

# ***Talent Measurement:*** ***HR's Proven Formula for Bottom Line Success***

*Stuart Hedley, Managing Director, Hong Kong*

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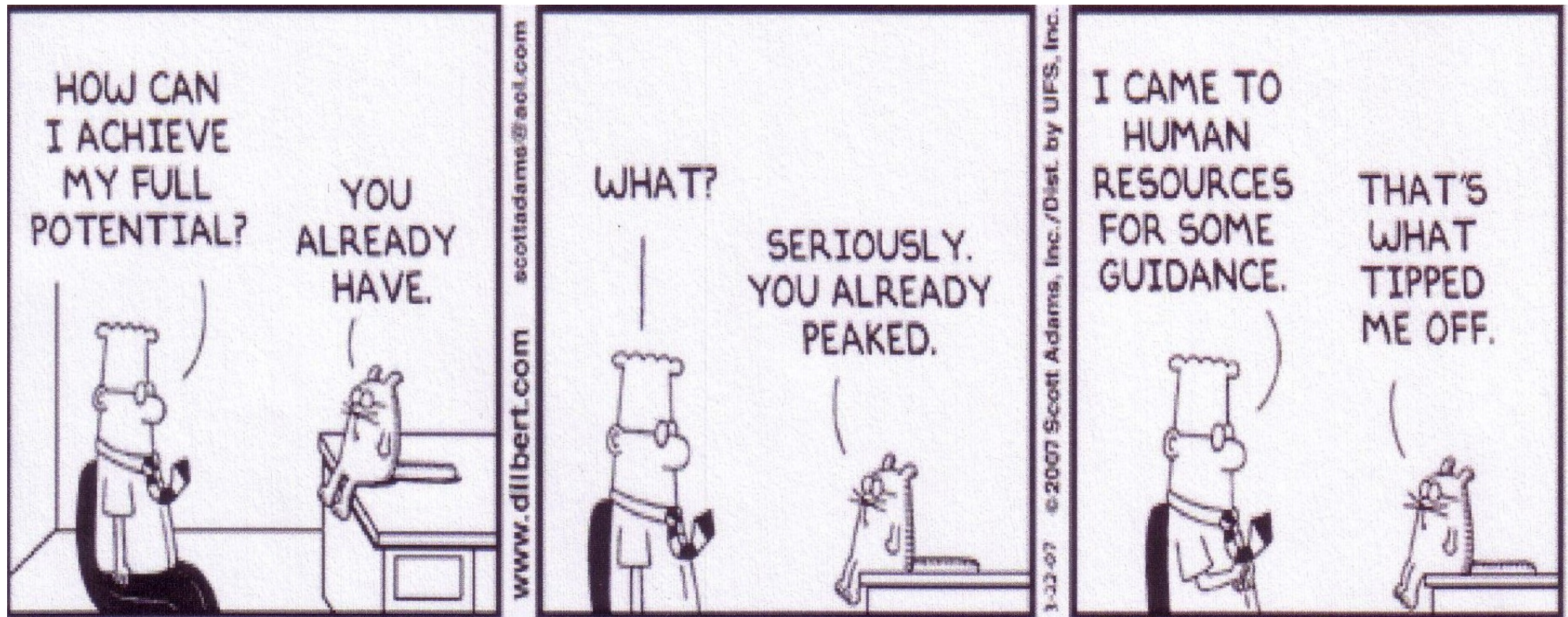


## Q&A



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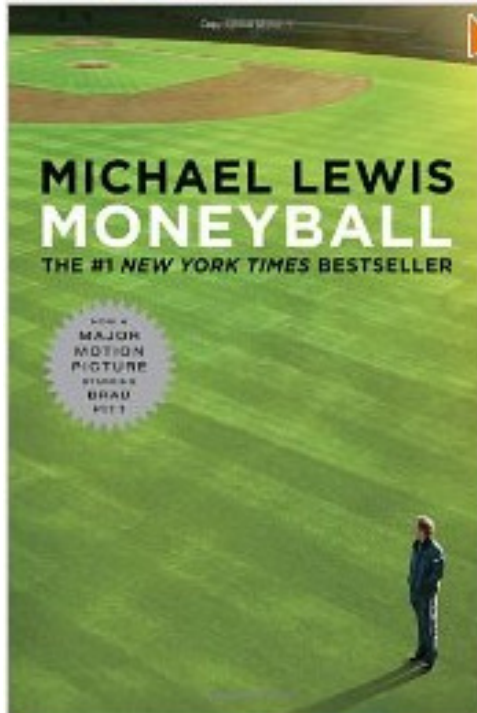


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# What do these three things have in common?

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**An  
organization's  
talent  
management  
processes**

***They all involve identifying talent and  
predicting success when it comes to people!***

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# People are critical to success

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- Talented people have never been more difficult to attract, identify and retain
- High performance = right person + engagement
- But few organisations have clear insight into their talent's potential or value



# Correcting an old saying?

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The old adage

*"People are your most important asset"*

is wrong.

People are not your most important asset.

The right people are!

Jim Collins  
"Good to Great"

## Business context is changing

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*“One in four CEOs said they were **unable** to pursue a market opportunity or have had to **cancel or delay** a strategic initiative because of talent challenges.*  
*One in three is concerned that skills shortages will **impact** their company’s ability to innovate effectively”*

Source: PWC, Annual CEO Survey, Feb 2012



# What is Talent Measurement?

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*A process that provides in-depth, job relevant information about people to help organizations make better decisions about talent*



"As you can see, I'm nothing like that person in my resume."

# More of what organizations want...

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## *Efficiency*



## *Quality*



## *Customer Satisfaction*



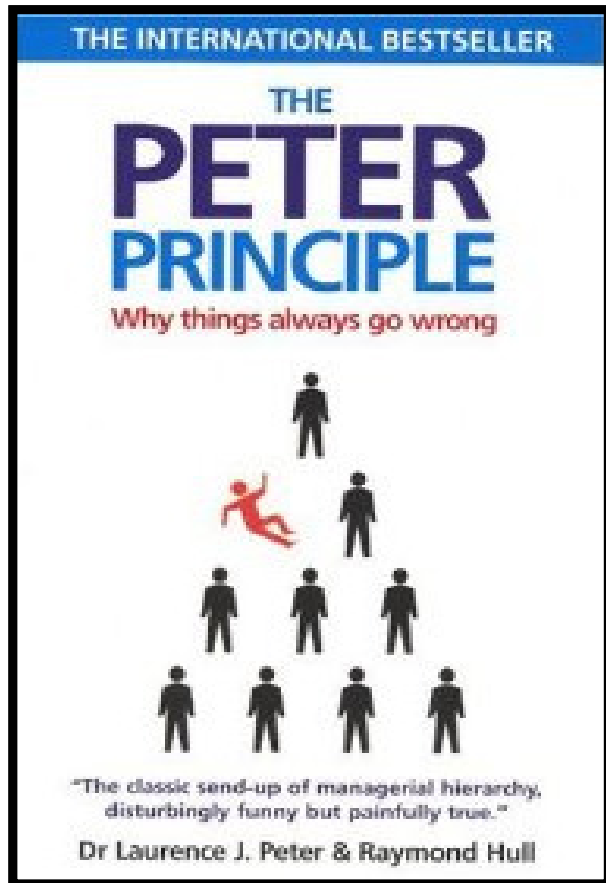
All impact the bottom line!

# High performer or high potential?

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One study found that **71%** of high performers were **not** high potentials... BUT **93%** of high potential employees were **also** high performers.

Source: Corporate Leadership Council, 2005



- Confusing performance and potential can have **damaging impact** on the company, as well as on the employee;
- High performers in key roles move to positions for which they are **incompetent**
- High potentials are **overlooked and leave** for opportunities in other companies.

Source: High Potential Versus High Performance: What Is the Real Difference? Bersin 2008

# The challenge of identifying potential

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*“A **hi-potential** employee is someone who has the **drive**, **dedication** and the **capabilities** to **excel** in positions of greater responsibility. They are the employees who are most likely to be **top** performers at the next level”*

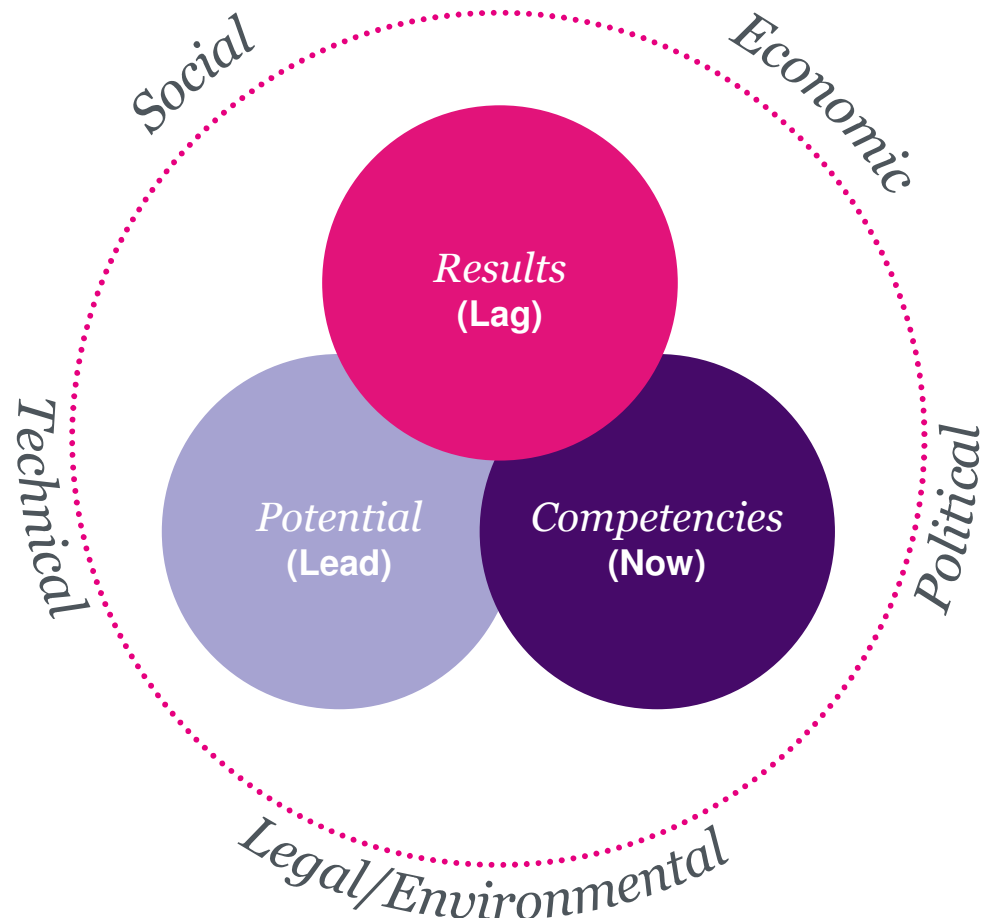
*(Source: CLC, 2005)*

*The challenge is how to **precisely measure** and **act** upon this*

# Linking the what, how and potential

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1. External/Industry Context
2. Organisation Context
3. “Hard” – **Results:**
  - a. Key Results Areas
  - b. Core Accountabilities
4. “Observable” – **Competencies:**
  - a. Behaviour
  - b. Skills
5. “Soft” – **Potential:**
  - a. Motive
  - b. Personality traits
  - c. Cognitive

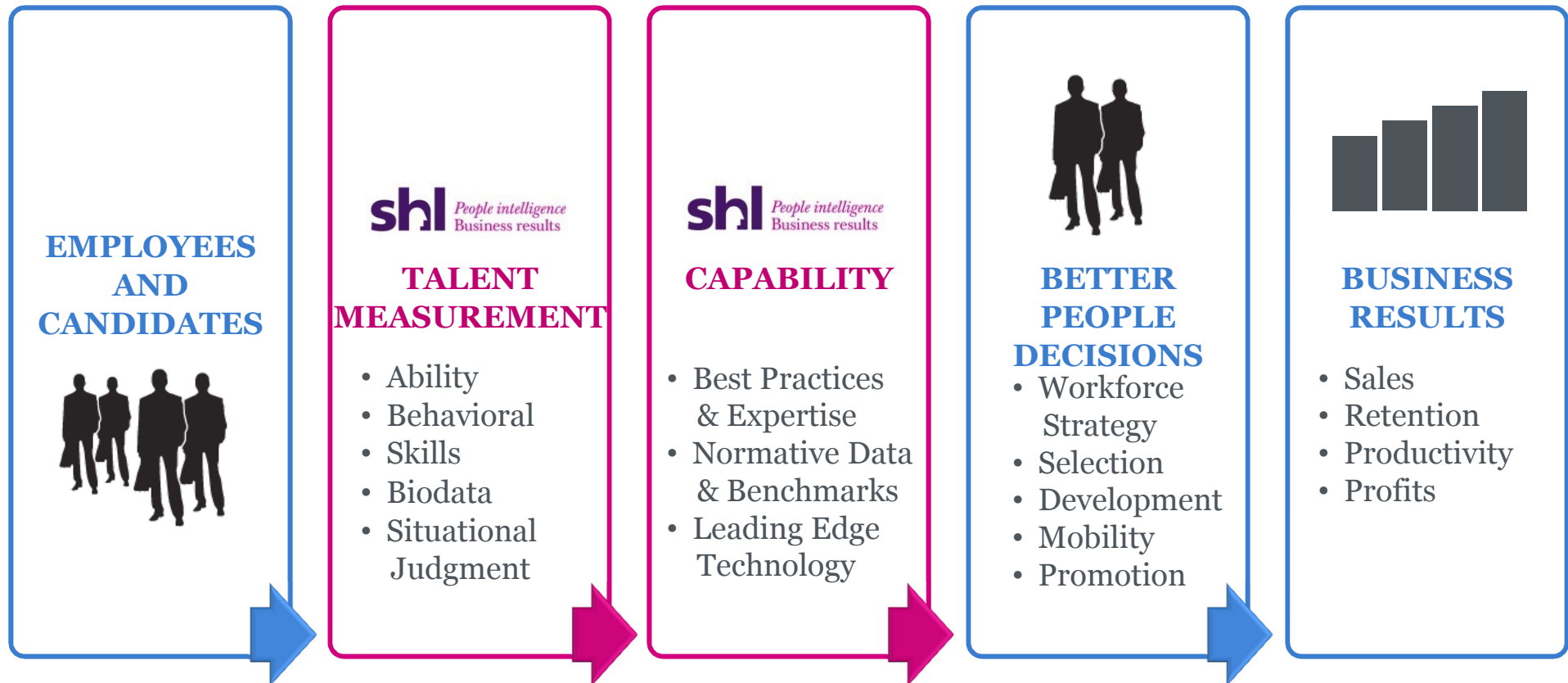




# Where Talent Measurement Fits in

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## PEOPLE INTELLIGENCE



# Talent is measured through assessments

**Step 1: Scenario**

Your store manager has offered a monetary incentive to the employee with the highest total flower sales during the course of a week. The store has more potted roses in stock than other options, but they are also the most expensive (i.e., \$45). You notice that the man is looking at the roses and decide to approach him.

Watch the following video and choose the most and least effective course of action from the options below.

**Step 2: Choose**

	Most Effective	Least Effective
Try to keep him interested in buying the more expensive roses by coming up with reasons why the purple daisies are inferior, such as having a shorter life span, or being perceived as a cheaper, but less classy, alternative to nicer flowers.	<input type="radio"/>	<input type="radio"/>
Ask him who he is buying the flowers for and for what occasion, to help focus his attention on the recipient rather than price. Show him a few mid-to-higher priced options that are similar to what he is looking for.	<input type="radio"/>	<input type="radio"/>
Ask him what he was planning on spending on flowers and show him some options that fit well within his price range.	<input type="radio"/>	<input type="radio"/>
Mention that the daisies are indeed popular. Describe some notable features of the roses and purple daisies to help him make an informed choice.	<input type="radio"/>	<input type="radio"/>

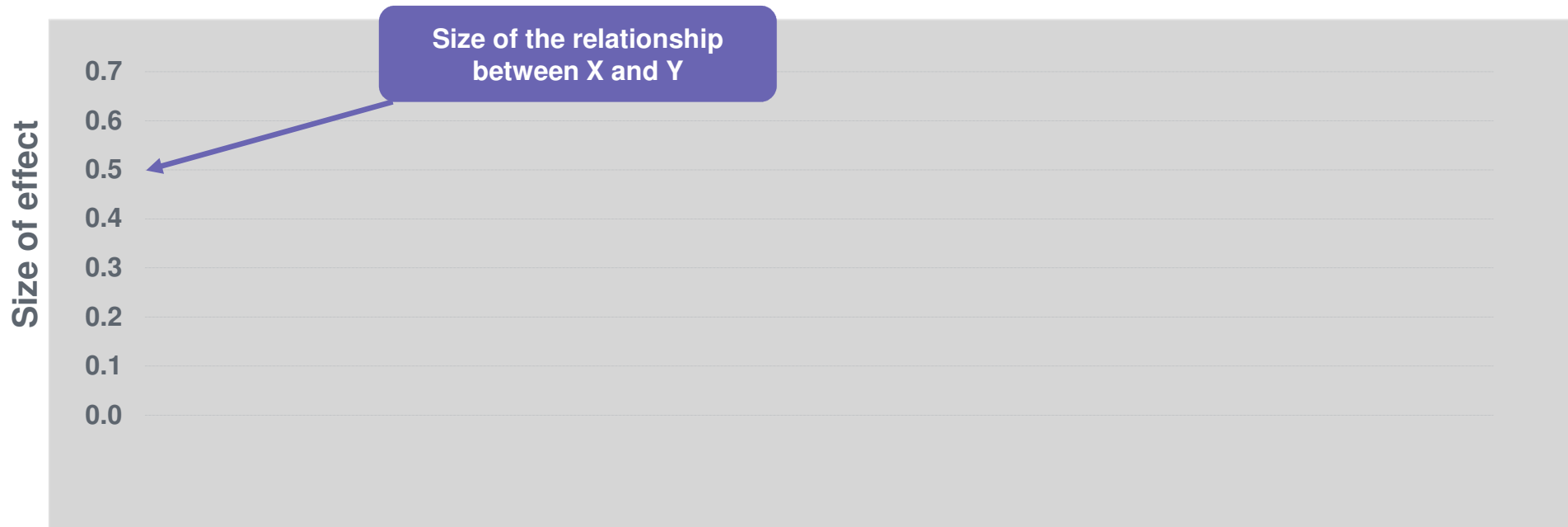
Use **AutoSum** to quickly calculate the average per plate cost for **Column B**.

	A	B	C	D	E
11					
12					

# Assessment validity?

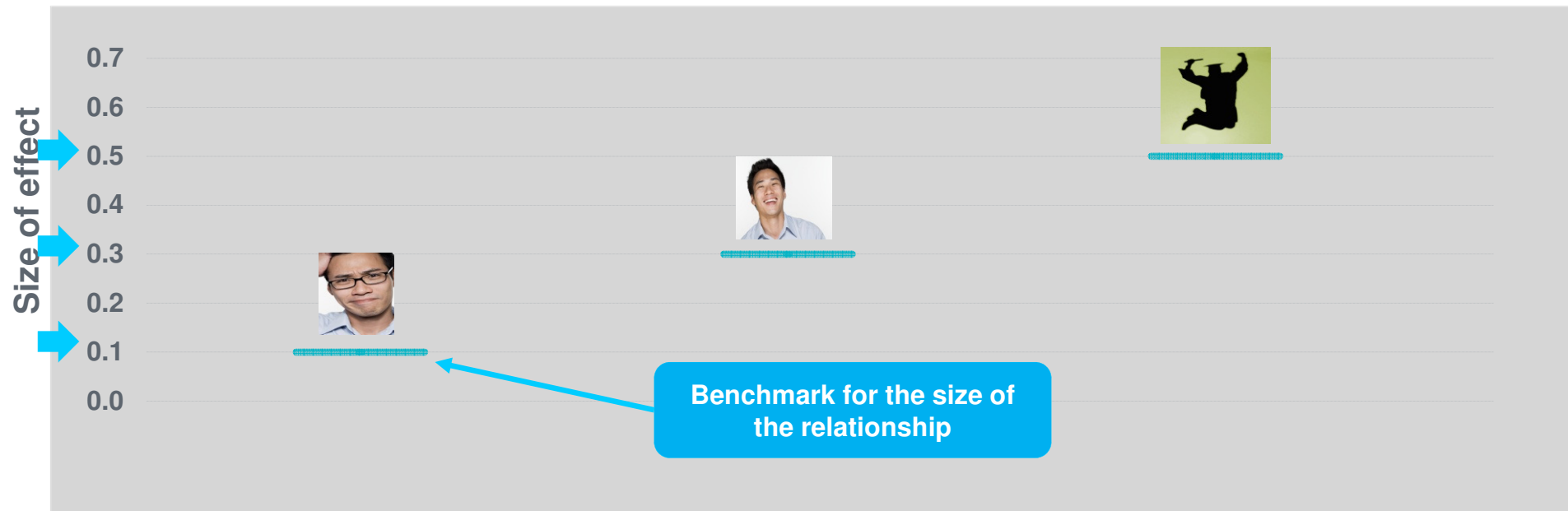
# Benchmarking scientific evidence

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# Benchmarking scientific evidence

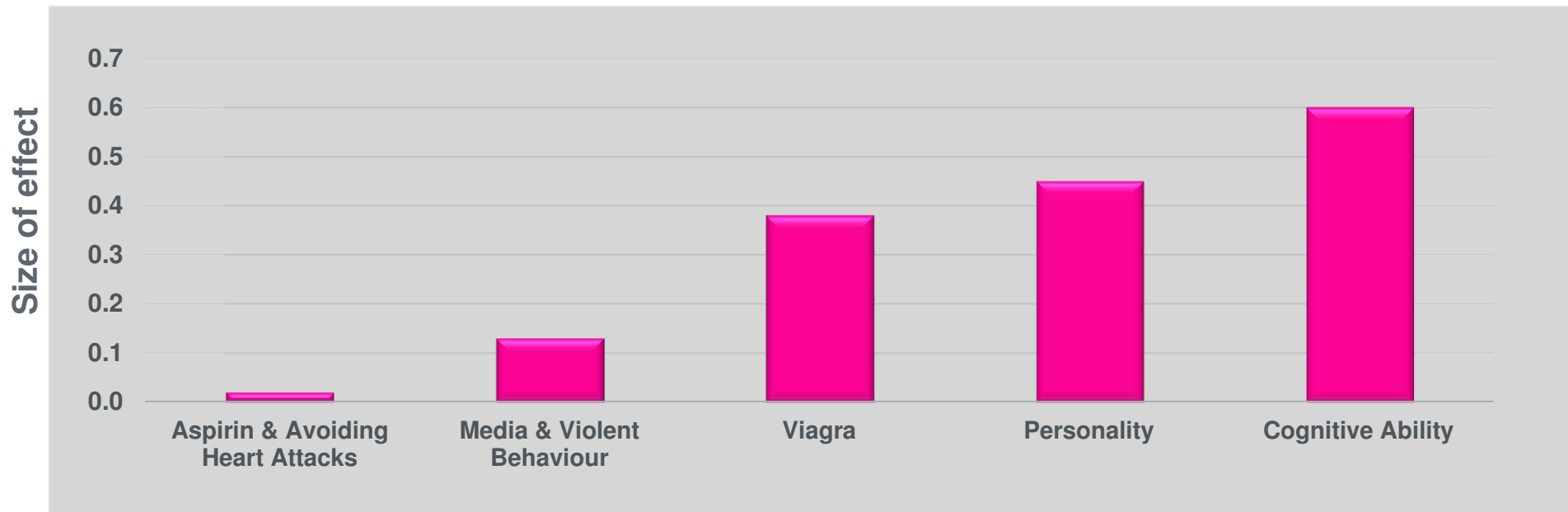
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# How big is the impact on performance?

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# Impacting the bottom line

# Impacting Business Outcomes: SHL's 2012 Business Outcomes Study Report

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## Headline findings

**Finding 3:** Stores led by high-potential managers achieve four times the sales revenue

**Finding 6:** A global car manufacturer's employees are nearly twice as likely to be rated top performers

**Finding 9:** Retail sales associates drive 21% higher sales over first three months of employment

**Finding 12:** 18% reduced likelihood of accident in engineering teams managed by high-scoring leaders

### *The 6<sup>th</sup> Annual Report Includes:*

- Statistics from 66 studies conducted by SHL in 2011
- 12 headline findings
- Summary findings selected from 240 total studies over the past few years
- Overview of using assessments for talent analytics

# How Assessments Can Impact Business Outcomes

## Increasing Revenue

Outcome	Job	Industry	SHL solution	Country	Year of report
\$4M in additional earnings	Sales representatives	Consumer services	Volume Recruitment	USA	2012
21% more sales in first 3 months	Customer service agents	Consumer services	Volume Recruitment	USA	2012
Stores quadruple sales revenue	Store managers	Consumer goods	Manager & Leader Selection	Norway, Ireland & Sweden	2012
22% additional policy sales	Insurance agents	Financials	Manager & Leader Selection	USA	2012

## Reducing Costs

\$1.2M saved from reduced employee turnover	Call center agents	Industrials	Volume Recruitment	USA	2012
\$3.25M saved from reduced employee turnover, unscheduled leave and non-starters	Sales and front line	Financials	Manager & Leader Selection	Australia	2012
31% more revenue and 41% greater productivity per person per month	Call center agents	Industrials	Volume Recruitment	USA	2012
21% more likely to meet goals, 26% less likely to leave	Call center agents	Telecommunications	Volume Recruitment	Philippines	2012

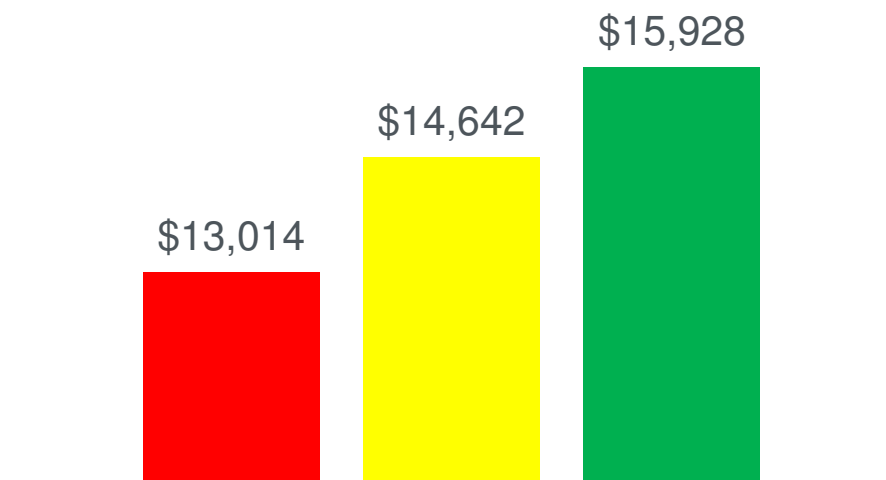
## Improving Efficiency and Quality

More than twice as likely to be top performers	Call center agents	Health care	Manager & Leader Selection	USA	2012
Handle calls 11% faster	Call center agents	Consumer services	Volume Recruitment	USA	2012
88% more likely to demonstrate above average productivity	Call center agents	Financials	Volume Recruitment	USA	2012
96% more likely to be rated top performers	Cable installers	Consumer services	Volume Recruitment	USA	2012

# Insurance Agent Sales and Turnover

## Monthly Policy Sales

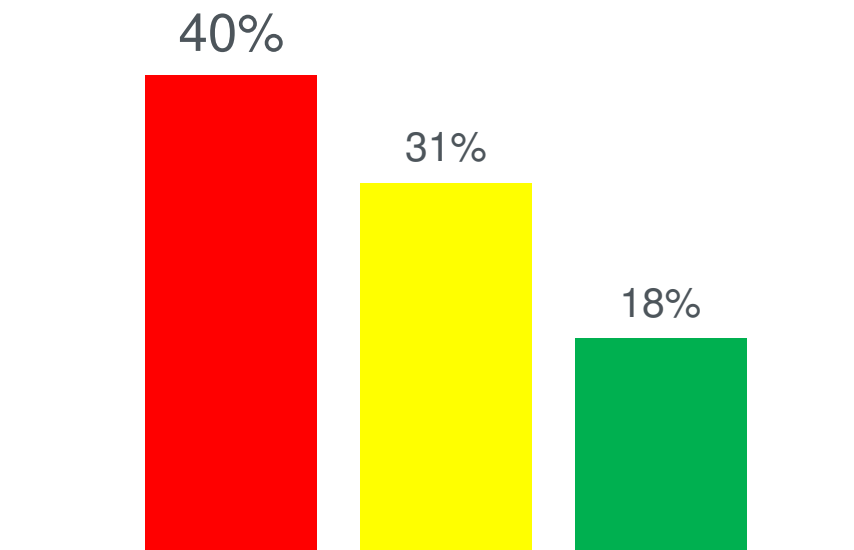
■ Low Scorers ■ Moderate Scorers ■ High Scorers



High-scoring agents sell HK\$22,605 (22%) more than low scorers.

## First Year Turnover Rate

■ Low Scorers ■ Moderate Scorers ■ High Scorers



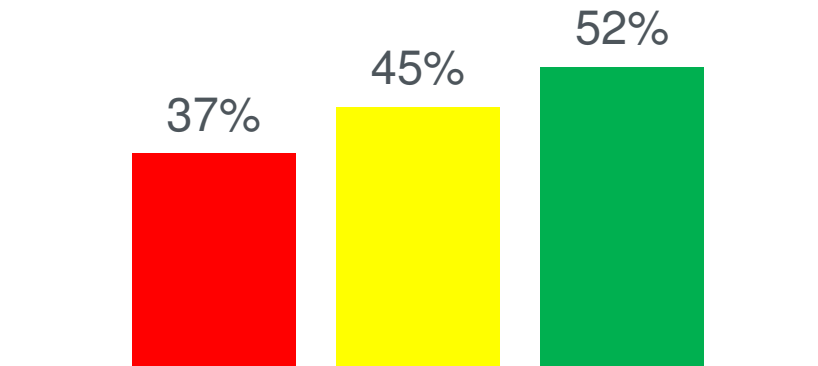
High-scoring agents 55% less likely to leave in first year than low scorers.

**Total organizational impact:** Extrapolated across the entire insurance agent workforce, these differences translate to an increase of **HK\$271 million in sales** and cost savings of **HK\$34 million in reduced turnover.**

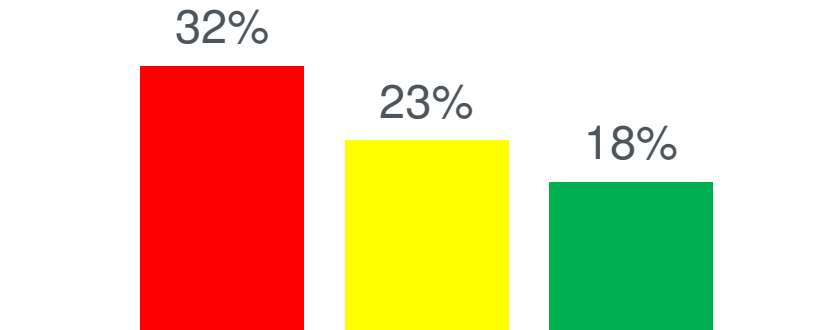


# Installer Quality and Productivity

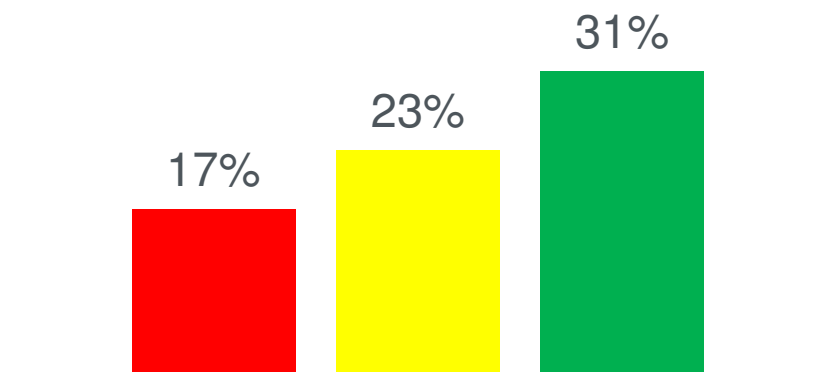
**% Meeting Productivity Goal**



**% Exceeding Trouble Call Rate Goal**



**% Meeting Connectivity Goal**



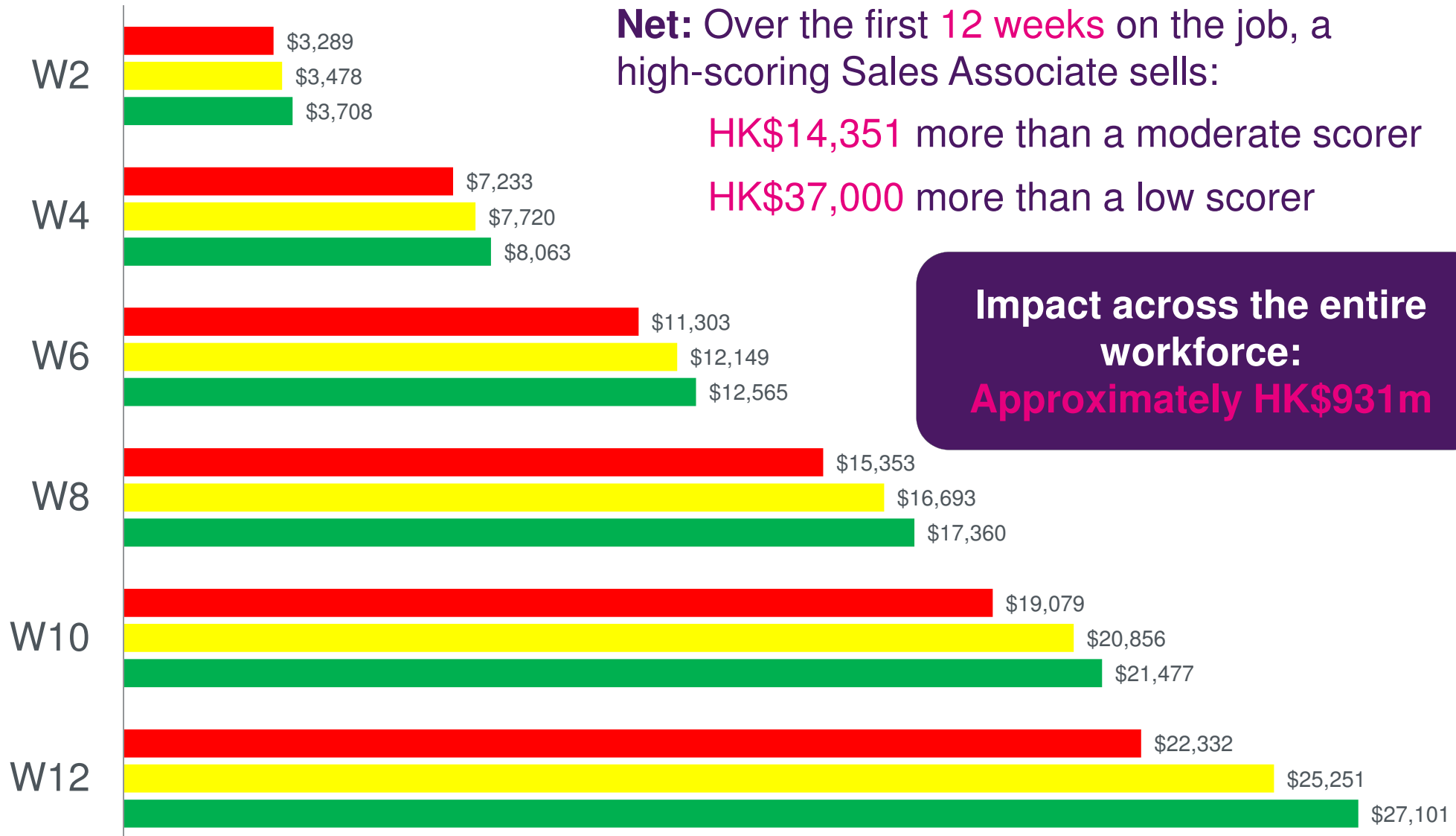
- High-scoring Installers are:
  - 41% more likely to meet productivity goal
  - 82% more likely to meet connectivity goal
  - 78% LESS likely to exceed trouble call goal
- Improvement in efficiency translates to:
  - Nearly HK\$39,000 per Installer annually
  - Nearly HK\$194M across the entire Installer workforce

# Retail Associate Sales Ramp-Up

**Net:** Over the first 12 weeks on the job, a high-scoring Sales Associate sells:

HK\$14,351 more than a moderate scorer

HK\$37,000 more than a low scorer



**Impact across the entire workforce:**  
Approximately HK\$931m

# Why Assessments Work

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- Improvements across **key** performance indicators
- **Improved** information retention and **success** in training
- **Faster** ramp up time post training
- **Reduced** investment in non-value add sourcing channels
- Dramatically **improve** recruiting team **efficiency**

# How To Successfully Launch an Assessment Strategy

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- What is driving the **need** to implement assessment:
  - Clear **understanding** of the current process and talent deficiencies
  - Lack of **efficiency** within the existing recruiting process
  - **Changes** within required skills or key performance indicators
- Data driven business case
  - Demonstrate direct impact to **performance and bottom line**
- Socialize and engage partners
- Closely monitor pass through rates and adverse impact to maximize assessment results
- Invest in a Business Outcome Study

[illegible]



# What is Big Data?

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*If you can learn to drink from the fire hose, [big data] can provide the sort of intelligence and actionable insight that business leaders dream about.*

--Thor Olavsrud, *CIO Magazine*

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*“Imagine if you could compare the intelligence, competencies, and skills of your (any) team against that of your competitors? This type of analysis could be one of the most useful tools you have to improving your organization’s performance.”*

**Josh Bersin, “Can Data Science Select Good Leaders?” Forbes, 7<sup>th</sup> July 2012**

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## “Big data” in HR

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The essence of *talent analytics* is to answer the question ...

*do we know if our “talent” **can** achieve  
what we **want to** achieve?*

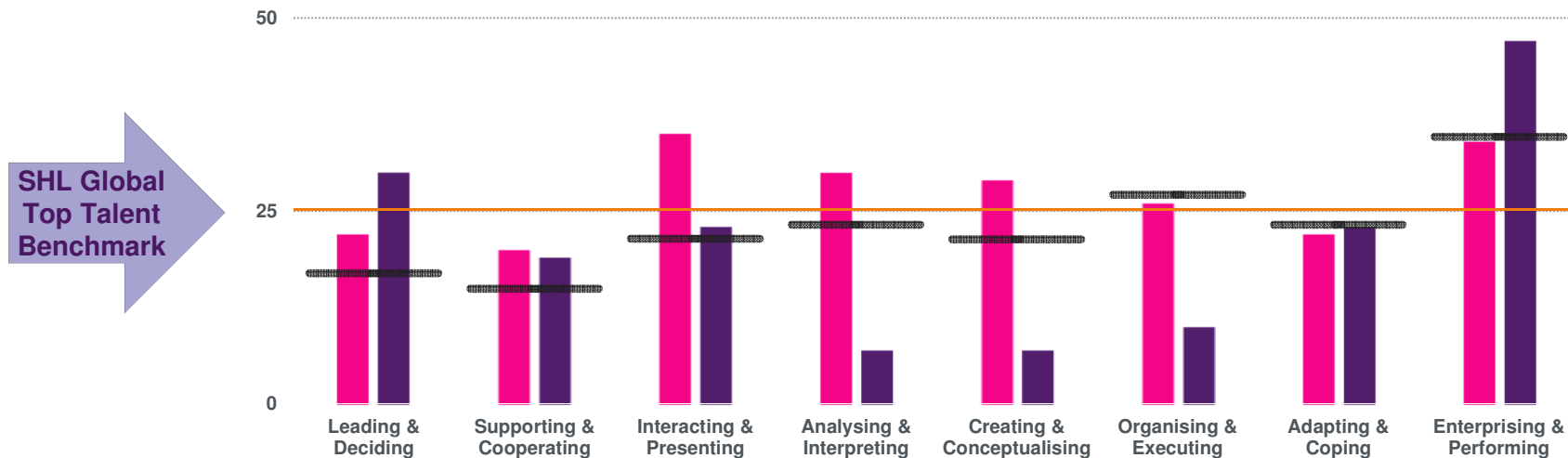


# A banking story

Bank A was in the upper quartile globally  
for *profits* for 2010

Bank B was also in an upper quartile ...  
... for *customer complaints*

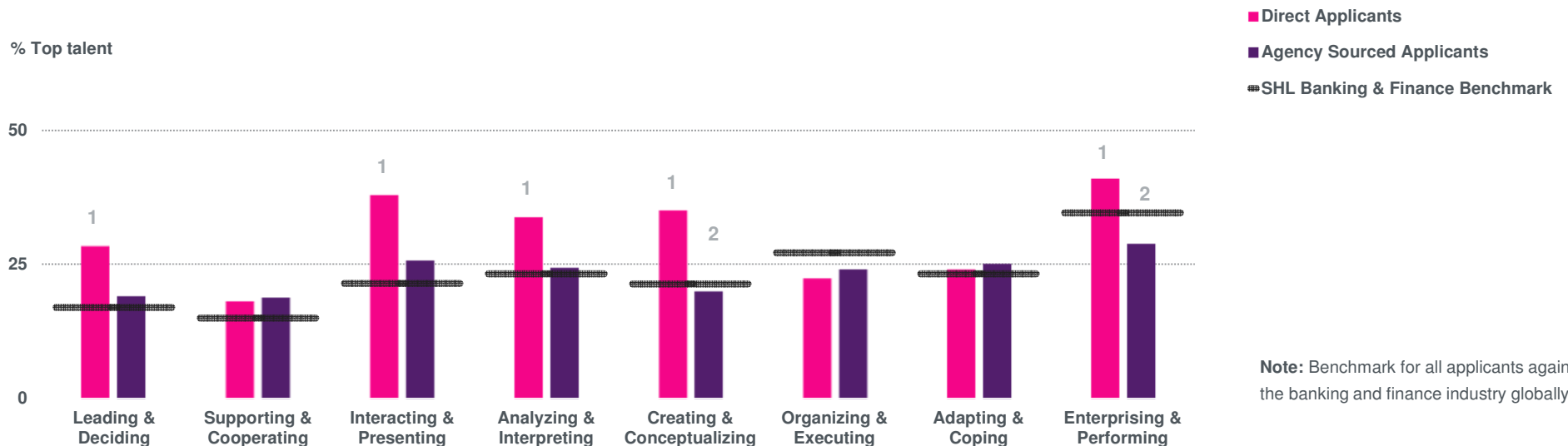
■ Bank A ■ Bank B — SHL Banking & Finance Benchmark



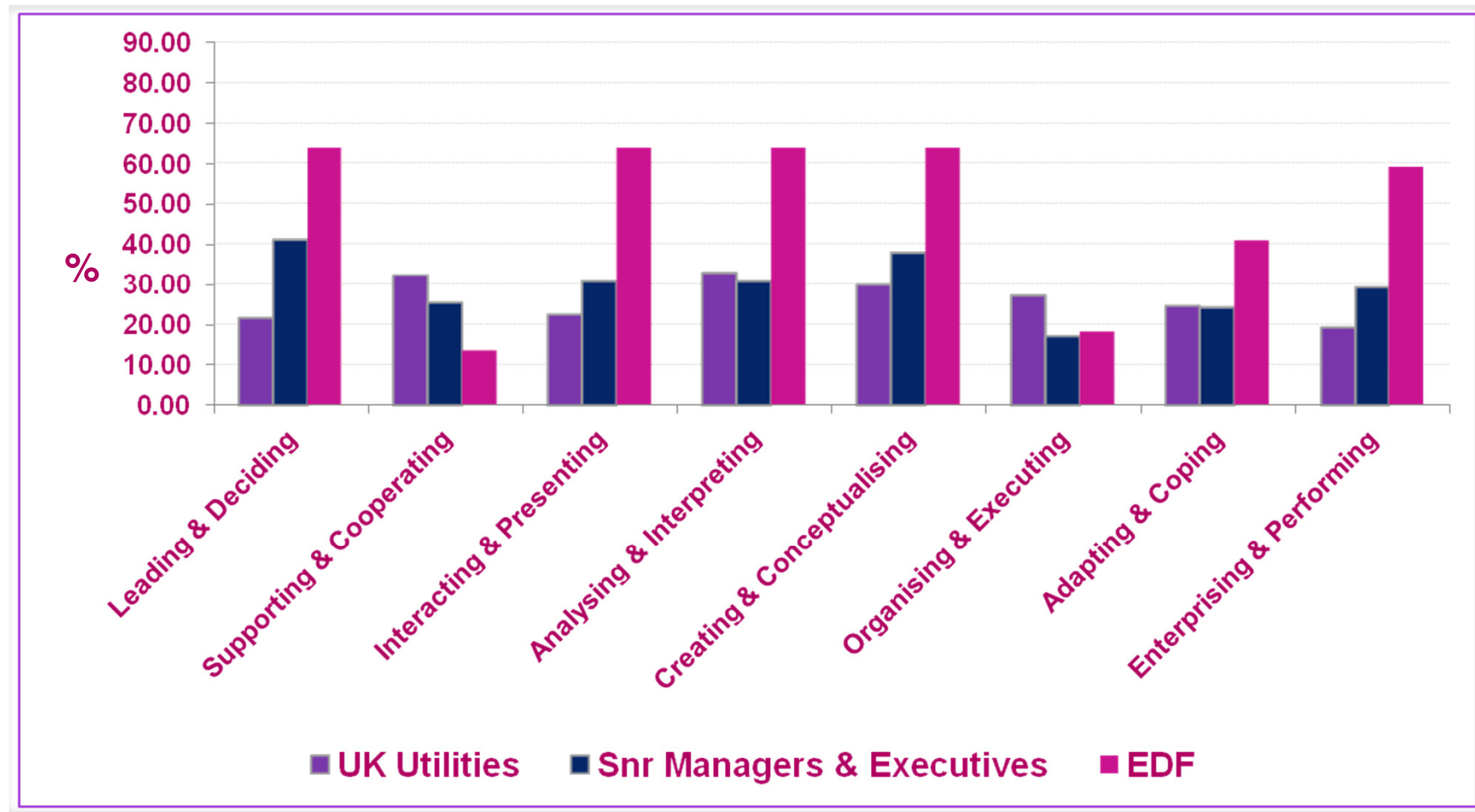
# Evaluating effectiveness by candidate source

SHL Talent Analytics  
can be used to  
compare  
*recruiting sources*  
or *recruiting stage*

- Direct candidates appear stronger on five dimensions<sup>1</sup>
- Candidates supplied by agencies fall short of the benchmarks for Creating & Conceptualizing; Organising & Executing; and Enterprising & Performing<sup>2</sup>

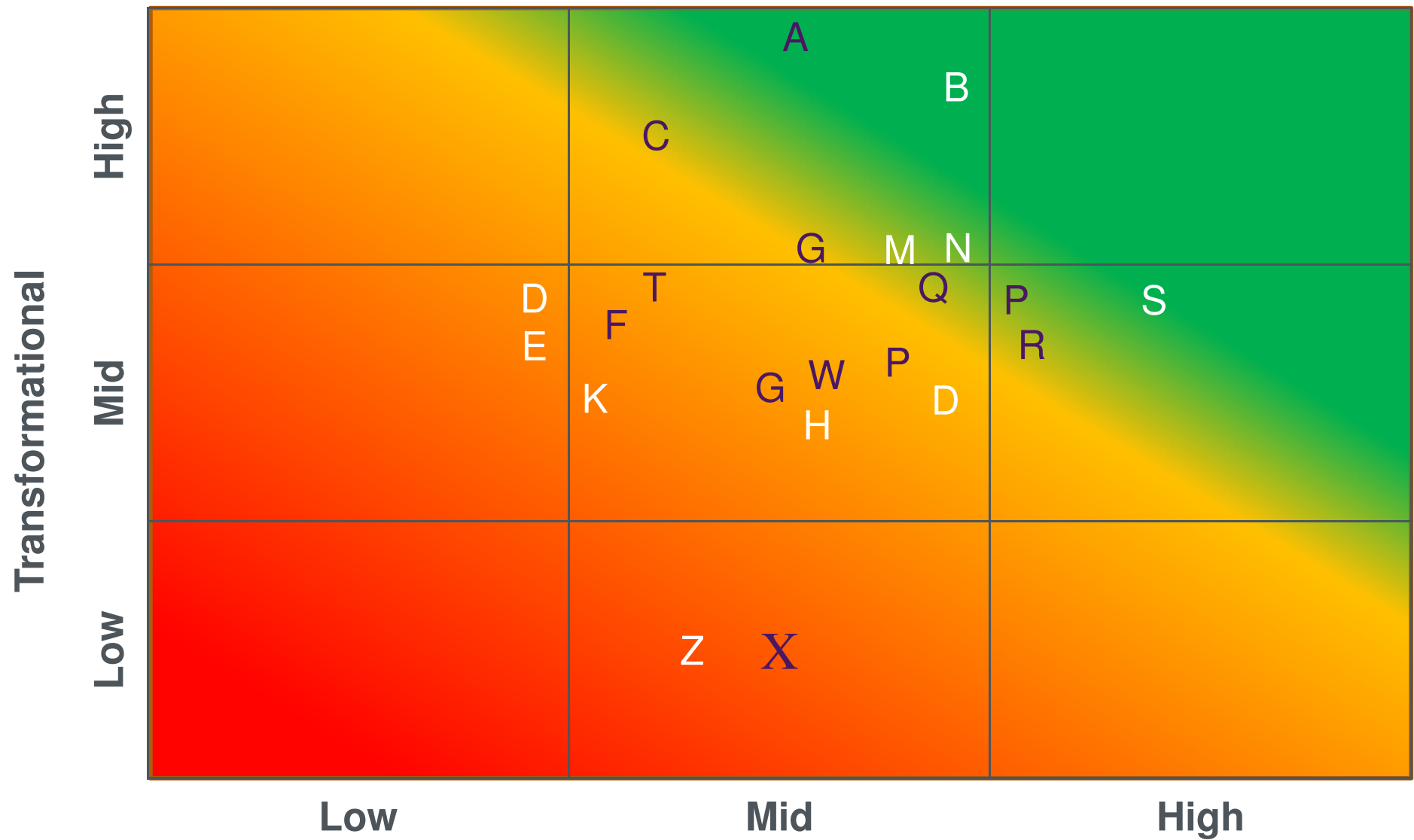


# Competency Potential Profile for EDF



- Utility Benchmark – 4,692
- UK Senior Manager Benchmark – 10,985

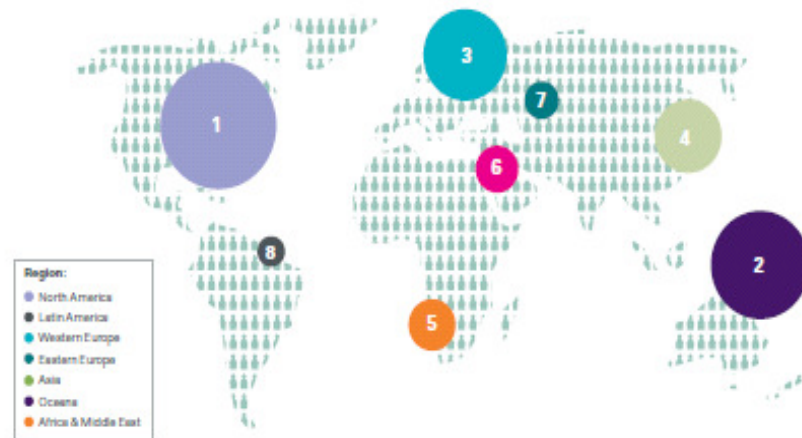
# Leadership Potential Distribution



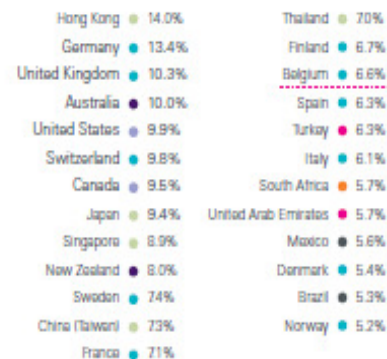


# The geography of leaders for today

Leaders for today grouped by geographical region



Supply of potential leaders for today as a % of population: Top 25 countries\*



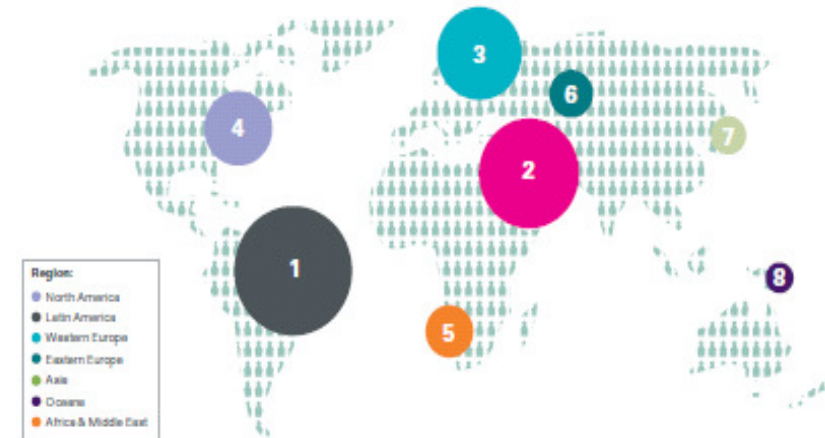
While some individual countries, like Hong Kong, have a large pool of potential leaders today, when we look at the data more globally by region, leadership today is primarily concentrated in hotspots in North America (United States and Canada), Oceania (Australia and New Zealand) and Western Europe (principally the Big 3 of the European Union: France, Germany and the UK) - as well as Switzerland and Sweden.

\* Based on the potential of graduates, managers, executive and professionals assessed between 2006 and 2011. Average sample size per country 16,326.

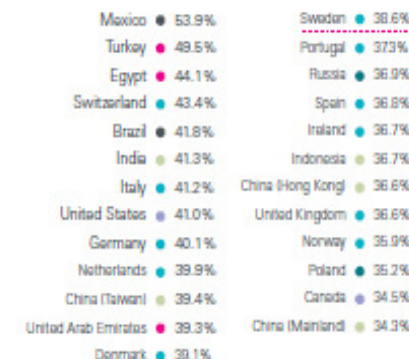
Dotted line shows geographies above or below global average. Western and Eastern Europe used to distinguish those countries and economies that have emerged from the previous Soviet Bloc.

# The geography of leaders for tomorrow

Leaders for tomorrow grouped by geographical region



Supply of potential leaders for tomorrow as a % of population: Top 25 countries\*



The landscape changes quite a bit when we look at the supply of leaders for tomorrow. Here are the top 25 countries with the strongest supply of leaders for tomorrow. Strong supplies of leaders for tomorrow exist among emerging economies, notably the BRICS countries: Brazil, Russia, India, and China - with South Africa at 32.3% falling outside the Top 25. Additional strong pools of potential leaders are found in the newly coined emerging group of TIMS countries: Turkey, Indonesia and Mexico - with South Korea lagging at 31.6%. Regionally, Latin America and the Middle East feature strongly as hot spots for tomorrow's leaders.

\* Based on the potential of graduates, managers, executive and professionals assessed between 2006 and 2011. Average sample size per country 15,485.

Dotted line shows geographies above or below global average. Western and Eastern Europe used to distinguish those countries and economies that have emerged from the previous Soviet Bloc.

# Applying Talent Analytics

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Talent Analytics provides data to drive talent decisions:

**Talent Audit** – Enhances internal talent benchmarks

**Recruitment** – Directs recruitment spend effectively

**Leadership Development** – Provides critical insights for leadership effectiveness programs

**High Potential Programs** – Ensures high potential programs are best-in-class

**High Volume Programs** – Drives decisions on critical roles (e.g. customer contact) using market-competitive data



# Impact of “Big Data”

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- As these results indicate, Talent Measurement helps organizations make **better** decisions about people
- The **ROI** associated with Talent Measurement can be dramatic
  - Particularly in large-scale hiring programs
  - Or hiring into roles with a lot of responsibility
- When properly implemented, Talent Measurement supports **easier** and **more objective** decision-making...

*Using **People Intelligence** to inform business decisions*

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Remember this question...

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The essence of *talent analytics* is to answer the question ...

*do we know if our “talent” **can** achieve  
what we **want to** achieve?*



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The question is ...

*... how do you know?*



# *Thank You & Questions!*

**“In God we trust. Everyone else  
has to bring the data.”**

Eric Schmidt, Executive Chairman, Google