

Assessing Critical Talent

The RHR International
guide to building a
powerful assessment
strategy



Introduction

How can we bring out the best in our leaders? During the 75-plus years that we've been supporting the success of senior leaders, the answer to that question has changed significantly. Today's leaders are challenged to steward talent toward an unpredictable future. They are challenged to bring about positive change for their organizations, employees, investors, and wider stakeholder groups in an increasingly complex environment. What hasn't changed, however, is the role of robust and objective insights to enable the growth of tomorrow's leaders.

No matter what hurdles our leaders face, assessment is the foundation for talent practices that will effectively target development and infuse our pipelines with the capabilities we need for the future. At RHR International, we believe assessment insights are a powerful catalyst for challenging assumptions that impede growth. There is nothing more effective than candid insight from assessment to redefine potential, target development, and reshape talent conversations so that companies can perform at their best.


Although the tools we have available to us are evolving all the time, the impact from assessment is consistent in its potential to help companies consciously shape their leadership in a meaningful and purposeful way.


From a commercial point of view, robust assessment is critical to managing risk. Investment in leadership assessment is relatively inconsequential compared to the cost of a poor executive hiring decision (estimated at 2.5 to 2.7 times base salary). Add to this the less-tangible costs of diminished engagement and misguided strategic decisions, and investment in understanding your leaders becomes a business-critical activity.



About this guide

This guide is intended for those interested in exploring new options for assessing their critical talent. For HR and talent professionals, recruiters, and business leaders, this guide explains the reasons for assessing talent, the types of assessments RHR provides, and the kinds of outputs and benefits you can expect.

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Why leadership assessment is important

Selection and promotion mistakes have far-reaching consequences. And yet, many organizations make choices for vital positions based on outdated data and personal biases or preferences that cloud an objective view of the candidate pool.

When asked anonymously, 68% of chief executive officers acknowledged they'd come into their role unprepared—especially in areas like culture change, team leadership, and self-management¹. This lack of preparation does not set up senior hires for success and results in 50% to 70% of executives failing within 18 months of taking on a role, regardless of whether they were an external hire or promoted from within².

Often, recommendations from former bosses or search firms are given substantial weight. Promotions from within rely heavily on past performance data. Although these data sources are pieces of the puzzle, they tell you more about what the candidate has done than what they *can and will do*.

Past performance is the best predictor of future performance—under similar circumstances. But selection and promotion decisions are predictions of how an executive will perform in new circumstances—a new role, different culture, evolving operating model, increased leadership demands, or expanded scope. Relying on limited historical data is both misleading and risky.

Avoid costly mistakes with proven assessment tools

Leadership assessments are a critical part of getting hiring and succession decisions right the first time. A proven assessment process (backed by science and experience) provides psychological insights that predict a leader's performance in future roles, identify developmental gaps, and outline potential transition issues.

In addition, by identifying high-potential (HIPO) employees early on, organizations can expect these individuals to bring 91% more value to the organization than non-HIPOs and exert 21% more effort than their peers.³ Assessment is a unique tool to help decision-makers identify HIPO talent and to move leaders through the succession pipeline with a maximum degree of confidence that they are the right leaders for the future.

“A proven assessment process provides psychological insights that predict a leader's performance in future roles, identify developmental gaps, and outline potential transition issues.”

¹ Harvard Business Review (2018), "Survey: 68% of CEOs Admit They Weren't Fully Prepared for the Job," Kati Najjipoor-Schutte and Dick Patton

² Corporate Executive Board (2020), www.forbes.com/sites/forbescoachescouncil/2020/03/13/why-most-new-executives-fail-and-four-things-companies-can-do-about-it/?sh=44c03f77673

³ Gartner (2019), www.gartner.com/en/newsroom/press-releases/2019-09-26-gartner-says-australian-employees-staying-put-as-conc

How to select the right assessments for senior leaders

There are several critical factors to consider in selecting the right assessment tools. The three criteria below will help guide you in making fair, predictive choices that support ongoing development.

Multitrait, multimethod

People are complex, and reducing them to a single number or characteristic does not accurately represent who they are and what they bring to the table. It's tempting to rely on a measure like general intelligence, which has long demonstrated to be the best single predictor of performance. Doing so, however, would result in a lopsided organization of individuals who score relatively high on traditional measures of intellect but likely fall short on many other important characteristics of leadership.

The answer, then, is more complex but far more impactful (and respectful of the individual). By integrating a diverse set of inputs from different sources, we can build a fuller picture of a person and their capabilities, interests, and motivations. Personality and leadership-style assessments, for example, give us a baseline of how an individual is likely to respond in different situations and the environments in which they are likely to thrive.

Stakeholder input (e.g., 360 assessments) tell the story of a leader's internal reputation and impact on others. Behavioral interviews allow the leader

to tell their story, demonstrate self-awareness, and outline the ways they adapt and manage their core tendencies and capabilities.

Much like the inputs, the outputs must also be multifaceted. Every leader is a bundle of trade-offs; there are no perfect candidates. By providing outputs on a series of factors, the most powerful assessments give space to the complexity of the person, the judgment of the manager and HR leader, and the uniqueness of the environment.

Future focused

You don't need an assessment process to tell you how your people are performing today. Every one of your managers and HR professionals can observe and track performance. They know what expertise in their field looks like. And although many performance-management processes are plagued with issues, the best data for evaluating where your people stand today sits within your company.

What is harder to predict with internal data is how leaders will perform in the future. It is easy to fall into the trap of a "halo bias"—to believe your best employees today will be your strongest leaders tomorrow. But we know this is not the case. Some will expand far beyond what you can envision today, and some will find they perform best in specialized, niche roles.

When we get this wrong, we set valued employees up for failure. We promote them beyond their capacity or put them in roles that do not match their strengths or interests. And when they struggle, we have limited options for getting them back to a place of success and credibility. When it comes to long-term succession planning, assessments are most powerful when they are designed to see into the future.

Assessments should assess the capabilities leaders will need two and three roles from now rather than the skillsets driving performance this quarter or this year. And they should provide a method for uncovering hidden and undervalued talent who are below the radar today but will be a critical part of the company's future. Assessments that reinforce what you already know about your talent have limited utility. Those that challenge how you think and surface new perspectives can catalyze your leadership pipeline for the future.

Designed for fairness

The goal of an assessment process is not to focus on someone's deficits or catch them doing something wrong. In fact, a well-designed assessment creates the conditions that allow people to perform at their best and demonstrate their maximum capacity.

To do that well, assessments must be free of factors that disadvantage any group of individuals. Many aspects of fairness are built into the tools themselves. For example, assessments built on a premise that is only relevant in some cultures and not others will be harder and take longer for some participants to complete than others.

These dimensions of fairness are measurable and should be part of the design and maintenance of any assessment. In addition, some aspects of fairness are a function of the conditions surrounding

the assessment. Internet speeds and quiet spaces can impact performance on timed instruments. Distractions can make it difficult for people to respond honestly and consistently on a personality instrument.

Rapport and trust with the external assessor can impact how well a leader feels they can perform during an interview. When they feel guarded or fearful, there is a cognitive burden that makes it more difficult for them to show up at their best. A valuable and ethical assessment process is designed for fairness from beginning to end, not just in the tools selected but also in the support leaders receive to demonstrate their full capacity.



How to use assessment outputs

Gaining insight and making action plans based on your assessments are just as critical as designing the right assessment strategy. Many companies invest a lot in assessment, yet few get the full value inherent in the insights they can yield.

Here are RHR's tips on making the most of your assessment data.

Use of data

Assessments are powerful tools that, when misused, can do more harm than good. Therefore, education and orientation of every manager and HR professional who will have access to data are crucial parts of an assessment process. It is better to overdo it at the beginning. Briefings, FAQs, live debriefs, education sessions, development-planning workshops—the more you embed strong guidelines and training, the higher your chances of mitigating risks and maximizing impact.

How data will be used is also a crucial part of communication to participants. “Who will see my data” is the most frequent question we get from participants. Transparency and clarity from the outset will save a lot of fear and confusion down the road.

Succession integration

We have seen countless examples in which assessment data lived with Team A, promotion or hiring decisions were made by Team B, and the two never crossed. There is no faster way to undermine and underleverage your assessment process than to separate it from the critical decisions that leaders make every day to hire and promote leaders on their team.

With proper controls and privacy guidelines, it is possible to get data into the right hands to make more-informed talent decisions. The best way to do this is through planful and deliberate integration with succession routines. Briefing managers in advance and integrating data into talent roundtables increase insight and objectivity.

Translating to development

What happens to the nuanced insights and information embedded in an assessment once decisions are made? Too often, reports gather dust, as they're viewed as risk-mitigation tools rather than integration and development roadmaps. But assessments can give us a wealth of insights into how someone learns, what will motivate them to change, and what investments will maximize their readiness for the next role. In addition, when viewed in the aggregate, assessments on a group of leaders can help define the broader development agenda for an organization.

Calculating the costs and benefits of senior leadership assessment

Although the costs of leadership assessments can be significant, they pale in comparison to those of poor hiring decisions. The true costs of poor leadership includes diminished engagement, increased attrition, productivity losses, misguided strategic decisions, and the misapplication and underutilization of valuable resources.

What's more, replacing an ineffective leader can take months and cost hundreds of thousands of dollars. Estimates of the true cost of a bad executive hire range from 2.5 to 2.7 times their base salary.

In the absence of assessment data, organizations reportedly have a 50% hit rate in hiring senior executives. In other words, a company that has to fill 10 executive roles can expect to make poor choices on approximately five of them.

Conservatively, let's assume that by utilizing assessments, organizations can raise the hit rate from 50% to 80%; this reduces the error rate to two in 10. Assuming an average total compensation of \$500,000 annually, a single bad hire would cost \$1.25 million, and five would cost an astonishing \$6.25 million.

By reducing the number of bad hires for every 10 executives from five to two, this translates to an estimated savings of \$3.75 million. Although these estimates are meant to be illustrative, there is good evidence to support the significant collateral damage of poor leadership choices and the clear long-term benefit of increasing your success rate.



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Ensuring assessments are accurate

At RHR, we regularly conduct research on our assessments to continuously improve their effectiveness. Following our client engagements, we follow executives to better understand the accuracy and impact of our assessments. Some of our most recent results are as follows:

Research methodology

We gathered data on executives six months to five years after assessment to better understand:

- 1 Accuracy and comprehensiveness of assessment results
- 2 Career progression since assessment
- 3 Ratings of the executive's performance and potential
- 4 Extent of individual development progress made since assessment

Of the most scalable leaders, managers report **7 out of 10 are highly effective or exceptional**

The most scalable leaders are **35% more likely to hold senior positions** at the time of assessment

The most scalable leaders are **10% more likely to advance** into a more senior position within 5 years of the assessment

The most scalable leaders have **43% more network connections** than least scalable leaders

Leaders who score one point higher have a **25% greater chance of promotion** within the next two years

84% of leaders progressed on goals as part of our development programs

The numbers demonstrate in tangible terms how assessment has had a direct impact on the business at a senior level. Data from the study provided evidence that the assessment process is accurate, comprehensive, and directly relevant to business operations.

Leadership assessment from RHR

At RHR, we assess more than 1,200 senior leaders every year—advancing current and future generations of enterprise leaders through our work. It’s our mission to create reliable, future-oriented action plans from assessment that are based on comprehensive insights into your talent.

Our leadership assessments

We recognize that individual and organizational needs are different at different points in the leadership pipeline. At RHR, we offer four tiers of assessment, which allows for more depth and nuance at the top and more speed and efficiency deeper in the pipeline.

“The rigor with which our talent has been assessed by the RHR team offers us an objective foundation upon which we can support our leaders in strengthening and building their leadership competence. As a result of our partnership with RHR, our leaders will be better prepared personally and professionally to tackle the opportunities and challenges ahead.”



— Jeff Lindeman, Chief People,
Culture and Capability Officer

The Winning Formula[®]	Ensure the suitability of candidates for your most senior roles—including CEO—through a customized assessment that reflects your specific role requirements and organizational context.
RFSexecutiveSM	Identify development areas for current senior leaders and assess the readiness of internal or external candidates to support succession planning for critical executive roles.
RFSpipeline[®]	Evaluate your bench of future senior leaders and identify individual and organizational development needs by benchmarking against our global database of enterprise leaders.
RFSinsightsSM	Scan your deep bench to identify future leaders using our most scalable offering, which provides algorithmically generated insights to give you a view of your long-term talent needs.

Why work with RHR?

At RHR, we are pioneers in the field of organizational psychology. As the premier boutique firm in this space, we are big enough to bring you the data, experience, and resources your project needs but small enough that you get all the attention and focus you deserve. Our services are personalized and unique. We have outlasted scores of competitors and have remained a relevant presence in the lives of our clients for more than 75 years.

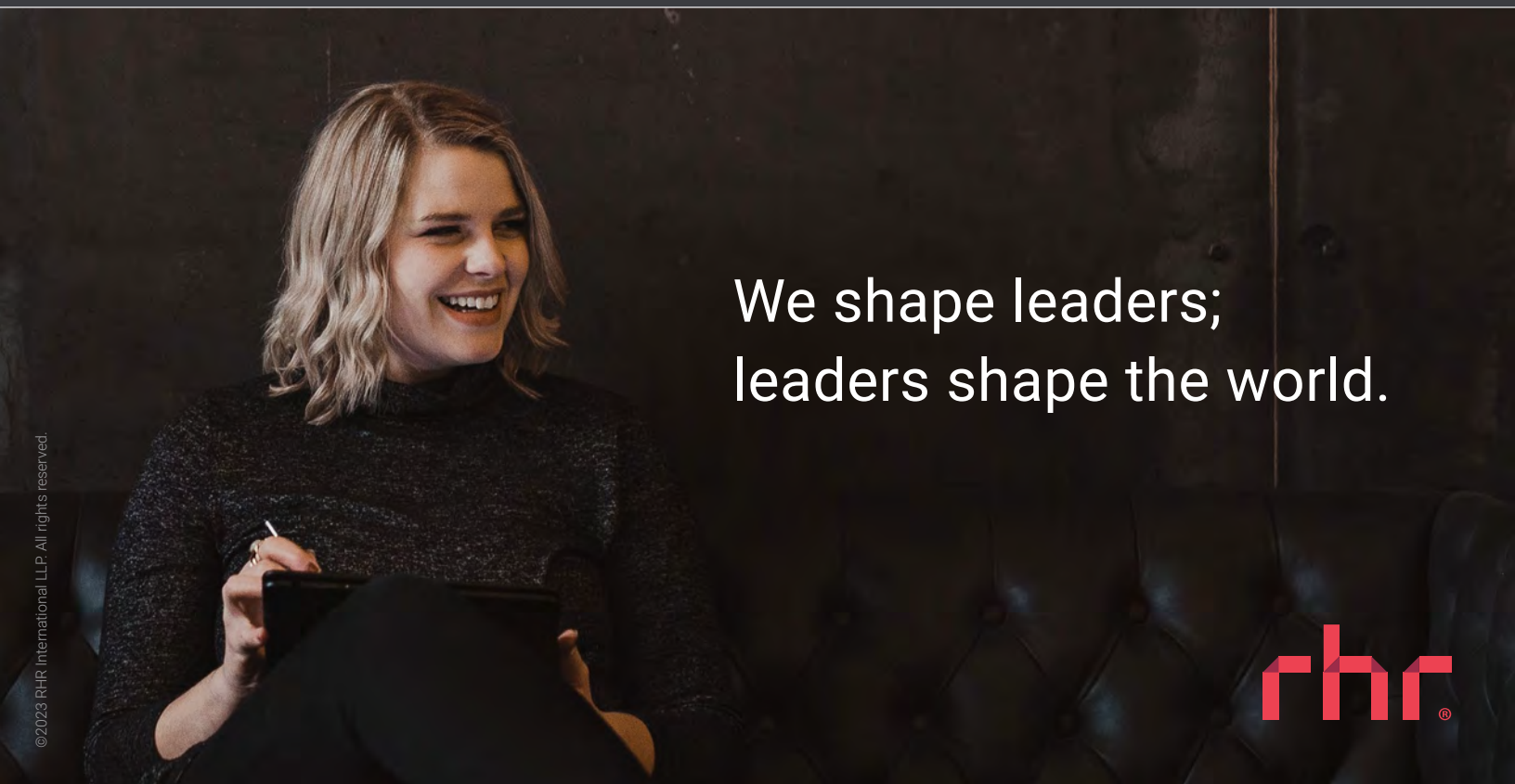
Our leadership assessments use the combined power of technology, behavioral science, and leadership expertise to help you build robust pipelines of enterprise leaders. We operate on the principle that assessments should enhance internal insights, not replace them. High-impact assessment supports the evolution of your talent and enables you to make robust decisions that future-proof your business.

**Ready for next-generation insights?
Get in touch today.**

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**We shape leaders;
leaders shape the world.**

