PRE-HIRE ASSESSMENTS: AN ASSET FOR HR IN THE AGE OF THE CANDIDATE

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Report Highlights

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Best-in-Class adoption of pre-hire assessments has increased by 13% since 2014.

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Best-in-Class companies are 2.1X as likely as All Others to have definitions for success of top performers.

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Businesses that use pre-hire assessments are 36% more likely than All Others to be satisfied with their new hires.

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The Best-in-Class are 2X as likely to provide hiring managers with insights into whether candidates are good cultural fits for jobs or not.

Smart organizations are consistently looking for ways to determine just how effective and capable candidates can be in the workplace. Sure, these candidates have said they can solve this algorithm or resolve that customer problem, but how do they stack up with internal success standards? That's why pre-hire assessments are valuable — they provide extensive insights into candidates' skill sets, pain points, ideal working environments, and more. Such information can then be used to make more informed hiring decisions that can be a game changer for the future success of any company.

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When used effectively, pre-hire assessments can have a major impact on key performance indicators, such as cost to– and time per– hire, hiring manager satisfaction, employee retention, performance, and engagement.

Reality check: it's a job seeker's market, and companies, HR departments, and their recruiters are floundering in it. Per Aberdeen's *Hiring Success Management: Moving Beyond the ATS* (April, 2015), 79% of companies indicate that there's a shortage of critical talent available in the labor pool these days. So even after companies do find their ideal candidates, it's more important than ever to be sure that said applicants are the best fit possible. After all, the combined costs of recruiting, hiring, and onboarding are too high to risk making poor hiring choices and having to pay that much more for replacements. In fact, the Society for Human Resources Management (SHRM) estimates that it can cost up to five times a bad hire's annual salary to replace one. That's a major reason why companies have sought out the assistance of technologies and services to make more educated hiring decisions.

When used effectively, these tools can have a positive impact on major key performance indicators, such as cost to– and time per– hire, as well as hiring manager satisfaction, and employee retention, performance, and engagement. Such methods are intended to elicit greater candidate engagement and include: video recruitment, mobile connectivity for recruiters and candidates, a stronger social media presence, career portals, and more. They're helpful for understanding candidates' interests, backgrounds, and oratory skills, but they often don't dig deep enough. Smart businesses don't just want to determine candidates' capabilities; they also want to understand their value sets and their perspectives on an ideal company culture.

That's where pre-hire assessments can lend a huge hand — they enable employers to better grasp applicants' strengths, weaknesses, personal and professional perspectives, and other areas of specialization. Top-performing companies increasingly grasp how valuable pre-hire assessments are for making more

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informed hiring decisions; in fact, Best-in-Class (see sidebar for definition) adoption of such technologies has increased by 13% since 2014 (71% vs. 63%) (Figure 1).

Figure 1: Pre-Hire Assessments are the Bees Knees and Best-in-Class Know It, Too

n=246
Source: Aberdeen Group, May 2015

Moreover, Best-in-Class organizations are 45% more likely (71% vs. 49%) than All Others to use pre-hire assessments as part of the hiring process. Companies across the board, though, are tired of just relying on gut feel and interview feedback to make routine *and* crucial hiring decisions. They want reputable data to pair with their usual means of gauging candidates.

What's In It for Us?

When implemented appropriately and effectively, pre-hire assessments provide relevant, objective data about would-be employees' skill sets and mental capabilities. But when such information is integrated with more traditional interview tactics, companies can feel that much more comfortable about whom they hire. As more and more information continues to reveal

In Aberdeen's April 2014 report, *Assessments 2014: Consistency is Key*, the following key performance indicators (KPIs) 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:

- 79% of employees received rating of "exceeds expectations" on last performance review.
- 79% of key positions have at least one willing and able successor identified.
- 15% year-over-year improvement in hiring manager satisfaction.

Best-in-Class organizations are 45% more likely than All Others to use pre-hire assessments as part of the hiring process.

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Best-in-Class companies are 95% more likely than All Others to have a consistent competency model used for hiring.

itself about the value-add of pre-hire assessments, organizations have realized that the science behind today's pre-hire assessments yields better results for hiring quality employees and retaining them than ever before. In fact, per _Assessments 2014: Consistency is Key_ (April, 2014), Best-in-Class companies are 95% more likely (68% vs. 40%) than All Others to have a consistent competency model used for hiring. Now, such companies include these assessments in the talent acquisition process. As discussed earlier, companies who have implemented such resources have seen terrific returns on investment (Figure 2).

Figure 2: Pre-Hire Assessments Give You Your Money's Worth and Then Some
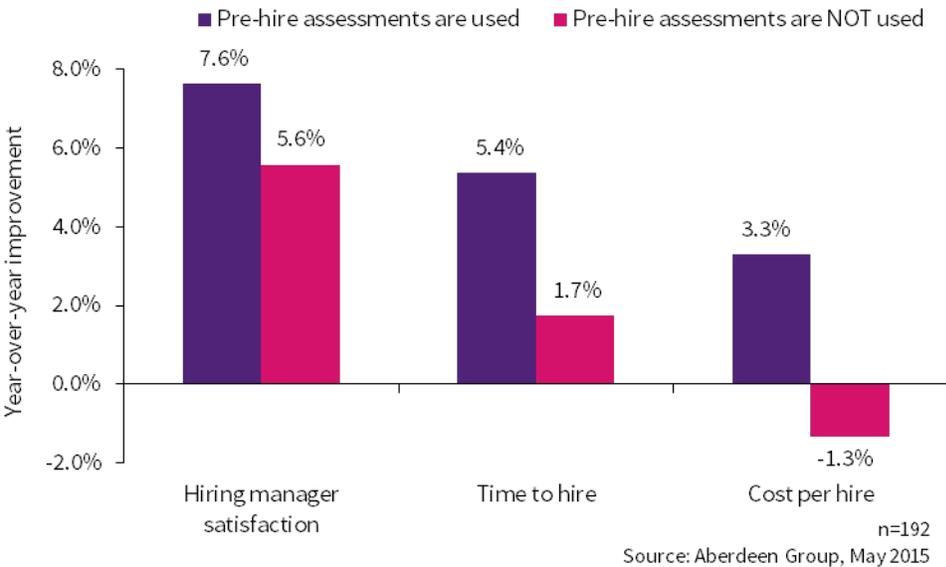
Not only do companies see a higher year-over-year improvement in the two more traditional recruitment-centric key performance indicators of time to hire and cost per hire when pre-hire assessments are used, but hiring managers are 36% more likely (7.6% vs. 5.6%) to be satisfied with their new hires when such resources are employed in the talent acquisition process. That's

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a huge win for companies, whether small or large, who need to be increasingly sure that they're making offers to and hiring the most applicable candidates. With digestible, applicable big data at the helm, businesses are making more educated decisions than ever before. The reality is that while companies want more specific, calculable insights about internal operations and business performance, they're not happy with just that. They want insight about other relevant operations. They want greater understanding about the success of their talent acquisition processes and their potential employees, especially before they make an offer.

Performance is Always Top of Mind

Like it or not, hiring is one of the most important aspects that leads to the success or failure of any business. While hiring isn't necessarily cut and dry, it often comes down to whether you hire a great fit and watch her aid the company's overall endeavors, or you hire a bad fit and watch her miss the mark and thereby lose out on a golden opportunity. Naturally, companies want the former, but they often don't want it to come at a ridiculous cost, either in spend or time. This reveals a major hiccup in contemporary talent acquisition, and, vis-à-vis, business growth in general. That's why it's more helpful than ever to define the success profiles of top-performing current employees to make the recruitment and hiring processes easier. In fact, per *Assessments 2014: Consistency is Key*, Best-in-Class companies are 2.1 times more likely (72% vs. 34%) than All Others to create success profiles of top performers. In doing so, such companies can more clearly explain, both externally and internally, exactly what they're looking for and how such individuals can fit within the organization overall.

Companies want to hire efficiently so new employees can start contributing to the bottom line as soon as possible. But that

Best-in-Class companies are 2.1 times more likely than All Others to have definitions for success of top performers.

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often means rushing a process that should be refined, structured, and clear to all parties involved. And yet, companies continue to push HR and recruiters to hire as quickly as possible; often discrediting or devaluing the effectiveness of assessing candidates before they can even become employees. That's why it's important to have a clear idea about how such tools have an impact on the quality of hire. Per Figure 3 below, companies that correlate pre-hire assessments with ongoing employee performance results are 24% more likely (56% vs. 45%) than everyone else to have a greater percentage of employees who exceed performance expectations.

Companies that correlate pre-hire assessments with ongoing employee performance results are 24% more likely than everyone else to have a greater percent of employees who exceed performance expectations.

Figure 3: Understanding the Correlation between Pre-hire Assessments and Employee Performance

■ Pre-hire assessment results ARE correlated with ongoing employee performance results
■ All Others
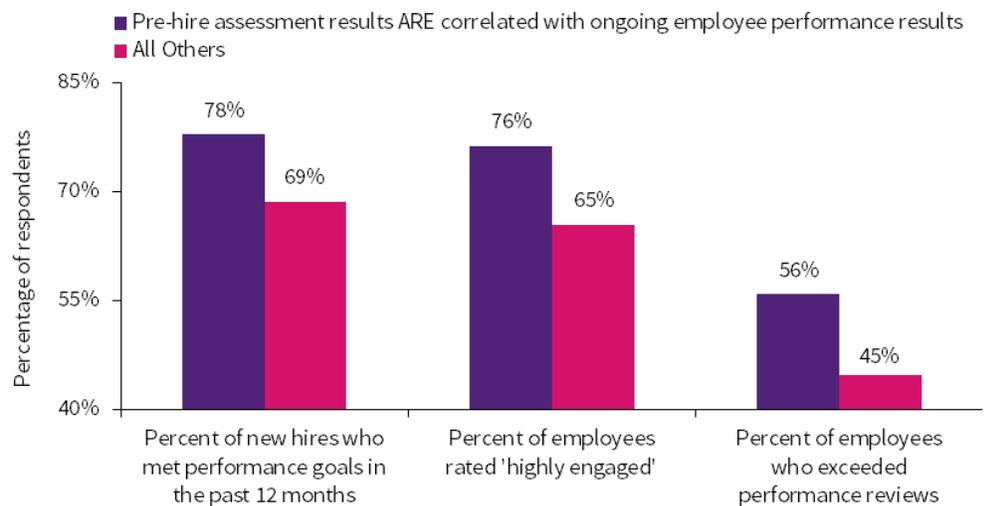
n=254
Source: Aberdeen Group, May 2015

A strong link between employee performance and assessment results is a consistent goal amongst companies trying to evaluate their success. Companies need to look no further than here if they are looking for a strong return on investment from the implementation of pre-hire assessments. While such technologies might not predict every facet of an employee's

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tenure with a company, it certainly is an improvement over making hiring decisions based on interviews, references, resumes, and/or gut feel– together or separately.

Moreover, businesses that screen candidates with such a technology are 13% more likely (78% vs. 69%) than anyone else to have new hires who meet performance goals over the past 12 months. In addition, these same businesses are 17% more likely (76% vs. 65%) to have employees who rate themselves as highly engaged. With such strong correlations at the forefront, HR departments can comfortably commit to implementing pre-hire assessments— both in terms of monetary investment as well as helping to ensure they identify higher quality candidates.

After all, one of the most helpful aspects of pre-hire assessments is how they empower HR, hiring managers, and businesses overall, to select the very best fits for themselves, not just for the candidates. In this era with such a shortage of critical skills, it's more important than ever for organizations to hire top-notch performers. But these future employees don't necessarily have to be current high performers (although it certainly helps). With the increasing power and availability of employee learning and development, companies don't have to rush the maturation of employees in order to fill bigger shoes. In fact, per Aberdeen's _Translating High Potential into High Performance_ (April, 2014), businesses indicate it usually takes 18 months to develop an individual contributor into a frontline leader, and 29 months to develop a high-potential mid-level manager into a "ready-now" senior leader. The best candidates are the ones who demonstrate that they have the capability and wherewithal to excel in the future. Such candidates can often be the difference makers between flourishing and failure.

Top-performing companies understand how important that is and have invested in the appropriate methodologies

> **Businesses that correlate pre-hire assessments with ongoing employee performance results are 17% more likely to have employees who rate themselves as highly engaged.**

Best-in-Class companies are 49% more likely than All Others to have a process in place to identify high-potential talent.

accordingly. In fact, per Aberdeen's _Human Capital Trends (2015) - The Age of Transparency is Upon Us_ (April, 2015), Best-in-Class companies are 49% more likely (59% vs. 39%) than All Others to have a process in place to identify high-potential talent. The ability to understand what candidates are capable of is extremely helpful to determining their zeal and their ceiling, no matter if such candidates will be individual contributors or C-level executives. In addition, per _Getting the Most of Your Pre-hire Assessments_ (May, 2014), the use of such evaluations also results in a 39% (11% vs. 18%) lower turnover rate among high-potential talent. Ultimately, businesses want greater insights to make the most effective, company– and team–appropriate hiring decisions; however, not every single kind of pre-hire assessment will provide that information.

So Many Tools, Too Little Time

There is a vast world of pre-hire assessments, and each one is valuable in its own way. Companies can use them to identify what specifically they want and need from candidates for particular roles. They can hone in on intricacies, whether that is required skill sets, backgrounds, cultural fit, cognitive ability, and more. What's more, each one can be useful in various stages of the talent acquisition process, from initial screening, to interview selection, to interview guidance, to aiding with the final hiring decision. Some are more helpful than others for specific parts of the process and businesses overall can learn from top-performing companies about which are most helpful for which stages. Accordingly, Table 1 below exhibits Best-in-Class companies' usage of particular assessment types during the talent acquisition process.

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Table 1: How the Best-in-Class Implement Pre-hire Assessments

Assessment type	Screening candidates	Interview selection	Interview guidance	Final hiring decision
Skills / knowledge	**34%**	**38%**	13%	4%
Personality	24%	28%	**33%**	9%
Cultural fit assessments	21%	**38%**	15%	**13%**
Job-fit assessments	32%	28%	19%	9%
Cognitive ability / critical thinking	26%	23%	32%	9%
Situational judgments	26%	15%	32%	6%
Job simulations	15%	15%	24%	9%
Assessment centers	13%	15%	22%	**15%**

n=254; Source: Aberdeen Group, May 2015

As depicted above, the most valuable pre-hire assessment type overall is cultural fit. Top-performing businesses want to understand whether candidates will fit into their company's environment. If they're not cultural fits, it's not necessarily a deal breaker, especially considering it's a job seeker's market. But such insight can help companies figure out if they need to be asking additional questions about specific candidates or if they should be exploring other candidates altogether. In addition, sometimes companies get so stuck on the job descriptions, and how they paint particular positions, that they can unintentionally discourage would-be quality, good cultural fits with the wrong kind of language or information. While cultural fit is certainly important to determining whether candidates will be comfortable or not, skills and knowledge pre-hire assessments are clearly the most helpful at the beginning part of the talent

acquisition process. They provide specific insights into just how capable candidates could be in particular roles, and they can be implemented easily at the onset of any relationship without diving too deep.

With the Right Guidance, Hiring Managers Will Flock to Assessments

While these types of assessments empower recruiters to make quicker, more effective initial decisions about candidates, it's also important to support hiring managers. As shown above, 33% of Best-in-Class companies use personality assessments to aid with the interview process. Insights into an applicant's disposition, such as their preferred working style, the conditions in which they perform the best, and how they interact with colleagues, can allow hiring managers to determine what to– and not to– ask in interviews.

Furthermore, hiring manager satisfaction is extremely important for the overall talent acquisition process, which is often times why companies seek out the assistance of such evaluations. As mentioned above, businesses that use pre-hire assessments are 36% more likely than All Others to be satisfied with their new hires. Their satisfaction can often translate into greater value for both parties, since it's great to have engaged, high-performing employees, and for the company overall, employee engagement translates notably into lower costs, lower turnover, and higher profit per employee.

But sometimes implementation can come at a cost, especially when hiring managers feel as though their expertise and preferences are being overruled by the suggestions and/or outcomes of assessments. A healthy balance between their expertise and the results of the evaluations is a necessity. What's more, it would behoove any company thinking to implement

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assessments to fully demonstrate to hiring managers how helpful the tools are for finding, interviewing, and hiring the very best, most applicable applicants. Therein, Best-in-Class companies are more than twice as likely (55% vs. 27%) as All Others to provide hiring managers with insights into whether candidates are good cultural fits for jobs. After all, the results of effective assessment implementations can speak volumes about the importance of getting it right (Figure 4).

Figure 4: Top Businesses Support Hiring Managers with a Variety of Pre-hire Assessments

n=254
Source: Aberdeen Group, May 2015
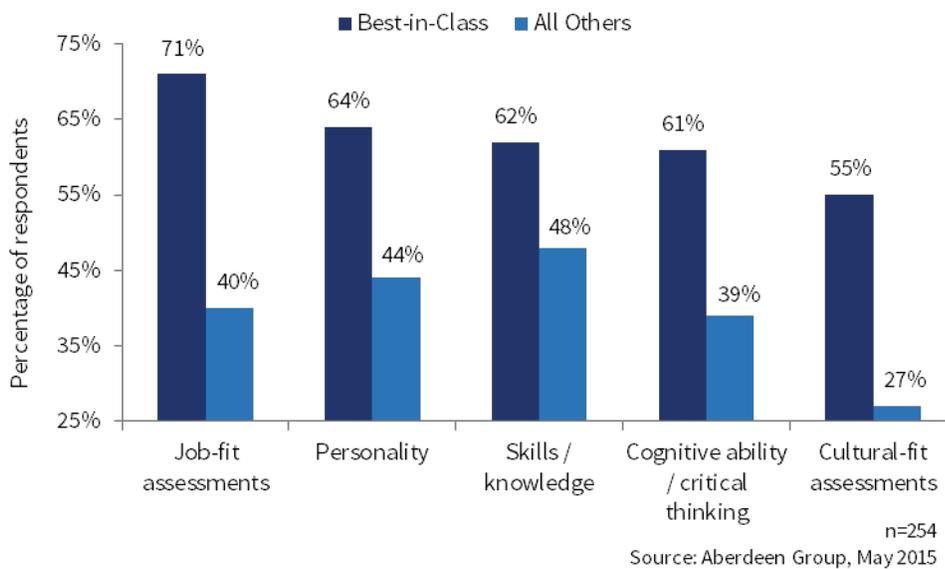
Best-in-Class companies are twice as likely as All Others to provide hiring managers with insights into whether candidates are good cultural fits for jobs.

With an effective implementation at the helm, the insights that assessments can provide hiring managers, HR, and the business as a whole are top notch. Even further, when HR has clearly demonstrated to hiring managers about how particular tools work and how they apply to aspects of the talent acquisition, there's even greater room for success. But implementation isn't always easy, and finding the right set of assessments for a particular company, department, or role isn't a walk in the park

either. With the right understanding, guidance, and commitment though, pre-hire assessments can do a lot for you!

Next Steps

While there isn't a one-size-fits-all pre-hire assessment approach to fit in with every company's talent acquisition process, there are most certainly a variety of ways companies can make use of them to ensure that they hire the most suitable, most skilled, most culturally appropriate employees. Once in place and applied to the necessary phases of the process, businesses will often start to see incredible return on investments. In order to get to that point, however, HR departments often need to overcome some major business-facing hurdles and concerns. Per *Assessments 2014: Consistency is Key*, the biggest barrier keeping HR from implementing assessments, as reported by 36% of all companies, is a lack of urgency among senior management.

In order to overcome this and other barriers, such as lack of budget, inability to link assessments to business metrics, and inability to prove return on investment, companies need to prove the value of such an implementation and demonstrate to HR and corporate leaders that if they have tools to best identify top performers, the sky's the limit. Sometimes, all it takes is showing some relevant statistics. For instance, as mentioned previously, companies that correlate pre-hire assessments with ongoing employee performance results are 24% more likely than everyone else to have a greater percentage of employees who exceed performance expectations. In addition, businesses that use pre-hire assessments experience a 39% lower turnover rate among high-potential talent.

On the other hand, sometimes proving pre-hire assessments' value requires a long, hard look in the mirror and asking

36% of companies indicated that the biggest barrier to implementing assessments is a lack of urgency among senior management.

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questions about where the business is now and where it wants to go. HR should ask their leaders if they're comfortable with their current positioning in the market, with their competitors, and in regard to their current workforce. Ultimately, most companies are in the business of growing and pre-hire assessments can provide the influence necessary to ensure that companies hire better candidates and perform better in the process.

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

Related Research
Human Capital Trends (2015) - The Age of Transparency is Upon Us; April 2015
Getting the Most of Your Pre-hire Assessments; May 2014
Hiring Success Management: Moving Beyond the ATS; April 2015
Translating High Potential into High Performance; April 2014
Talent Acquisition 2014: Reverse the Regressive Curse; June 2014
Assessments 2014: Consistency is Key; April 2014

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