

Test for the Best

Tired of soaring attrition rates, more employers are relying on pre-employment testing to help them make smarter hiring decisions.

By Carol Patton

When Nancy West joined APAC Customer Services Inc. several years ago as its vice president of operations improvement, one of her chief tasks was to find a way to slash the company's 250 percent annual turnover rate.

APAC, of Deerfield, Ill., which supports 13,000 employees to operate call centers for large employers, was wasting millions of dollars hiring the wrong people. Each year, approximately 28,000 employees either quit within months or were fired due to poor performance. She says recruiting costs alone totaled \$1,200 per hire.

With little to lose, the company tried an alternative approach. Two years ago, it began pre-employment testing for all customer-service and telephone-sales representatives. Since then, the attrition rate has dropped in half and the company is saving more than \$14 million a year.

"In the past, if you were a warm body and could read and write, you got hired," says West. "But they weren't the right fit so we kept rehiring. The tests pay for themselves because recruiting and training costs are so high, which come right out of our pocket."

More employers are reaching that same conclusion. Fed up with paying the high cost of high turnover, they're giving applicants a battery of tests that measure everything from their skill level to integrity.

So far, it seems to be working. HR executives say they're making quality matches between people and positions and creating more stable workforces while saving millions of dollars.

Gathering the Pieces

Job seekers applying for entry-level jobs at APAC complete four tests that usually take four hours, says West, adding that Employment Technologies Corp. in Winter Park, Fla., designed three of the tests and trained APAC's employees on how to administer them.

The first test is a 45-minute simulation in which candidates handle calls by making decisions from multiple-choice questions. The test evaluates nine different skills, including sales, building customer rapport and problem-solving.

If they pass, they move on to the next two tests, which are behavioral interviews conducted by HR and operations. They're asked eight different questions, such as, "Describe a time when you needed to learn something different or complex and how you applied it on the job."

In March, the company also began piloting a Web-based personality test at two of its call centers. West says the test reveals which applicants are a high, marginal or low risk for turnover. Likewise, the combination of tests also helps HR recruit or source in the right places. Early on, West says, eight people had to be tested before one passed. Now the ratio is three to one.

There's no doubt in West's mind that pre-employment testing is effective. She points to one call center that reduced its attrition rate from 250 percent to 70 percent. Still, more cost-cutting needs to be done.

"We're always searching for other tests," she says. "The only gap I can't find a test for is if [applicants] are going to be at work and come on time."

Likewise, Marty Scaminaci needed some way to measure his staff's customer-service skills. As director of financial services at Pepsi Americas, an independent bottler of Pepsi in Rolling Meadows, Ill., his department began pre-employment testing three years ago after the company merged several financial areas into one department. Among its goals was to become a value-added center for internal field partners.

"We can teach someone how to pay bills or collect money, but it was near impossible to teach someone how to relate with another human being," he says. "We needed to identify if we had that talent in our organization and ensure that any talent we brought in had the personality traits that would work in this kind of environment."

As a result, existing employees in entry-level positions took two tests, which have since been administered to new hires in nonsupervisory positions: a personality test that identifies 16 different traits and five global traits such as emotional resilience, sensitivity and self-control. The second is in a cultural-gathering environment designed to measure their natural reasoning ability and leadership skills. Both tests were developed and published by IPAT in Savoy, Ill.

The same scenario held true for the company's supervisors, directors and managers, except they completed two additional tests--a cognitive reasoning test that measures their language and math skills and another that validates the findings of the personality test. Scaminaci says the battery of tests plus two job interviews take four hours to complete.

Of the 40 applicants who've been tested, about 30 were hired and only five have left their jobs due to external factors such as spouse relocation. Scaminaci says the tests have helped reduce turnover from 60 percent to 8 percent and have boosted customer service as well.

"We're three years into the process and our customer-service level is the highest it's ever been, according to surveys by our field partners," he says.

Hard Evidence

Studies show that the chance of finding the top performer in a batch of candidates steadily increases with each assessment used, says John Beck Jr., vice president of the AssessmentCompany.com in Baton Rouge, La., which provides online employee assessment services.

For example, he says, the hit rate for conducting interviews is 14 percent or, for every seven people hired, only one will make a good match. If performing background checks, the number rises to about 26 percent. Add personality assessments and the number jumps to 38 percent. Ability testing increases it to 54 percent and interest testing brings it to 56 percent.

Yet, instead of offering a battery of tests to clients, his company condenses them into one 314-question assessment measuring three critical areas: learning abilities, occupational interests and behavioral traits.

Beck believes this is the new generation of testing. More than 33,000 companies use it and, so far, sales have increased by 56 percent over last year.

Right Management Consultants has also seen a jump in sales. Over the past year, more than 100 employers have contacted the organization for some type of selection assistance for senior executive positions, says Maria Raymond, client services consultant for the Philadelphia-based company that offers career transition and organizational consulting services.

While tests aren't perfect, they still provide employers with more data points about candidates than interviews alone. The more data points, she says, the more accurate the hiring decision.

The company offers more than one dozen tests and customizes behavioral exams for organizations. But not everyone can afford them. Tests for a mid-management position, for instance, can range between \$5,000 and \$18,000. Still, employers aren't balking because mismatches can cost up to five times an employee's annual compensation.

They're also not complaining because tests can minimize employer liability. Testing programs document that companies weren't negligent in hiring an employee that harms someone due to dishonesty, violence or carelessness, says David W. Arnold, vice president of development and professional compliance at Pearson Reid London House in Chicago, which provides recruitment, assessment and survey instruments.

"Pre-employment instruments are designed to help assess and predict a multitude of work behaviors," he says. "In today's litigious environment, many employers view testing as a safe harbor."

Payback vs. Risks

In the last two years, Tim Liang has hired three presidents. As vice president of JSJ Corp. in Grand Haven, Mich., which owns and manages 10 durable-goods manufacturers and commercial printers, he was more than ready to try a new selection process.

Last year, when one of those presidents retired, Liang strayed from the company's traditional approach and hired Right Management to develop and conduct a rigorous series of pre-employment tests.

Six job candidates were quickly narrowed down to one. The remaining applicant was tested over a two-day period on his leadership style, work behavior, problem-solving ability and reasoning skills. He was then asked to address his past leadership experience in several multi-hour sessions.

The person was hired in April 2002 and is still on board. Liang says his company's former approach would have provided only one-third of the information he received about the candidate through testing. Now, he has a broader range of predictive indicators for how this individual will serve as a president and leader, communicator, problem-solver and strategist.

"If I had the budget to accommodate this, I'd do it all the time," he says. "The process can be a little intimidating, but the overall goal is to identify the best likely successor for top positions. It's good insurance."

DuBois Regional Medical Center in DuBois, Pa., began testing its leaders and physicians in 2001 for similar reasons. Over the years, it's made several bad hiring decisions by employing people who possessed the appropriate clinical background but were cultural mismatches, says Susan Grady, vice president of HR at the medical center, which employs 1,400 people.

After several days of interviewing, candidates spend another half-day completing written and verbal psychological assessments, also developed by Right Management. The tests focus on a candidate's work habits, interpersonal style, social skills, emotional and motivational factors, teamwork, integrity, credibility and leadership style. All 10 people who went through the process were hired and eight still remain on the job.

The tests also fast-tracked HR's ability to do succession planning. "I understand these people without putting in years to get to know them," says Grady. "I know what they have the potential to contribute, where they're coming from and how they deal with others."

What's more, testing eliminates interview bias and saves hiring managers time, adds Dale Giovengo, HR director at Giant Eagle Supermarkets, a Pittsburgh chain of 225 supermarkets that employs 35,000 employees in four states.

"Instead of bringing in 10 people and finding out that five aren't qualified, now our HR managers interview people who are qualified to begin with," he says.

The hiring process often starts over the phone, where candidates are prescreened via an interactive voice response system. It measures service orientation and integrity and poses questions such as: "How much money have you stolen from previous employers? \$0, \$1-\$50, \$51-\$100, over \$100." It prompts them to enter their responses on a touch-tone phone. What the interviewers chooses to do with affirmative responses is, of course, up to them.

Giovengo explains that people don't always answer "0" for two reasons: They only have a few seconds to respond and are given several alternatives to choose from, which encourages them to be more honest.

If they pass, the corporate office e-mails their names to the supermarket closest to the their zip code. Before any structured interviews are conducted, candidates take three on-site Web-based tests that evaluate their service standards and how long they're likely to stay on the job. Based on their responses, the system also suggests interview questions so HR can make smarter hiring decisions.

Since the IVR system was introduced in 2000, the company has received more than 72,000 calls. Nearly 68,000 people completed the calls and about 500 finished the Web-based tests. Turnover has since dropped from 60 percent to the 30 percent range.

"We've had people admit to more than \$500,000 in theft," he says, adding that Pearson Reid London House designed the tests. "We're still going to make mistakes--there's going to be bad hires. This vastly increases our percentage of succeeding with people."