BUSINESS OUTCOME HIGHLIGHTS

HOGAN

THE SCIENCE OF PERSONALITY

BUSINESS OUTCOME HIGHLIGHTS

Effective employee selection and development are crucial to the continued growth of any successful organization.

Hogan has built a reputation based on accurate prediction of employee performance, and implementing research-based selection systems aimed at improving bottom-line business results.

Successful business people understand the importance of having the right person in the right job. Talent management teams increasingly rely on hiring solutions that provide a clear competitive advantage, including using personality assessments to select and develop talented individuals. Because of Hogan's long history of successfully predicting employee performance and implementing research-based selection systems aimed at improving bottom-line business results, companies often employ Hogan to meet these needs.

This report on recent business outcomes provides return on investment (ROI) evidence from nine unique research studies conducted recently by Hogan and its domestic partners. These studies demonstrate the relationship between personality and job performance and illustrate the assessment's impact on key indicators of business performance. These studies cover a variety of jobs across a wide range of industries, and rely on both objective and subjective measures of job performance.

WELCOME TO HOGAN

Business leaders know their organization's most important asset is its people. Creating a competitive advantage begins by assessing and hiring the right candidates, and developing leaders across all levels in the organization. Hogan's comprehensive suite of employee assessment, development and talent management products are grounded in over 30 years of research, development, and scientific prediction. Hogan publishes four assessments, each of which provides insight into the personal characteristics required for successful performance in any job.

RESEARCH THROUGH THE YEARS

Hogan's research is backed by the business applications of personality. These applications date back to the 1930s, when government officials used assessment centers to select individuals for dangerous wartime assignments. Rooted in this tradition, Dr. Robert Hogan developed the Hogan Personality Inventory (HPI) as the first measure of normal personality designed specifically for business applications. He spent more than 15-years accumulating mountains of evidence demonstrating that this personality inventory would predict job performance. In fact, one of Hogan's first large-scale criterion research studies involved the U.S. Navy and the selection of bomb disposal technicians; Robert and Joyce Hogan found that the HPI predicted overall job performance, and documented their findings in the *Journal of Military Psychology* (1989). Other successful criterion studies soon followed with several targeting specific industries. For example, Dr. Hogan contacted ten of the highest-revenue transportation companies in the country, and three of them became Hogan clients. These efforts paved the way for Hogan to become a leader in driver selection, and bolstered Hogan's reputation as an elite research institution.

As Dr. Robert Hogan summarizes, "we employ the largest group of researchers of any commercial test publisher, and we do more personality research than most psychology departments." Specifically, Hogan researchers conduct 10 - 15 new criterion-referenced validation studies each year, continuously updating Hogan's extensive research archive with results from these efforts. Based on the accumulated evidence from over 250 criterion-referenced validation studies, we can confirm that, regardless of job, job family, or industry, Hogan tools predict workplace performance without adversely impacting candidates. Additionally, because each of the four assessments predict unique aspects of job performance, these tools combine to yield a highly-accurate and comprehensive picture of the personal characteristics related to successful job performance. This valuable information allows companies to enhance a variety of personnel applications, ranging from pre-employment screening to leadership development.

Hogan Personality Inventory (HPI) - The measure of everyday personality characteristics needed for success in careers, relationships and life.

Hogan Development Survey (HDS) - The measure of counterproductive personality characteristics that derail otherwise successful managers and leaders.

Motives, Values, Preferences Inventory (MVPI) - The measure of core values that reflect job satisfaction, culture fit and things we value as leaders.

Hogan Business Reasoning Inventory (HBRI) - The measure of cognitive reasoning skills needed for making effective strategic and tactical business decisions.

Regardless of job, job family, or industry, Hogan tools predict workplace performance without adversely impacting candidates.

VISIT HOGANASSESSMENTS.COM FOR THE FULL TEXT OF THESE STUDIES

ROI RESEARCH METHODOLOGY

Hogan continually partners with clients to conduct ROI research studies to demonstrate the value of our assessments. These studies demonstrate the value of Hogan tools using metrics specific to the goals of each client organization.

The Hogan Research Division is comprised of doctorate- and masters-level professionals in Industrial-Organizational Psychology, and leads the execution of ROI research studies for Hogan clientele using complex objective and subjective criterion data. Most importantly for our clients, Hogan researchers communicate study results in concise, easily-understood business language.

Hogan adheres to rigorous standards when conducting ROI studies. These guidelines help direct each study's design and enable Hogan to provide clients with reliable conclusions about the value of their assessment program. Although each study is unique, these recommendations provide a starting point during initial planning of the study.

These guidelines include:

- A sample size of at least 100 individuals to take the proposed assessment solution. Smaller samples may work when the incumbent population does not lend itself to larger sampling designs.

- Tenure of at least 6 months; jobs with a longer onboarding period may require additional tenure.

- Availability of both subjective (e.g., single- or multi- source behaviorally based ratings) and objective (e.g., turnover, sales revenue, absenteeism) performance measures.

- Multiple performance data points matched to each individual, across 6 -12 months when available, that illustrate a variety of key areas and stable job performance data.

OVERALL FINDING:
ROI INCREASES WHEN USING HOGAN TOOLS

Over the past two years, Hogan conducted 27 ROI research studies for clients across several industries, including finance, transportation, and government sectors. The vast majority of these efforts showed positive results, where the assessment solution had a strong, favorable impact on most, if not all, of the clients' performance metrics.
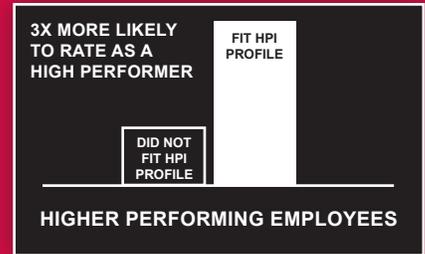
Hogan continuously partners with clients to conduct ROI research studies to demonstrate the value of our assessment solutions.

The next section provides an overview of ROI evidence for 9 key studies, representing a wide range of industries and job types.

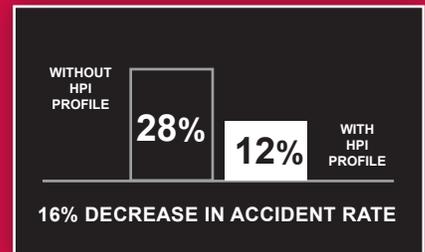VISIT HOGANASSESSMENTS.COM FOR THE FULL TEXT OF THESE STUDIES

Study 1: Higher-Performing Employees

A state department of corrections partnered with Hogan to improve the selection process for probation/parole agents. Hogan developed a HPI profile where successful Agents were identified as rule-abiding and conscientious (high HPI Prudence), energetic and goal oriented (high HPI Ambition), concerned with building job-related knowledge (high HPI Learning Approach), and enjoying working with others (high HPI Sociability). Agents who met this profile were nearly three times more likely to be rated as a high performer by their supervisor compared to those not meeting the profile.

3X MORE LIKELY TO RATE AS A HIGH PERFORMER

FIT HPI PROFILE

DID NOT FIT HPI PROFILE
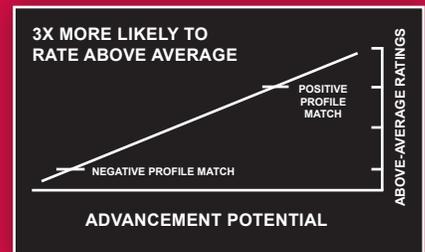
HIGHER PERFORMING EMPLOYEES

Study 2: Better Safety Practices

An international provider of industrial gases looked to Hogan for help in improving their selection process for transport drivers. Drivers passing the HPI profile were four times more likely to be identified as a high performer relative to those not passing the profile. Furthermore, the HPI accurately differentiated good drivers from those characterized by performance problems, rule violations and safety concerns. In particular, high-fit drivers had a lower accident rate (12%) than those not fitting the profile (28%).

WITHOUT HPI PROFILE

28%

12% WITH HPI PROFILE

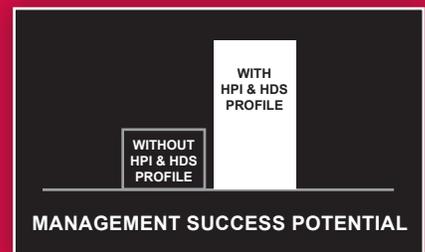**16% DECREASE IN ACCIDENT RATE**

Study 3: Greater Advancement Potential

A large domestic pharmaceutical company sought to enhance its high potential identification process by incorporating the use of multiple Hogan tools in their leadership development program. Over one hundred job incumbents completed the HPI, HDS, MVPI, and HBRI, while their supervisors provided performance ratings on technical skills, overall performance, and advancement potential. The profile accurately classified below-average performers 66% of the time and above- average performers 60% of the time. More importantly, candidates meeting the profile were almost three times as likely to be rated as above-average performers and had greater advancement potential than those not meeting the profile.

3X MORE LIKELY TO RATE ABOVE AVERAGE

POSITIVE PROFILE MATCH

NEGATIVE PROFILE MATCH

ABOVE-AVERAGE RATINGS

ADVANCEMENT POTENTIAL

Study 4: Improved Promotion Procedures

A *Fortune 500* global communications company wanted to improve promotion procedures for senior management. Hogan recommended the HPI and HDS to assess both the positive and negative aspects of personality. The HPI showed that successful senior managers take initiative and are eager to advance (high HPI Ambition), work well independently (low HPI Sociability), are perceptive, thoughtful, and cooperative with team members (high HPI Interpersonal Sensitivity), and hold high standards for their own and others' performance (high HPI Prudence). Several negative characteristics lower leadership potential, such as being overly critical and fault finding (high HDS Skeptical), procrastinating when performing uninteresting work (high HDS Leisurely), preferring an intuitive (rather than fact-based) approach to decision-making (high HDS Mischievous), and being preoccupied and lacking in follow through (high HDS Imaginative).

WITH HPI & HDS PROFILE

WITHOUT HPI & HDS PROFILE

MANAGEMENT SUCCESS POTENTIAL

Study 5: Increased Sales

An international financial services firm wanted to enhance their selection process for business owners and managing partners. Hogan's review of sales performance data showed a favorable long-term trend, where increases in performance occurred as profile fit improved. Specifically, individuals meeting the HPI profile averaged $175,000 more in sales than those not meeting the profile. In addition, owners passing the profile had greater first year commissions and met their goals more quickly than those not passing the profile.

$175,000 AVERAGE INCREASED SALES

WITH HPI PROFILE

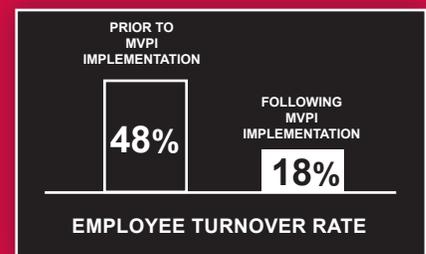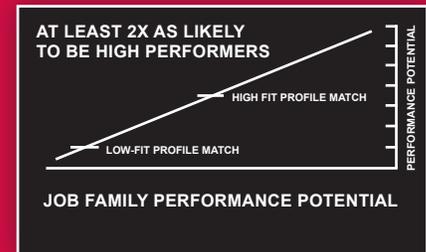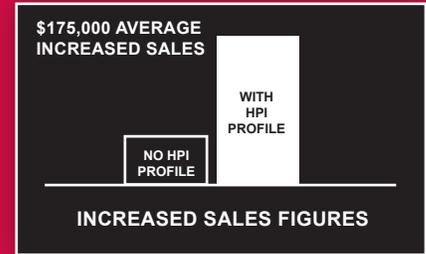NO HPI PROFILE

INCREASED SALES FIGURES

Study 6: Improved Selection

A food/warehousing company wanted to standardize hiring procedures for six different job families (i.e., clerical, professional, managerial, operations/trades, customer service, and sales). Hogan recommended using the HPI and MVPI to identify individuals who remain calm under pressure and exhibit a positive work attitude. Hogan customized selection guidelines using scales from the HPI and MVPI to address the unique aspects of each job family.

To illustrate how these selection recommendations would work in each job family, Hogan compared those passing each profile to those not passing the profile. These comparisons showed that, across all six job families, high-fit workers were at least twice as likely to be rated as a high performer as those not fitting the high fit profile. For professional (3x) and clerical (7x) job families, high-fit workers had an even greater likelihood of being a top performer.

AT LEAST 2X AS LIKELY TO BE HIGH PERFORMERS

PERFORMANCE POTENTIAL

HIGH FIT PROFILE MATCH

LOW-FIT PROFILE MATCH

JOB FAMILY PERFORMANCE POTENTIAL

Study 7: Reduced Employee Turnover

A large multi-national financial services provider wanted to improve their process of selecting sales representatives in an effort to increase employee satisfaction and decrease turnover. Hogan recommended using the MVPI to align applicant values with those identified as most important in the sales representative role. Prior to implementing the MVPI, the organization reported a turnover rate of 48%. However, after using the MVPI for just one year, turnover dropped to 18%. This 30% reduction in turnover helped the company retain 300 sales representatives, and also saved the organization an estimated $4.5 million in costs associated with replacing these employees.

PRIOR TO MVPI IMPLEMENTATION

48%

FOLLOWING MVPI IMPLEMENTATION

18%

EMPLOYEE TURNOVER RATE

Study 8: Increased Revenues

A pest control company sought to improve their selection process for pest technicians by identifying the personal characteristics predictive of success. Hogan obtained HPI assessment and objective performance data from over 200 job incumbents. Hogan found that those passing the HPI profile generated twice as many new accounts each month, were more likely to show up for a service call, were less likely to be formally written up by the organization, and caused fewer accidents than those technicians who did not meet the profile.
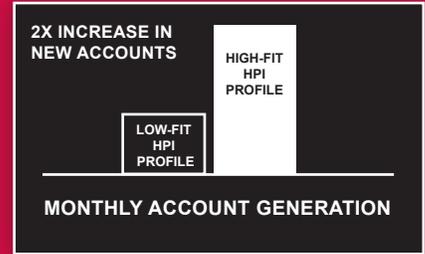
For this client, these findings demonstrate the potential for a significant ROI. The use of the HPI as a selection tool provided cost savings from accident reductions and higher revenues due to increases in new accounts.

Study 9: Growth over the Long Term

A leading financial institution serving more than 59 million consumers and small businesses wanted to improve its selection process for financial advisors (FA). Over three hundred job incumbents completed the HPI and MVPI, and Hogan also obtained objective sales performance data for these individuals.

Research showed that employees who fit the selection profile increased their total assets under management (AUM) by more than $4.5 million annually as compared to only $3.1 million for those not fitting the profile. Overall, financial advisors who met the profile had $53.1 million AUM versus $45.1 million for those who did not meet the profile. As such, the Hogan selection profile delivered an $8 million ROI.

After three years, Hogan reviewed the selection profile to determine its effectiveness and ROI. These analyses revealed similar trends in the sales data, with higher performing financial advisors producing over $1 million more total AUM than those not fitting the profile. Furthermore, Hogan updated the profile to maximize its effectiveness in identifying higher performing FAs. Comparing the updated profile with the original screening guidelines, the growth trend became more consistent, illustrating that slight modifications may be needed every few years to maintain the efficiency and effectiveness of the profile.

THE BOTTOM LINE

Companies want proof that assessments function as intended, and demand strong ROI for their assessment solutions. To address these expectations head-on, Hogan discusses ROI implications from the earliest design phases of a project, and ensures that key data points are retained for subsequent ROI analyses.

Reflecting the demand for Hogan ROI research in a difficult global economy, we average 15 such studies annually, with that number on the rise. As this research proves, Hogan's suite of assessments adds value to our clients' talent management systems. Overall, our findings demonstrate that regardless of industry sector or job type, Hogan assessments provide a significant, long-term return on investment.

2X INCREASE IN NEW ACCOUNTS

HIGH-FIT HPI PROFILE

LOW-FIT HPI PROFILE

MONTHLY ACCOUNT GENERATION

$8 MILLION ROI

HIGH FIT $53.1 MILLION AUM

LOW FIT $45.1 MILLION AUM

HOGAN FA SELECTION PROFILE FIT

Hogan assessments provide a significant, long-term return on investment.