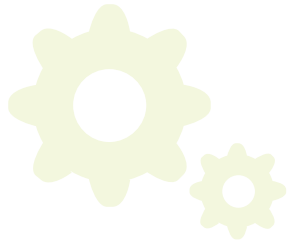




# Reducing the risk in hiring decisions

It's easy to make a bad hire, but it's hard to fix. The consequences of bad hires are often both expensive and stressful. Effective selection approaches, including the use of psychometric assessments, can help reduce such risks.

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## How does psychometric assessment work?

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Generally speaking, psychometric tests for selection and assessment can be grouped into two categories, **cognitive ability tests** (aptitude tests) and **personality questionnaires**. Aptitude tests are measures of cognitive ability (intelligence) and personality questionnaires measure specific personality traits (such as the 'big five' personality traits).

**These two psychological constructs are important to employee selection as they both show meaningful correlations with job performance.**

Therefore scientifically valid psychometric tests, such as those offered by TalentEdge, can accurately measure these constructs, providing a predictor of good job performance to your organisation.

Within **cognitive ability tests**, a variety of specific aptitudes can be measured and evaluated, using the following:

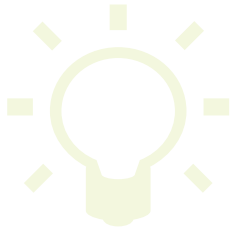
- *Numerical reasoning tests*
- *Verbal reasoning tests*

- *Logical/diagrammatic reasoning tests*
- *Error checking tests*
- *Critical thinking tests*

**Personality questionnaires** are even more versatile and can measure the following variables:

- *Leadership potential*
- *Team work*
- *Development needs*
- *Competency potential*
- *Values*

Other psychometric tests, such as **situational judgement tests** draw aspects from both cognitive ability tests and personality questionnaires. As a result, many psychologists consider these exercises to be an intermediate between cognitive ability tests and personality questionnaires. Due to the range of psychometric tests on the market, it is always advisable to discuss psychometric testing with an expert before deciding on the use of psychometric tests in the workplace.



## What type of tests should be used?

Naturally, before introducing tests, a hiring manager should have a clear idea of what the job entails. For example, does the candidate need to be able to work with numbers? How important a part of the job is that? Is it something candidates need from the word go, or is it something we can afford to spend six months training them to do? These are all the kinds of questions that need to be asked before a set of tests and questionnaires are even selected. Our Psychologists and Organisational Development Consultants at TalentEdge are able to make recommendations as to what assessments will be most suitable for a particular role.

## Which selection tools work best

Psychometric assessments, including cognitive ability tests and work sample tests, have been proven to be a **highly reliable** method of identifying the people who will perform well in a job. That's why the **top companies** rely on psychometric assessments – they're used by more than 85% of Fortune 500 companies.

Selection Method	Validity	Success Rate
Work Samples (eg: Case Studies)	0.65	92%
Ability Tests (eg: Verbal Reasoning)	0.45	83%
Personality profiles	0.40	81%
Structured interviews	0.35	78%
Biodata (background, experience etc)	0.30	76%
Unstructured interviews	0.15	68%
Educational Qualifications (e.g. Phd)	0.10	65%
Graphology (Handwriting) / Astrology)	0.00	50% (chance!)

## Using the results

Psychometric assessment is one of **several tools** you would use in assessing a candidate – usually you would also review a CV, conduct one or more interviews, and talk to referees.

So, how should you view psychometric assessment results?

It's important to keep the results in **perspective**, especially thinking about how each tested attribute relates to the role. It's also important to **balance** results against the **other information** you acquire. A candidate may not score well on aptitude tests, but if they have extensive experience in a similar job, they may still be the best candidate for your role.

This table illustrates the relative effectiveness of the different types of method used in selection processes in terms of their ability to predict future job performance. A validity coefficient of 0 means that the method is no better than chance selection in terms of selecting someone who will perform successfully in the role. Perfect prediction is implausible when predicting human behaviour (Schmidt, F. L., & Hunter, J. E. (1998)

## Return on investment:

Psychometric assessments can be accessed through TalentEdge. Compare this to the cost of hiring a poor performing candidate, which was found to be 3.2 times the individual's salary (Gallop International). Similarly, high performing candidates were found to produce on average 43% more revenue than an average performing employee (Hay group). Based on the table below, utilising a cognitive ability test acts as a safe guard against poor performing employees, saving organisations a fortune while increasing the number of high performing employees in your organisation.

## The effectiveness of job performance predictors

Selection Method	By selection based on top 20% of selection tool performers
Random Hiring	4 out of 20 employees will be in the top 20% of job performers
Assessment Centres	7 out of 20 employees will be in the top 20% of job performers
Cognitive Ability Tests	10 out of 20 employees will be in the top 20% of job performers*
Random Hiring	1 in 5 employees will prove to be in the bottom 20% of job performers
Assessment Centres	1 in 10 employees will prove to be in the bottom 20% of job performers
Cognitive Ability Tests	1 in 50 employees will prove to be in the bottom 20% of job performers

\*17 out of 20 employees will be above average performers. (Hunter & Schmidt, 1998, Saville, Maclaver, Kurtz & Hopton, 2008; Thornton et al, 2009) .

## Debunking the myths

Psychometric assessments can provide powerful insights into human behaviour and ability so, understandably, people can be confused by how they work and what they can achieve. Here are some of the common misconceptions about psychometric tools.

### **The results are unreliable and usually generalised**

Contrary to what many people think about psychometric tests, they are proven to be far more reliable and valid for recruitment, development, and promotion decisions, than human judgement, as shown earlier in this article.

What we don't often realise, is that our own subjective opinions are based on deep-seated cognitive biases, and that these biases massively distort our view of other people. On the other hand, a good psychometric tool is carefully tested, standardised, and then scrutinised for its validity and reliability in assessing the criteria it's supposed to. The fact is, creators of psychometric tools use sophisticated scientific methods to search for test bias and eliminate it - which is far more than the average human being does with their own opinions, viewpoints and perceptions.

As far as generalisations go, we also need to remember that the human mind is far, far more skilled at generalising what it sees than any tried and tested psychometric tool. What's important here is that you understand exactly WHAT the tool is measuring and HOW you can best interpret those results to supplement your own judgment.

### **It's too time consuming**

Some people fear that by introducing psychometric tests to existing HR and recruitment processes that they will add considerable time to the process and further delay the final decision or outcome, when in fact the opposite is true. Psychometric tests provide a scientific step to the process that enables more effective decisions to be made more quickly and a strong outcome achieved with more confidence.

Furthermore, online psychometric tests can be administered earlier in the process for more candidates. This approach means that hiring managers are provided with standardised insight into more candidates that enables them to make valid comparisons and decisions quicker.

## Debunking the myths (cont.)

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### **It's too expensive**

There is a common misconception that psychometric testing is an expensive practice. The main objective for using psychometric assessments is to gain more scientific insight about an individual that in turn helps to predict an outcome and inform important decisions. Compared to the potential cost impact of a bad decision in either recruitment, employee development or restructuring, which can be astronomical in fixed financial terms, not to mention the indirect costs of frustration and time delay.

For example, using psychometric assessments in recruitment helps you identify candidates who will not only perform well on the job, but will be committed to the organisation, be satisfied in the role and integrate with the existing team. The cost savings achieved by hiring the most suitable candidate further compounds their degree of performance and productivity in contributing to the business.

### **Candidates can manipulate the results**

A well-designed assessment will include multiple ways of verifying and validating the candidate's answers, and allow you to identify where a candidate is faking. Some strategies for managing the possibility of faking include:

- A time limit: this restricts the candidate's ability to get input from others or think through answers;
- Follow-up with a supervised assessment to verify the results;
- Multiple questions verifying an attribute or trait, so you can identify patterns of answers and spot inconsistencies.

## Debunking the myths (cont.)

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### **The results don't match my perceptions**

Psychometric assessments provide an objective test of aptitude and personality, but the results may not match with the perceptions you've acquired through the subjective steps in the recruitment process.

Psychometric assessments look at different and deeper characteristics of a person than they may show at interview. Assessments give an insight into how the candidate may behave in the job – the longer-lasting traits they possess.

Remember, candidates view interviews as an opportunity to impress, so they may not show all their true characteristics. Also, the aptitudes tested in the assessment may differ from those shown in the interview – e.g. they may speak well at interview, but this doesn't demonstrate their capacity for critical reasoning. Psychometric assessments provide more data for your decision.

If your perceptions and the assessment results seem to conflict, investigate and try to understand why.

### **It's only useful for recruitment & selection**

Information gained from a personality assessment, a motivation questionnaire or cognitive assessment has huge value when it comes to developing talent, building highly effective teams, and reducing employee turnover and creating a more productive working environment for each individual.

Although psychometric insights are hugely important when selecting new employees, they can also be funnelled down to managers who can then use these insights for onboarding, team development, performance management and conflict resolution.

In fact, by limiting the use of psychometric data to recruitment and selection only, an organisation could be missing the opportunity to build a more productive and engaged workforce on the back of the valuable insights that psychometric tools can bring.



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