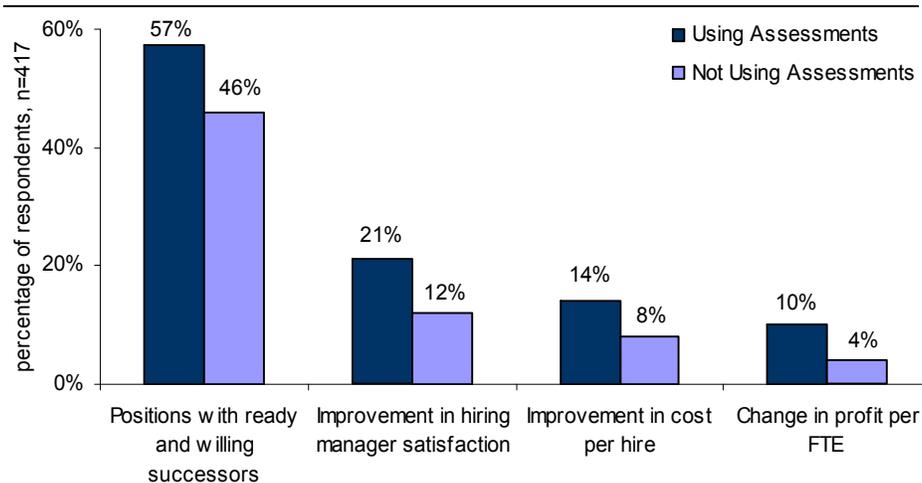
**Fast Facts**

- ✓ **63%** of organizations surveyed use some kind of employee or candidate assessments, of those organizations:
- ✓ **55%** use them both pre- and post hire
- ✓ **29%** use them only pre-hire
- ✓ **16%** use them only post-hire

**Assessments are Making a Difference**

No matter what type of assessments an organization is using, simply putting them in place can have a huge impact, not only on talent metrics like hiring manager satisfaction and bench strength, but also on cost and profitability (Figure 4).

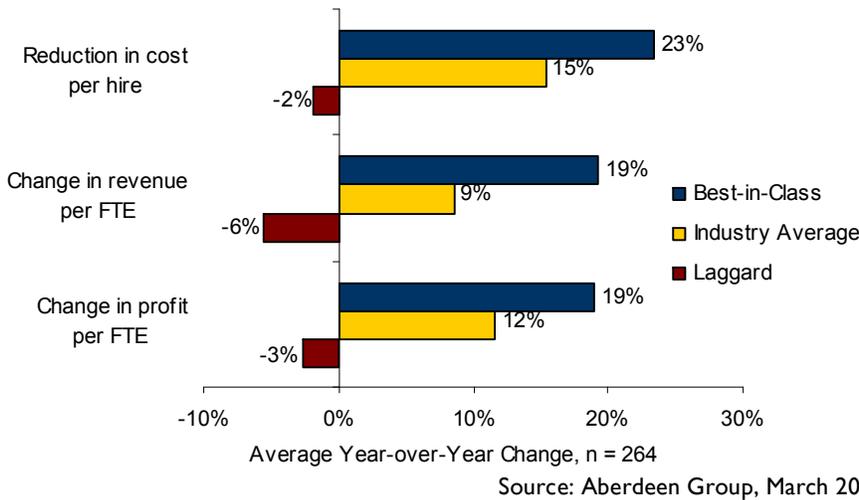
**Figure 4: Performance on Key Metrics**



Source: Aberdeen Group, March 2010

The case to be made for implementing assessments is a strong one based on these results alone. But it is important to note that not all assessments, nor all assessment efforts, are created equal. The capabilities put in place to support the use of assessments, interpret their output, and determine the types of assessments make a big difference. The organizations achieving the most from assessments efforts, those that have earned Aberdeen's Best-in-Class performance designation, are achieving even greater results (Figure 5). By taking assessment efforts to the next level by implementing the capabilities and enablers that characterize top performance, organizations can add significantly to the organizational impact and business metrics.

**Figure 5: Performance on Key Metrics by Best-in-Class**



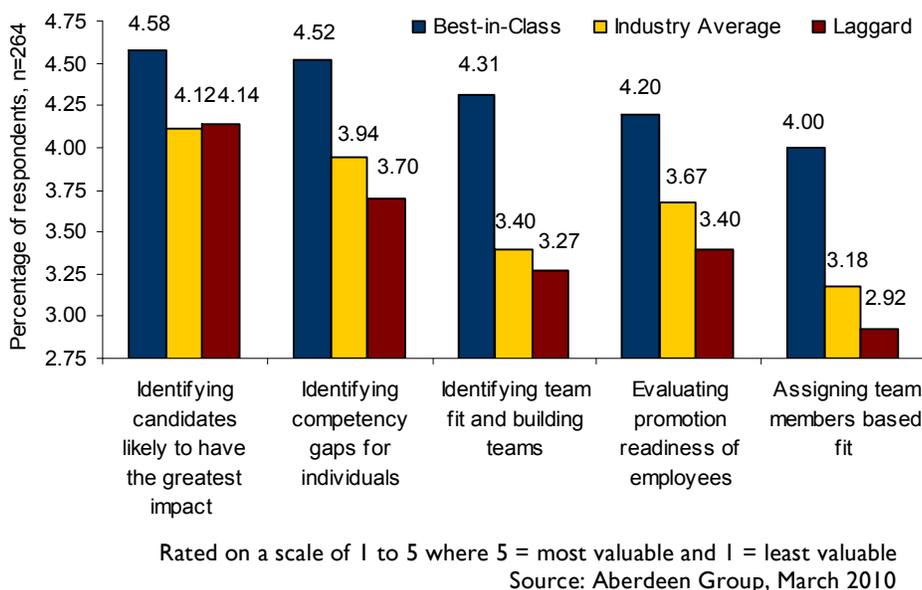
"Success is contingent on a true understanding of how to use the assessment results. If we don't fully understand what the results potentially indicate, it could be used inaccurately to make decisions, or provide false confidence in decision making because it is a 'test'."

~ Ross Selden, Manager of Global Talent Practices, Starkey Laboratories, Inc.

**Putting Assessments in the Right Context**

As mentioned, assessments have long been considered a tool used in hiring decisions, and they are increasingly being used to address challenges throughout the talent lifecycle. However, on a scale of how valuable various uses of assessments are, the only use rated higher than a "4" by non-Best-in-Class organizations related to the pre-hire. Certainly Best-in-Class organizations place a premium on the ability to find candidates most likely to impact the organization positively. However, these top-performing companies are far more likely to value the use of assessments for alignment and engagement purposes among current employees (Figure 6).

**Figure 6: Most Valuable Uses of Assessments**



And Best-in-Class organizations in particular are finding high value in using assessments to assemble teams that will work together effectively to drive a business impact. Assessing for fit, in the pre- and post-hire is important to drive performance. Competencies also show up again here, with the ability to identify, and eventually address, competency gaps as the second most valuable use. By understanding these gaps, and evaluating individual readiness, organizations are also finding value in using assessments in promotion decisions.

These uses all look at various aspects of an individual, and it's important to remember that different assessments have different purposes. Some evaluate for behaviors, some for working styles, some for skills. It is important to understand the context in which assessment results will be used when trying to determine which assessments should be used. One of the most predominant Best-in-Class capabilities, cited by 85% of Best-in-Class companies, is to ensure that employees understand how assessments will be used. Ensuring that the proper context is understood will help build trust and transparency into an assessments strategy. Assessments can only be beneficial if the organization trusts the results, and if users clearly understand what those results really mean. Assessments are just one input into better talent decisions, but used correctly and in the right context they are a powerful one.

Chapter Two of this report will look in more detail at how organizations are implementing assessments and the types of capabilities and technologies that are supporting these key strategies.

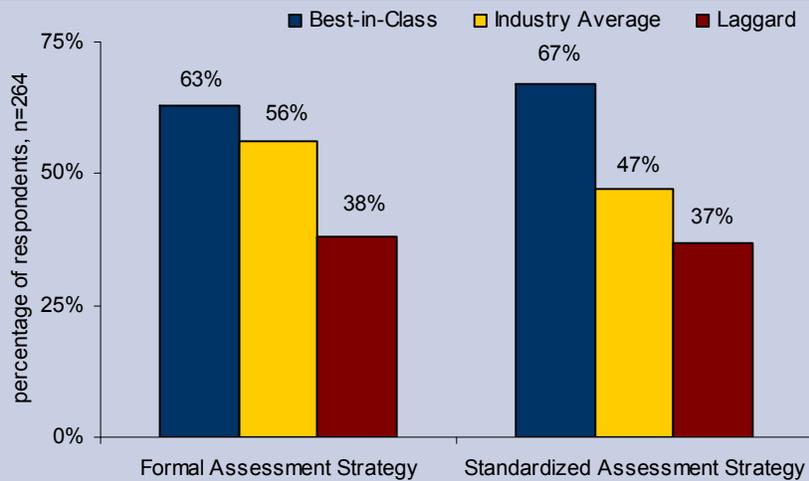
### **Aberdeen Insights — Strategy**

As organizations continue to expand the use of assessments to new populations and to achieve more organizational goals, it makes sense that they are formalizing assessment efforts. Over half (51%) of all organizations surveyed report that they have a formal employee assessment strategy with clear process definition, documentation of assessment results, stakeholder buy-in and accountability across the organization. In addition to formalizing assessment efforts, organizations are also standardizing these efforts, with 48% of all respondents indicating that all candidates / employees are evaluated regularly against a standard set of criteria or competencies across all job roles. The research also indicates that Best-in-Class companies are more likely than Industry Average and Laggard companies on both fronts (Figure 7).

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**Aberdeen Insights — Strategy**

**Figure 7: Formal and Standard Assessment Strategies**

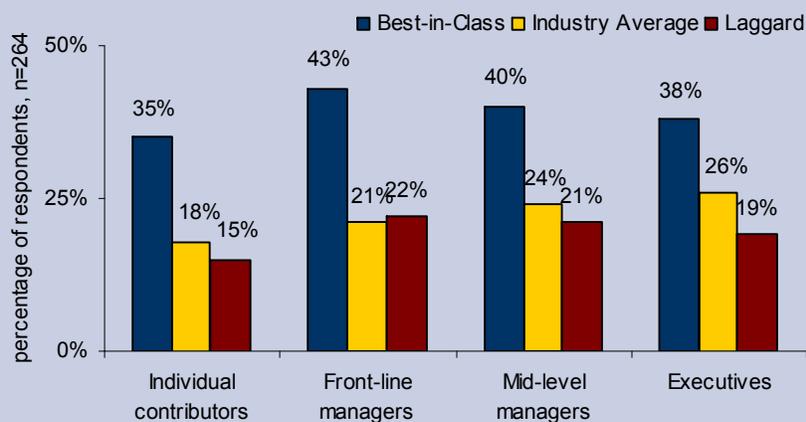


Source: Aberdeen Group, March 2010

Perhaps it should come as no surprise that organizations with both formal and standardized assessment strategies are twice as likely as all others (Industry Average and Laggard companies combined) to have achieved Aberdeen's Best-in-Class designation for this research. Indeed, ensuring that the purpose and process of employee assessment is consistent throughout the organization is an important performance differentiator.

Best-in-Class organizations are also more likely to assess individuals in both the pre-and post-hire across more job roles.

**Figure 8: Groups Assessed in Pre- and Post-hire**



Source: Aberdeen Group, March 2010

*continued*

### Aberdeen Insights — Strategy

This is consistent with Best-in-Class organization's focus on evaluating all employees consistently, and against a clear set of agreed-to criteria. This consistency is critical, both across job roles and across the talent life cycle. This chapter has expounded upon the importance of a defined competency model against which to assess, and Aberdeen's November 2009 research on [Competency Management](#) also showed the importance of consistent criteria across talent processes. In that research, companies with a consistency competency model used for talent acquisition, learning and development, performance management and succession planning were five times more likely than those without a consistent competency model to achieve Aberdeen's Best-in-Class designation.

## Chapter Two: Benchmarking Requirements for Success

Assessments can play a critical role in managing organizational risk by ensuring that the right people are hired, promoted and developed. And they can also improve the allocation of time and resources by identifying competency gaps, succession readiness and high-potential talent.

### Case Study — AREVA

With manufacturing facilities in 43 countries, and a sales network that spans more than 100 countries, AREVA is the world's largest supplier of nuclear energy products and services, as well as energy management and energy market systems. But even the most well-established and globally diverse companies face new ventures as they settle in new localities. This was the case for AREVA Resources Southern Africa (ARSA), with the establishment of a new South African and Namibian mining operation – a move that brought its own unique workforce hurdles and opportunities. By using a thorough assessment process in the pre- and post-hire stages, ARSA was able to build a cohesive and effective new workforce from both existing employees and local talent.

According to Lara Kenchington, Manager of Human Resources Development, “We wanted a balanced talent profile of high potential employees and consistent performers to contribute to the success of the organization.” This came down to recruitment. Because ARSA was essentially starting anew on a local scale, they needed, over a very short period of time, to fill critical positions within the organization, who not only had the right technical skills and abilities, but fit well with organization's culture. In order to execute on this goal, they developed an assessments strategy that started with the characterization of roles and drew upon AREVA's competency and values model – each role was given a grade that delineated its strategic importance to the organization, and each grade had its own set of competencies that were grounded in the business and served as predictors of future success. A set of online assessments was then incorporated to test each candidate against these competencies, including skills assessments, behavioral assessments, and more in-depth critical thinking and problem solving assessments. Once an employee completed this process, they would go through a series of interviews that aligned with the assessment report and linked to the same exact set of competencies. This allowed ARSA to determine discrepancies between a candidate's answers in both stages. What they found, by comparing employee performance results with recruitment process data, was that the assessments gave a much more accurate look at the individual than the interviews.

*continued*

### Fast Facts

- √ **89%** of Best-in-Class companies have clearly defined workforce core competencies (including skills, knowledge, and attributes) for all job roles, compared to just **48%** of all others
- √ **74%** of Best-in-Class organizations make sure that a qualified professional is available to interpret assessment results (either on staff, or through partnerships with solution providers), and are **37%** more likely than Laggards to do so

### Case Study — AREVA

Of course, this strategy extended beyond just the hiring of new employees. The company had to integrate previous employees who had already been working for ARSA and had been reassigned from their previous roles. This formed an ideal opportunity to re-evaluate their placement and career development. Employees underwent a unique assessment to identify areas of strength and areas of development and learning ability, the outcome assisted with the formulation of a development plan with the company. Meanwhile, potential employees were given a pre-hire assessment to inform proper placement and help with training and development. According to Kenchington, “By assessing potential employees up front, we were able to identify gaps between their competency makeup and their intended roles. This information allowed us to make the correct placement decisions and place successful candidates in development programs to prepare them to contribute at the required level.”

Thanks to their assessments strategy, ARSA was able to make placement and development decisions that had a tremendous impact in achieving successful launch of its South African and Namibian location. The visible performance improvements that followed helped these tools gain significant credibility throughout the greater organization. ARSA currently uses standard assessment methodology across both South Africa and Namibia, informed by a scientifically based assessment matrix, and hopes to extend these practices to other countries in the ARSA platform going forward, ensuring that assessment practices continuously support the people development process.

## Competitive Assessment

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories: (1) **process** (the approaches they take to execute daily operations); (2) **organization** (corporate focus and collaboration among stakeholders); (3) **knowledge management** (contextualizing data and exposing it to key stakeholders); (4) **technology** (the selection of the appropriate tools and the effective deployment of those tools); and (5) **performance management** (the ability of the organization to measure its results to improve its business). These characteristics (identified in Table 3) serve as a guideline for best practices, and correlate directly with Best-in-Class performance across the key metrics.

**Table 3: The Competitive Framework**

|                     | Best-in-Class   | Average   | Laggards  |
|---------------------|---|---|---|
| <b>Process</b>      | Clearly defined process to assess new employees within the first year of employment   |   |   |
|                     | 76%   | 39%   | 27%   |
|                     | Clearly defined process to assess employees who have been with the organization longer than one year  |   |   |
|                     | 70%   | 38%   | 35%   |
| <b>Organization</b> | Collaboration between HR and line of business management to ensure that assessment content truly addresses business needs   |   |   |
|                     | 81%   | 64%   | 68%   |
|                     | Qualified professional (e.g. specialist or psychologist) is available to interpret assessment results   |   |   |
|                     | 74%   | 68%   | 54%   |
| <b>Knowledge</b>    | Workforce core competencies (skills, knowledge, and attributes) for all job roles have been defined   |   |   |
|                     | 89%   | 57%   | 35%   |
| <b>Technology</b>   | Enablers used to support and execute assessments strategy   |   |   |
|                     | <ul style="list-style-type: none"> <li>▪ 78% Skill-based assessments</li> <li>▪ 74% Critical thinking / Cognitive ability assessments</li> <li>▪ 67% Multi-rater / 360-degree assessments</li> <li>▪ 56% Competency model libraries</li> <li>▪ 53% Competency gap analysis tools</li> </ul> | <ul style="list-style-type: none"> <li>▪ 66% Skill-based assessments</li> <li>▪ 66% Critical thinking / Cognitive ability assessments</li> <li>▪ 66% Multi-rater / 360-degree assessments</li> <li>▪ 47% Competency model libraries</li> <li>▪ 37% Competency gap analysis tools</li> </ul> | <ul style="list-style-type: none"> <li>▪ 47% Skill-based assessments</li> <li>▪ 63% Critical thinking / Cognitive ability assessments</li> <li>▪ 42% Multi-rater / 360-degree assessments</li> <li>▪ 21% Competency model libraries</li> <li>▪ 17% Competency gap analysis tools</li> </ul> |
|                     | Business pain-points that assessments aim to address are identified   |   |   |
|                     | 69%   | 40%   | 37%   |
| <b>Performance</b>  | Impact of assessments on business metrics is reviewed at least annually   |   |   |
|                     | 63%   | 44%   | 38%   |
|                     |   |   |   |

Source: Aberdeen Group, March 2010

## Capabilities and Enablers

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Based on the findings of the Competitive Framework and interviews with end users, Aberdeen's analysis of the Best-in-Class indicates that getting the most out of assessment efforts requires organizations to collaborate with all key stakeholders and establish a consistent assessment process. Ensuring that everyone understands who is assessed, how they are assessed, how assessment results should be used, and how they can impact performance, are critical steps to assessment success.

### Process

When it comes to achieving success with assessment efforts, clarity and consistency are key. Best-in-Class companies are nearly three times as likely as Laggards to have a clear process to assess new employees during their first year, and twice as likely to assess employees who have been with the company longer than 12 months. One reason this is so important is that previous Aberdeen research on *Onboarding* has indicated that agreeing to performance expectations and development plans as part of the onboarding process is one of the top two most valuable activities to engage new hires. Assessments can play an important role in determining any competency gaps to be address via development plans, and can help establish a baseline of performance to be used in goal setting. Once an employee joins the organization, top performing companies know that the use of assessments is just beginning. Ongoing evaluation against performance criteria can be a compass for both individuals and their managers in guiding talent decisions.

### Organization

In order to execute on the strategy of ensuring alignment between the workforce and business needs, organizations must collaborate around an assessment strategy. This is reflected by the fact that 89% of Best-in-Class companies indicate support and buy-in for assessments from senior executives and organizational leadership. But when you look at taking that a step further and uncover the capabilities that truly differentiate Best-in-Class performers, we see the need to contextualize the use of assessments within the business. Unless the organization is clear on what pain points they hope to address with an assessment strategy, picking the right assessment solution is difficult. And this is supported by the fact that 81% of Best-in-Class companies indicate collaboration between HR and the line of business in order to identify business needs that can be impacted by assessments.

In addition, Best-in-Class organizations also see value in ensuring that qualified personnel are available to help interpret the results of assessments properly within the organization. Getting a numerical rating or a category classification as a result of an assessment has no meaning. Only when that result is viewed through the lens of what the organization's needs are, the types of skills or behaviors that support organizational goals and culture, or the needs and working style of a particular team are assessment results truly valuable. Nearly three quarters of Best-in-Class organizations make sure that people who can help provide this sort of interpretation and context are

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

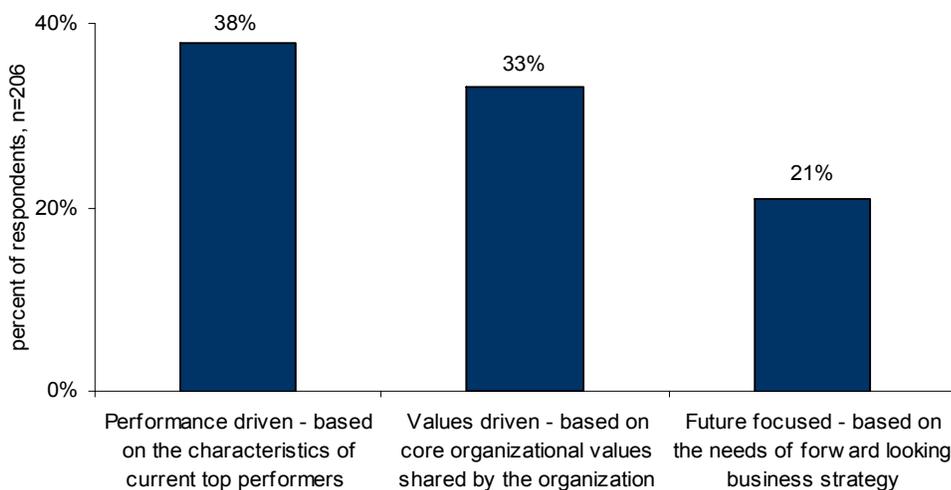
~ Lara Kenchington, Manager,  
HR Development /  
Organizational Development,  
Areva Resources, Southern  
Africa

available (either on staff, our through partnerships with solution providers), and are 37% more likely than Laggards to do so.

### Knowledge Management

The ability for a company to have in place defined competencies for all job roles shows up again and again as a key Best-in-Class differentiator across myriad Aberdeen human capital management research reports. For without an understanding of what competencies a business requires, what basis is there for the use of an assessment? Nearly nine in 10 (89%) of Best-in-Class companies indicate that they have clearly defined workforce core competencies (including skills, knowledge, and attributes) for all job roles, compared to just 48% of all others. When it comes to actually defining competencies, previous Aberdeen research on [Competency Management](#) identified three top sources for definitions.

**Figure 9: Top Sources of Competency Definitions**



Source: Aberdeen Group, November 2009

In addition to defining workforce competencies in general, Best-in-Class organizations have also defined competencies specific to career paths. Sixty-three percent (63%) of Best-in-Class companies have this capability in place, and are three and a half times more likely to do so than Laggards. As noted in Chapter One, one of the most valuable uses of assessments identified was to evaluate promotion readiness. Without a clear picture of what the next step on a career ladder looks like, these readiness decisions become much more difficult, and are more likely to be based on the wrong criteria.

### Assessment Tools and Technology

Best-in-Class companies are using a wide variety of assessment types, including skill-based, behavioral-based, critical thinking, and multi-rater. These top performing companies are looking to get a more comprehensive and multi-faceted picture of an individual to base talent decisions. And they

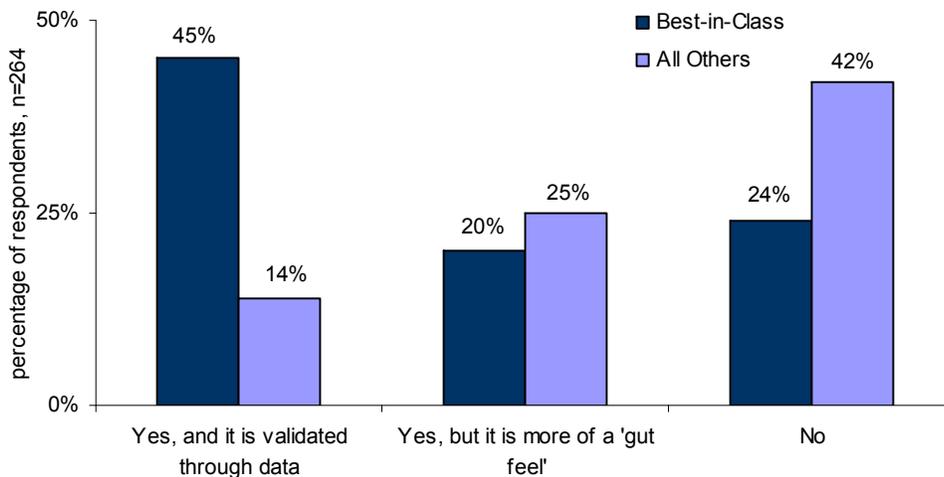
are bringing these multiple views into a single comprehensive picture in a role-based or "whole person" approach. The majority of all organizations (61%) utilizing two or more assessment types indicate that they bundle assessments to create a single score or rating in this way.

The other tools most widely adopted again focus on competencies - competency model libraries and gap analysis tools. The use of tools and / or services that help define competency frameworks and help evaluate against those definitions can be an effective and less labor-intensive approach to establishing this critical component of assessment success. In addition, gap analysis is one of the biggest benefits of establishing a competency framework and assessment strategy overall. By defining success criteria and identifying where there are gaps within the organization, companies can put action plans in place to bridge those gaps either through development or through the acquisition of employees with those critical skills, capabilities and knowledge.

### Performance Management

Just as organizations must define employee success criteria in the form of competencies to be assessed against, so too must they define success criteria for assessment efforts overall. Top performing organizations define the business metrics that assessment strategies aim to address, and they also review them more frequently. Best-in-Class companies are 66% more likely to review the impact of assessment efforts on business metrics at least annually. And, in those reviews, as Figure 10 shows, they are significantly more likely to validate that impact with data.

**Figure 10: Measuring the Impact of Assessments on the Business**



"It's important to have a clear understanding of business needs and accurate job analyses."

~ Adrian Lewis  
Manager, Talent Systems  
Tiffany & Co.

Source: Aberdeen Group, March 2010

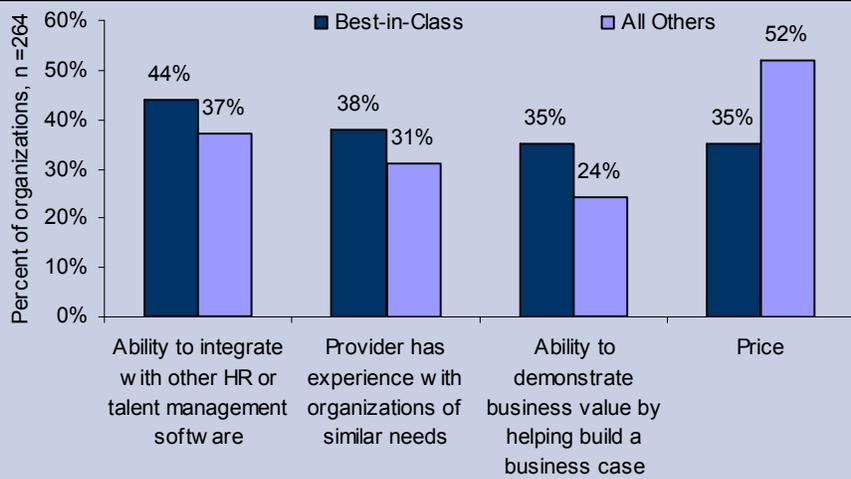
As organizations face ever increasing scrutiny to prove the value of every single activity, being able to validate, through data, the positive business impact of assessment efforts is critical to continued success. Not

surprisingly, survey respondents in the line of business (i.e. not in HR or talent management function) that can validate the impact of assessments are 38% more likely to be satisfied with assessments strategy than others that cannot validate that impact - 88% versus 64%.

### Aberdeen Insights — Technology

Whereas organizations that are not the Best-in-Class place the highest value on price, the Best-in-Class do place the highest value on integration. 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. 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.

**Figure 11: Solution Selection Criteria**



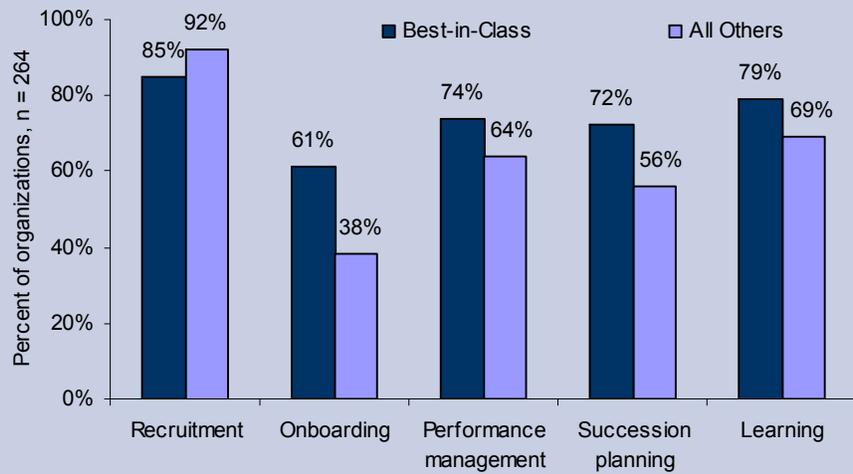
Source: Aberdeen Group, March 2010

Integrating assessments into other elements of talent management is another key to success. Especially on the post-hire side, Best-in-Class organizations are more likely to integrate assessments data with onboarding, performance management, succession, learning and development. In fact organizations that integrate assessments data with all five elements (Figure 12) are nearly three times as likely to achieve Best-in-Class performance as those that do not integrate with any.

*continued*

**Aberdeen Insights — Technology**

**Figure 12: Integration with Talent Management Elements**



Source: Aberdeen Group, March 2010

## Chapter Three: Required Actions

Whether a company is trying to move its performance in the use of assessments from Laggard to Industry Average, or Industry Average to Best-in-Class, the following actions will help spur the necessary performance improvements:

### Laggard Steps to Success

- **Build a competency framework.** Only 35% of Laggard organizations have defined a core competency framework (skills, knowledge, and attributes) for all job roles - compared to 89% of the Best-in-Class. A key strength of assessments are their ability to be a tool that is used to identify the gap between the current competencies of the individual (candidate or employee) and those required to succeed in a certain role. The lack of a framework against which the organization can assess individuals hinders its capability to make truly informed selection, placement and promotion decisions.
- **Obtain stakeholder buy-in.** Best-in-Class organizations are 22% more likely than Laggards to have *executive leadership support* and *buy-in from frontline and midlevel managers* for assessments strategy. Laggard organizations must start with executive support for the strategy, buy-in from midlevel and frontline managers for the process and the intended use of assessments, and ultimately employee buy-in into these initiatives will be secured. When it comes to any talent management initiatives, establishing metrics that address pain points at the highest level of the organization and providing visibility to the individual contributors helps ensure that these programs are executed prolifically and effectively. Lastly, when this support is gained, collaboration between HR and line of business will become much more facile, and performance management metrics for the initiatives will be more relevant to the business - a critical step for establishing a business case.
- **Utilize skill-based assessments.** Less than half of Laggard organizations (47%) currently utilize skill-based assessments. In order to effectively develop employees through learning, organizations must determine the existing skill profile of an individual. Skill-based assessments help define the profile of the individual and, in turn, allow the organization to prescribe more targeted learning. Currently, 78% of Best-in-Class organizations utilize skill-based assessments and most of those (85%) extend this capability a step further by tailoring these assessments to specific job roles.

### Fast Facts

- √ **78%** of Best-in-Class organizations utilize skill-based assessments and **85%** of those that do extend this capability a step further by tailoring these assessments to specific job roles

## Industry Average Steps to Success

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- **Clearly define a process to assess new employees within the first year of employment and beyond.** Best-in-Class organizations are twice as likely as Industry Average organizations to have this capability in place. In the first year on the job, it is crucial to assess employees at specific intervals to ensure alignment with competency development plans. Subsequently, this increases new hire engagement in the onboarding period and improves time-to-productivity. Moreover, only 38% of Industry Average companies have defined a process to assess employees beyond the first year. This is critical for promotions and monitoring career progression. Ultimately, the key is to continuously make objective and educated decisions at any point in the talent lifecycle.
- **Identify the business challenges and define metrics against which the impact of assessments is measured.** Only 40% of Industry Average organizations have clearly identified and assigned metrics to the business pain points they aim to address via assessments - compared to 69% of the Best-in-Class. In a time when everyone is scrutinizing budgets and spending, identifying areas where performance suffers is vital to build a business case. For those organizations that already have assessments in place, knowing where weaknesses lie enables them to define the metrics they must measure to determine the success of the initiative and improve it where necessary. An organization must be able to define quantifiable performance indicators against which assessment strategies are evaluated. This enables them to determine the true effectiveness by setting a baseline of key performance indicators to track after employee / candidate assessments are implemented.
- **Regularly measure the impact of assessments.** From quality of hire and recruitment costs to retention and productivity, Best-in-Class organizations are 43% more likely than the Industry Average to have a formal process to measure the metrics they assigned to assessment initiatives at least annually. This helps improve the content and alignment of assessments to overall business objectives. It also enables Best-in-Class organizations to ensure that other elements of the talent lifecycle are truly benefiting from the use of assessments. Ultimately, this helps build and solidify a business case for such initiatives.

"A good change management and project management process methodology is needed in rolling out a successful assessments strategy."

~ Joan Donner, HR Manager -  
Performance & Growth,  
Harley-Davidson Motor  
Company

## Best-in-Class Steps to Success

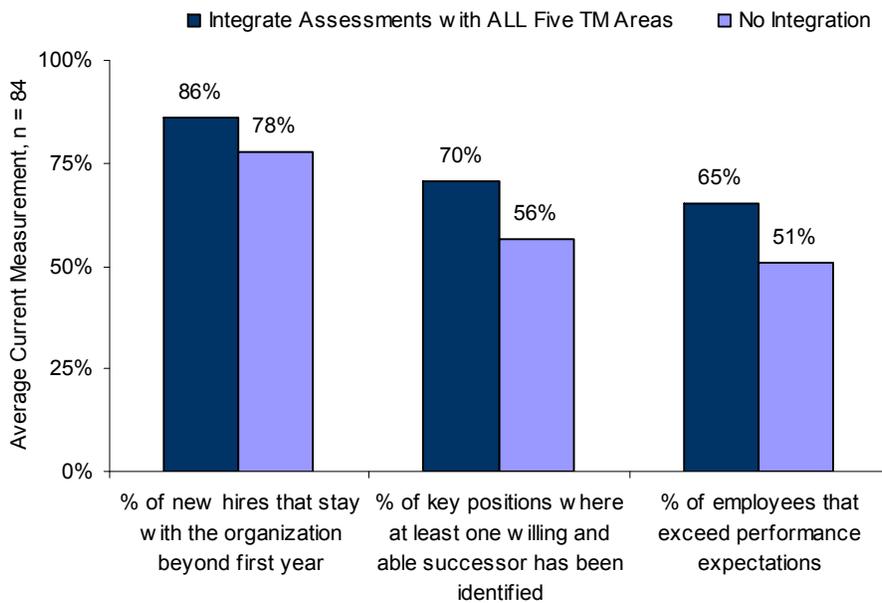
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- **Tie assessment results to candidate sources.** Eighty-six percent (86%) of Best-in-Class organizations currently use assessments pre-hire to make better recruiting decisions, and 80% use them to improve post-hire decisions. However, only 55% currently tie the results to candidate sources. Especially when assessment data is used to identify high-performers and high-potential candidates, it is critical to have visibility into the source of

these valuable employees. This will help organizations focus on the right recruitment channels and allocate budget and resources away from the sources of poor candidates.

- **Integrate assessments data with the entire talent lifecycle.** In the 2009 study, *Assessments in Talent Management*, and again in this study (Figure 4), Aberdeen's research established that using assessments enables organizations to achieve tremendous performance gains across several critical indicators. Nonetheless, only 30% of Best-in-Class organizations integrate assessments with *all* five elements of talent management highlighted in Figure 11 of Chapter Two (recruitment, onboarding, performance management, succession, and learning). Integration not only streamlines workflows - from a system standpoint, but it also ensures that the data is used in all talent decisions. The ability to link these scores to development programs, succession path, variable compensation, output and productivity empowers decision makers to make defensible choices (legally or otherwise) when it comes to reducing risk and sustaining growth, continuity and longevity.

**Figure 13: Impact of Integration on Key Metrics**



Source: Aberdeen Group, March 2010

### Aberdeen Insights — Summary

Over the past two years, Aberdeen has surveyed and interviewed more than 700 organizations about the use of assessments. The data has shown the importance of assessments and provided a strong basis to recommend their adoption to any organization. However, when considering a solution, organizations must customize assessments to fit their specific business needs and integrate assessments with other talent management systems and data. Start by working with the business stakeholders to identify operational challenges and collaborate on defining metrics and pain-points that assessment initiatives will address. Once these metrics are established, define a competency framework that encompasses all job roles to successfully gauge against. Lastly, monitor the impact of these initiatives on the organization by tracking the metrics that have been agreed to by the business to continuously improve the process and update the content. This will create the alignment necessary for the individual to execute company strategy and achieve its business objectives.

## Appendix A: Research Methodology

In February and March of 2010, Aberdeen examined the use, the experiences, and the intentions of more than 400 organizations regarding their assessment initiatives. The analysis focused on those that are currently using assessments pre- and/or post-hire.

Aberdeen supplemented this online survey effort with interviews with select survey respondents, gathering additional information on their strategies, experiences, and results.

Responding enterprises included the following:

- **Job title / function:** The research sample included respondents with the following job titles: senior management (CEO, COO, CFO, CIO, CTO, president) (14%); vice president (VP, SVP, EVP, Partner, Managing Director) (15%); director (17%); manager (28%); others (26%). In terms of functions in their respective organization, the majority of respondents (64%) were in human resources (including recruiting, talent management, training and organizational development). Other functional areas and line of business managers constituted 36% of the sample.
- **Industry:** The research sample included respondents from a variety of industries. Telecom, hi-tech and IT (including software, hardware and services) combined for 15%. Insurance, finance and banking represented 11%, government and education (11%), health and medical service and devices (6%), and retail, wholesale and hospitality (5%).
- **Geography:** The majority of respondents (75%) were from North America. Remaining respondents were from Europe (10%), Asia-Pacific (10%), Middle East / Africa (4%), and Latin America (1%).
- **Company size:** Twenty-seven percent (27%) of respondents were from large enterprises (annual revenues above US\$1 billion); 34% were from mid-sized enterprises (annual revenues between \$50 million and \$1 billion); 39% were from small businesses (annual revenues less than \$50 million).
- **Headcount:** Thirty-nine percent (39%) of respondents had over 2500 employees; 11% had between 1000 and 2500 employees; 17% had between 250 and 1000 employees; 33% of respondents came from companies with less than 250 employees.

### Study Focus

Responding HR and line of business executives completed an online survey that included questions designed to determine the following:

- √ The impact of assessments, if any, on key talent management metrics
- √ The processes and internal capabilities that enable Best-in-Class maximize gains
- √ The types of assessments that are being used to screen candidates and assess current employees

The study aimed to identify emerging best practices for conducting assessments in the pre- and post-hire stages.

**Table 4: The PACE Framework Key**

| Overview   |
|--|
| <p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p><b>Pressures</b> — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p><b>Actions</b> — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p><b>Capabilities</b> — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p><b>Enablers</b> — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p> |

Source: Aberdeen Group, March 2010

**Table 5: The Competitive Framework Key**

| Overview   |   |
|--|---|
| <p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p><b>Best-in-Class (20%)</b> — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p><b>Industry Average (50%)</b> — Practices that represent the average or norm, and result in average industry performance.</p> <p><b>Laggards (30%)</b> — Practices that are significantly behind the average of the industry, and result in below average performance.</p> | <p>In the following categories:</p> <p><b>Process</b> — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p><b>Organization</b> — How is your company currently organized to manage and optimize this particular process?</p> <p><b>Knowledge</b> — What visibility do you have into key data and intelligence required to manage this process?</p> <p><b>Technology</b> — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p><b>Performance</b> — What do you measure? How frequently? What’s your actual performance?</p> |

Source: Aberdeen Group, March 2010

**Table 6: The Relationship Between PACE and the Competitive Framework**

| PACE and the Competitive Framework – How They Interact   |
|--|
| <p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p> |

Source: Aberdeen Group, March 2010

## Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [\*Onboarding: The First Line of Engagement\*](#), February 2010
- [\*Integrated Talent Management\*](#), December 2009
- [\*Competency Management\*](#), November 2009
- [\*Talent Acquisition Strategies 2010\*](#), August 2009
- [\*Employee Performance Management\*](#), June 2009
- [\*Assessments in Talent Management\*](#), March 2009
- [\*Economic Outlook 2010\*](#), December 2009

Information on these and any other Aberdeen publications can be found at [www.aberdeen.com](http://www.aberdeen.com).

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