Can you trust psychometric testing?

The debate over the value and validity of psychometric testing rages on, with companies such as Dryden Wealth Management vouching that the tests provide more holistic and accurate assessments of employees. By David Ragsdale

Key Points:

- The three broad categories of psychometric testing are ability, aptitude, and personality.
- PTs are time-sensitive and their effectiveness depends largely on accurate 'norming'.
- Firms that use high performance HR practices have accounting profits that are approximately 20% higher on average than low-users of high performance HR practices.
- Psychometric testing fails because companies lack a clear strategy on how and why they use them and when the results are not properly interpreted.

By the time most people leave school, they've given up on the idea of standardised testing. As one embarks on a professional career, he or she bids farewell to A-levels, O-levels, medical board and bar exams... or so they think. Whereas in the past, CVs, recommendations, and one-on-one interviews were standard for job applicants, they are increasingly being augmented by job and company specific assessments during the application process. In the last decade, psychometric testing has emerged as a vital tool for human resources specialists in staff recruitment, training, and retention. While the term conjures images of mad scientists fiddling with enormous metallic machines, if properly inculcated into an organisation's culture, psychometric testing can cut costs and provide greater feedback to employees and employers. The keys to successfully implementing psychometric testing as an essential component of an HR strategy are threefold: the proper selection of tests, the extensive training of HR managers, and the correct 'norming' of assessments.

Analysing psychometric analyses
Psychometric tests (PTs) are assessment tools developed to measure mental ability and personality traits. They are especially invaluable for HR departments in personnel selection, according to Dr Gary Greguras,
A psychometric assessment "allows you to compare the personality traits highlighted in the test with the behaviours you have observed in the interviews."

associate professor of organisational behaviour at the Singapore Management University, as they can "efficiently and effectively help organisations predict employee behaviour such as job performance, theft and turnover." These tests do not stand alone, however, says Mike Dembo, director of human resources at Dryden Wealth Management Ltd. In Asia, the international private client business of Prudential Financial, Inc. of the United States*, believes that "personality profiles are not necessarily oriented to directly identify if someone is qualified or not qualified to perform job duties. Aptitude or ability tests can often be more useful in this area. That said, psychometric profiling helps you understand personality traits that are useful in determining if the individual will fit with the organisation's cultural team and how they might cope with the routines and pressures of a given role." Personality tests are an indicator of how a person relates to others in various social and business situations. The tricky question behind personality tests is, how does HR adjust its norms for cultural differences? The short answer is, personality is not the same as culture in that personality is not "what" we relate to the outside world (values/preconceptions) but more the "way" in which we relate to others.

The very name "psychometric testing" elicits concern and anxiety. Indeed, many HR professionals, such as Pollock, prefer to avoid the "I" word altogether. "I don't like the term "test", there is no right or wrong when it comes to personality. Concern and anxiety are expressed by some when taking these assessments especially by applicants unfamiliar with the process. "It's important to explain to the candidate why and how you use PTs as well as the instructions you want them to follow. We always provide feedback, which again is one-to-one as it provides a better environment to discuss the results and candidates' reactions."

Organisations are increasingly turning to psychometric testing, especially in candidate recruitment, as they furnish a more complete profile of applicants. Pollock finds they provide "additional information to assist in the selection and decision making process." A psychometric assessment "allows you to compare the personality traits highlighted in the test with the behaviours you have observed in the interviews... correlations and disconnects." PTs, if administered before an interview, can also help to focus on a prospective candidate's strengths and weaknesses. This idea of the "fuller picture" is an important concept especially in a competitive job market. An applicant may have great recommendations and qualifications, and interview well, but do these make him or her an ideal fit for your organisation? The more information an organisation has about a job applicant, the more likely it is to make a correct hiring decision. Greguras says, "It is much more difficult to generate reasons why organisations would not use, rather than use, psychometric testing for personnel selection. If the system is well designed and all other factors held constant, those that use PTs will outperform those that select employees randomly."

Psychometric testing is also beneficial because of its analytical aspect. Greguras is of the opinion that PTs, when used correctly, can predict an exam-
Five key considerations of psychometric testing

1. Spell out your needs. Before purchasing or creating a psychometric test (PT), hold a meeting to determine what you expect to gain from it and what exactly you are looking for. Include non-HR staff in this meeting as this will increase their investment and appreciation for psychometric testing.

2. Understand your norms. Personality tests are only as accurate as the norms by which they are scored against. Take into account the diversity of your workplace, as norms differ widely based on gender, age, culture, and nationality.

3. Determine your role. Some organisations purchase PTs from companies and then develop their own grading or assessment systems, while others purchase this software from PT specialists. Find out how involved you and your organisation want to be in this process and then purchase accordingly.

4. The key component to successful implementation of psychometric testing is well-trained HR staff. Many PT specialists provide training as part of the package. Assess your HR department and establish how much additional training may be required before purchasing a PT.

5. Don’t forget costs. Some organisations prefer to use PTs more selectively, while others take a more generalised approach. Determine in what situations PTs will be used for your organisation. The more in-depth PTs cost more, and this should be factored into your strategy.

Abstract reasoning (PTs) for top-level or middle-level managers using local benchmark data. A sound psychometric assessment strategy presupposes the use of these tests throughout the organisation, at all levels. This ensures that employees are familiar with PTs and accept their utility for not only the organisation, but also for their own development and growth.

PTs are usually purchased from an outside vendor. Dembo prefers online assessment tools vendors such as SHL. Pollock believes this is cost effective because “developing such profiling tools is complex and time consuming if done correctly. Most organisations do not have the time or the resources to develop these tools in house. The costs of purchasing the tests vary, according to Pollock, “Some profiling tools are very detailed and others look only at high level personality traits, the latter tend to be less expensive, easier to administer and provide feedback.” A major expense for an organisation is the time and resources dedicated to training HR staff and administering the tests. Because of the investment involved, Pollock must decide when a psychometric assessment is appropriate. “The more detailed psychometric tools can take around three hours of an HR professional’s time to administer, review, score and feedback, this is costly. Hence we use them selectively. Some psychometrics offer software which helps with administration and feedback, however, the licences can be costly.

Measuring PT’s returns

Greguras believes that the return on investment (ROI) for psychometric testing is immediate and far-reaching. “Because valid assessments predict employee behaviours, the ROI begins as soon as the individual enters the organisation. Ask any manager who has hired an employee who is chronically late, careless, or unmotivated and he or she will tell you that the differences between high performing and low performing employees are immediately evident and immediately impact on an organisation,” Greguras thinks there is a misconception that valid selection systems do not provide immediate ROI because people fail to consider the costs, for example, of recruiting new employees because of turnover, the costs associated with employee theft, or the costs associated with poor job performance – all of which influence an organisation’s bottom line. “We often do not have a spreadsheet for these costs, yet, they affect an organisation’s profitability. How much does bad advice given to a customer cost an organisation? Again, we do not have a spreadsheet for this, but it matters,” he says.

Quantifying ROI is difficult but Greguras points to the Measurement Error in Research on Human Resources and Firm Performance study, published in 2000, which suggested that “firms that use high performance HR practices have accounting profits or cash flow that are approximately 20% higher on average than companies utilising fewer high performance HR practices.” Psychometric testing can also create efficiencies as they allow managers to standardise assessments throughout their organisations. This positive ROI for psychometric testing is not always acknowledged, as PTs are considered by some to be costly, “cold” and burdensome. Greguras references another study, known as The Futility of Utility Analysis, which indicates that “utility estimates indicating a substantial net gain for organisations if they implemented a selection system actually decrease managers’ support for the implementation of such a system.” This raises an important question: do non-HR managers realise the ROI benefits of psychometric testing?

Ultimately, the positive ROI for psychometric testing is obvious. Organisations spend billions of dollars every year on recruiting. Studies show that people with high-end skills and...
Organisations that use PTs must have a clear strategy and position on 'why' and 'how' they use them, declarations and boundaries.

Another potential pitfall when using psychometric testing is in reviewing the assessments. Test scores are determined by norms, and these norms differ from job to job. It is important for an organisation to consider this when scoring the tests. For Pollock, "it's important that the norm groups are carefully considered and selected. Respected and reputable PT specialist organisations give you access to a range of norm tables that can be very specific combining factors such as sex, nationality, age and industry." If an organisation is large enough, it is sensible to develop its own norm tables. However, these individualised norms are not for everyone, adds Pollock. "Some PT specialist firms will work with client companies to build specific company norm groups, but you'll typically need the data of a large number of company employees to provide robust and representative norm groups. This leads many companies to simply select PT from specialist firms which have norm groups representative of the industry in which they operate." Most organisations based in Singapore that have both foreign and local employees must tailor the norms used for scoring PTs to reflect the diversity of its workforce.

PTs are also time-sensitive. Failing to provide timely feedback not only undermines its utility but also perpetuates confusion and distrust about them. In his own experience, Pollock finds that these tests are "probably only reliable for an 18-month period." For staff training and management succession, these assessments are not a "one shot deal." Employees grow and change as do organisations, and so PTs must constantly updated, re-adminis-

Don't just blame HR
Psychometric testing requires a significant investment from organisations that implement them. This cost cannot, however, be borne by HR alone. In order to achieve positive ROI, the entire staff must understand and accept psychometric testing as an integral part of a company's growth strategy. Before adopting psychometric testing, an organisation must answer "why", "what", and "how". "Why are we using PTs?" "What tests are we going to use and what do they look like?" and finally, "how are we going to implement psychometric testing in our organisation?" When psychometric testing becomes part and parcel of an organisation's culture, truly and deeply ingrained, confusion and distrust subsides. A healthy part of this process is the inclusion of non-HR staff in discussions surrounding psychometric testing. Affording clear and upfront information to all parties involved is also vital. Psychometric testing is a tool that should be embraced for providing a positive ROI for personnel decisions, or as Pollock puts it, "an informed decision is typically a good decision".

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