

## **Financial/Shared Services Validation Study: Financial Services Department**

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### **Conducted by The Executive Group**

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### **Purpose**

The purpose of the validation study was to determine if the current process used for selection in the Financial/Shared Services Department produces the desired results.

### **Overview**

Using existing performance and personality test data, 84 individuals in the Financial/Shared Services Department were evaluated to see if there was data to support the ability to differentiate high performers from low performers in a selection process. While the sample size is not significant, there is strong enough data to support the current methodology for selection. These 84 people represent all of the people hired using the 16PF and a short version of the Culture Fair Intelligence test. Only front line employees were included in the study. There were no supervisors or managers included in this data. There is a separate report for the purposes of selecting supervisors and managers.

### **The Process**

Individual performance data ratings of *below* and *unacceptable* were deemed as "low performers." As well, those people that were terminated were also classified as "low performers." Individuals whose performance data ratings were *meets* or *exceeds* were rated as high performers. The scores from the personality and problem solving tests were then compared to see if there were any significant characteristics that differentiated these two groups.

### **The Data**

There were 5 characteristics that showed to differentiate high performers from low performers.

1. Reasoning and Problem Solving (B)
2. Impression Management (IM)
3. Self Control (SC)
4. Conventinality (G)
5. Worrying (O)

### *Reasoning and Problem Solving (B)*

The lower the scores on factor B (problem solving) the greater the likelihood is the person will struggle in areas requiring analytical ability since factor B is a measure of intelligence. The higher performing group scored higher on factor B and the lower performing group scored lower.

### *Impression Management (IM)*

IM is a distortion scales that identifies or suggests that the scores are distorted due to trying to look good. High scores on IM suggest a person is trying to portray themselves as perfect in their presentation.

The high performing group had scores that suggested that they were focusing on authentic self-presentation. The low performing group represented themselves high on factor IM while the high performing group represented themselves as average to moderate.

### *Self-Control (SC)*

It is essential for individuals in this work environment to have a good deal of self-control. This is a characteristic that is essential in attention to detail, follow up and staying with a given task.

The lower performing group scored consistently higher suggesting that those people with scores 8 or above may not have the flexibility to change with the job demands. The higher performing group's scores were more moderate.

### *Conventionality (G)*

Factor G is a dimension that describes rule bound tendencies an individual exhibits. Much like the SC factor, conventionality scores when too high, denote an unwillingness to remain flexible. The low performing group scored consistently higher on factor G, while the higher performing group scored in a more moderate range.

### *Worrying (O)*

Factor O denotes a person who is emotionally insecure or worries a lot. The low performing group scored lower on this factor. A low score on Factor O suggests the person is reporting that they rarely accept blame or experience remorse.

In summary then, it is likely that these 5 areas have a significant impact on performance when identifying potential low performers. A profile emerges of a person who would exhibit very high scores on Impression Management (IM), self-control (SC), or conventionality (G) and low scores on reasoning and problem solving (B) or worrying (O). Those applicants who score in these relevant ranges may not perform well on a consistent basis in Financial/Shared Services work environment.

## **The Outcome**

The regression equation was statistically converted into scores that read similarly to most of the scores on the 16PF personality test. The Executive Group's analysis of the validation study data led to the development of a Financial/Shared Services scale. This scale consists of the weighted factors that optimally differentiated the participants according to their overall performance data ratings. The score on the scale will be reported on the last page of *The Personnel Report* when the subject is applying for a position as a Financial/Shared Services' applicant. The result is a scale that can help to quantify the appropriate characteristics most conducive to the Financial/Shared Services Group for selection purposes.

*The Personnel Report* is modeled on the professional experience and publications of Dr. Michael Karson. Dr. Karson is a senior author of a book about the personality test that *The Personnel Report* interprets. As a well-constructed, scientifically validated personality inventory, interpreted according to the way traits are expressed in the workplace, *The Personnel Report* constitutes a vital addition to other sources of data used in making personnel selection decisions.

### **Note:**

Up to this point, the existing process has been used only as a support tool and not a selection tool. The information regarding strengths, weaknesses and potential fit served merely as a guide to hire or not hire, it was not used to make the actual hiring decision. The information was conveyed to human resources and the hiring manager to provide insight. In certain cases, hiring decisions were made in spite of supporting data to the contrary. Additionally, because there was no supporting documentation to differentiate the high performers from the low performers some perceived good hires turned out to be wrong choices as well.

## Detailed Summary of Findings for Financial/Shared Services Department

Test results and performance data was analyzed for 84 Financial Services' employees of Financial/Shared Services Department. Customer service personnel, supervisors, and managers were excluded in this study to keep continuity among similar job duties. The purpose of the validation study was to determine if the current process used for selection in the Financial/Shared Services' department was viable and if a process could be developed that would likely screen out applicants destined for poor performance ratings. The data was able to provide information for screening applicants for Financial/Shared Services' jobs at Financial/Shared Services. Additionally, the study was to evaluate any differences among hires and see if a decision-making algorithm for new hires could be developed. The study also looked at the characteristics of people who quit their jobs and scores were examined with an eye towards reducing turnover.

Of the 84 employees examined, 16 individuals had quit their jobs and 8 had been terminated. In reviewing current performance data the performance of 1 person was rated unacceptable, 6 were rated "below," 36 were rated "meets," and 17 were rated "exceeds." The recommended algorithm was not changed much by inclusion of the persons who quit their jobs, and they were included in the groupings according to their job ratings prior to leaving. Of those who quit, 5 were rated "meets," 5 "exceeds," 1 "below," and 5 "unacceptable." The 8 terminated employees were assigned low performance ratings, on the assumption that they were terminated for cause. Since the total size of the sample was not that large, all the persons rated "meets" or "exceeds" were lumped together as the high-rated group, and the rest were lumped together as the low-rated group.

	Low-Rated Group		High-Rated Group		
Performance Data Rating	Unacceptable	Below	Meets	Exceeds	Outstanding
Current	1	6	36	17	0
Quit	5	1	5	5	0
Terminated	8	0	0	0	0
<b>Total</b>	<b>14</b>	<b>7</b>	<b>41</b>	<b>22</b>	<b>0</b>

The high-rated group differed from the low-rated group on several personality test variables. The most significant of these were as follows.

<u>Factor mean</u>	<u>High-rated mean</u>	<u>Low-rated</u>
1. Verbal facility (B)	5.5	4.3
2. Impression management (IM)	7.7	8.9
3. Conventionality (G)	6.7	8.0
4. Worrying (O)	4.4	3.4
5. Self-Control (SC)	7.0	7.7

For Impression Management (IM), a distortion scale that is reported in raw scores, the general population mean is 11 and the range of scores is from 1 to 24; for the other 4 areas B, G, O, and SC, the general population mean is 5.5 and scores range from 1 to 10.

A simple regression analysis provided statistically significant results. It is important to note that 4 of the factors listed above (all except verbal facility) are complicated by the fact that a high score (or, on Worrying, a low score) is a good sign, but a score that is *too high* (or, on Worrying, too low) is not a good sign. One can see from the data presented above that for all four of these factors (i.e., all but Verbal Facility), the high-rated group received ideal scores and the low-rated group received scores that were too much in the desired direction. Thus, the high-rated group, besides being of average verbal facility (B), were on the other four factors trying to make a good impression on the personality test, but not to the point of trying to look perfect (IM); conventional without being inflexibly rule-bound (G); free of worrying but not to the point of carelessness (O); and in control of themselves but not to the point of being constrained and inflexible (SC).

The low-rated group, in contrast (on these factors that distinguished them from the high-rated group), besides being below average on Verbal Facility (B), did indeed on the other factors appear to be false in their self-presentation (IM), rule-bound (G), carefree (O), constrained and inflexible (SC). Using a linear selection method (i.e., the higher the better) is fine for Verbal Facility, but would not work, say, for Worrying, since for Worrying, higher is only better until one gets to scores of 5 or 6, after which higher is decidedly not better, because too much worrying is even worse than too little.

Fortunately, this problem is easily remedied by requiring that no applicant be selected unless he or she obtains certain minimal scores on scales that should circumscribe the applicant pool so as to exclude anyone who would score too high (or too low) on too many potentially problematic factors. Therefore, the recommended algorithm is the regression equation that optimally distinguishes the high group from the low group, where the results of the equation are used only if the individual had fewer than two *Areas of Potential Concern* and received acceptable scores on *Self-Control* and *Workplace Coping Skills* (4.5 or higher on each). The regression equation was statistically converted into scores that read similarly to most of the scores on the personality test (i.e., they are transformed so their mean is 5.5 on a scale of 1 to 10, and their standard deviation is 2). Anyone who does not pass the hurdles associated with *Areas of Potential Concern*, *Self-Control*, and *Workplace Coping Skills*, is assigned a score of zero.

The result is the Financial/Shared Services Scale. On this scale, 53% of the low-rated group scored under 4.0 compared with only 21% of the high-rated group. Conversely, 10% of the low-rated group scored above 5.0 on this scale, while 63% of the high-rated group cleared this hurdle. Between 4.0 and 5.0, scores are of questionable use (meaning that such scorers should typically be hired when labor is short and not hired when there are plenty of applicants).

### FINANCIAL/SHARED SERVICES SCALE

Overall performance rating:	Low Group		Hi Group	
Score < 4	11	53%	13	21%
4.0 – 5.0	8	37%	10	16 %
Score > 5	2	10%	40	63%
Total	21		63	

The idea of eliminating, or not having ever hired, *any* top performers can make personnel managers very wary. It is crucial to understand that in all likelihood; even *more* potential top performers were never hired because their slots were taken by some employees currently rated below average.

### Turnover

The data was also evaluated regarding an eye toward turnover, particularly those individuals who quit. The relevant analysis compares high-rated employees who quit with high-rated employees who did not quit, since it is not as much a loss to the company when low-rated employees quit. In this sample, only 10 high-rated employees quit, so there are not enough cases to build a statistical model. Still, it is worth noting that the best regression

equation for distinguishing the two groups involved Factors N (indirect communicative style) and Q2 (self-sufficiency), where those who quit tended to be higher on both. The same factors emerged when all quitters were compared with all the other employees regardless of performance ratings. These factors raise a question worth considering (but by no means answered with any certainty), namely, that there may be organizational dynamics at play in determining who quits. This question is raised because these factors (N+) (Q2+) are not usually associated with turnover. Instead, one wonders if there is an institutional culture in which employees are expected to take care of their own interpersonal needs (rather than being sought after), such that employees not inclined to initiate emotional exchanges with others end up feeling left out or "on a limb." The implication would be that supervisors might be well advised to seek out good employees and ask how they are doing, so that close-mouthed and self-motivated workers do not end up becoming so isolated that they quit. *The One-Minute Manager* may be relevant as a model for "keeping in touch" with employees.

### **Recommended procedures**

Personality test data should not form the sole basis of personnel decisions. Optimal use of personality test data can be enhanced with decision-making rules. For selection purposes, the following recommendations may prove helpful. In general, 2 *Areas of Potential Concern* (represented on page 2 of The Personnel Report) signal potential employee problems. Applicants should be considered questionable if they score below 4.5 on *Workplace Coping Skills*, or below 4.5 on *Self-Control*.

Beyond these standard screens, the current data indicate that a prediction equation can be derived by regression analysis, and applied to personality test scores to refine hiring practices. This equation yields a score on the Financial/Shared Services Scale, ranging from 1 to 10, with a mean of 5.5. *Because this scale was developed on data from actual hires, it is valid only if the subject is a legitimate candidate for the job.* In the general population, it will not necessarily be a good predictor of job performance in financial services, since expected skills, experience, and interests cannot be assumed. Among genuine potential hires, however, it is very likely to be a useful selection tool.

## **Recommended procedure for using The Personnel Report on Financial/Shared Services**

Consider these points when using *The Personnel Report* to help make a decision:

1. *Consider very carefully any applicant with two or more Areas of Potential Concern.* There should be supportive material from other sources (e.g. background investigation, etc.) for a positive hiring decision. When two or more Areas of Potential Concern occur and a decision not to eliminate the person is made, there should be additional information to support the candidate.
2. If one Potential Risk Factor is present, management should assess how critical this factor may be to the particular job. *If the factor is highly relevant, then consideration should be given to other candidates or a referral made from The Executive Group.* Also, consider the one Potential Risk Factor in relationship to the Performance Factors and any of the personality factors on the profile graph page of the report.
3. In the Performance Factors section of The Personnel Report, Self-Control should be 4.5 or higher, and Workplace Coping Skills should be 4.5 or higher for a positive hiring decision. If either of these factors are in the questionable range, a hiring decision should be well supported by interview data and/or thorough review of past work history.
4. If an applicant is not eliminated based on the above criteria, then the personality factors on the Financial/Shared Services analysis page of the report should be reviewed for overall "goodness of fit." Also, the "*Financial/Shared Services Scale*" should be evaluated, with scores over 5.0 considered desirable, scores under 4.0 considered questionable, and scores in between considered acceptable.

The data suggests *The Personnel Report* is well suited to selecting Financial Services personnel when used in combination with interview, background, and additional human resource data. *The Personnel Report* can help personnel managers avoid the hiring or promotion of applicants who will not become top performers. The *Financial/Shared Services Scale*, developed from this data, should prove to be an effective tool for selecting applicants who resemble top performers.

If Financial/Shared Services wishes to change from getting direct feedback to utilizing *The Personnel Report*, training would be beneficial. *The Personnel Report* comes complete with a User's Manual and The Executive Group would be available for additional input and consultation when necessary.