

The importance of psychometric testing

In this section, we aim to establish why psychometric testing is important. That it is increasingly seen as important is evidenced by the substantial growth in the use of psychometric tests in recent times.

To do this, we will consider:

- the human-relations approach to management
- the development of human-resource practices
- people, our greatest asset

The human-relations approach to management

Since the 1930s and the experiments of Elton Mayo at the Hawthorne Lighting factory, we have seen the development of the human-relations approach to management. We have developed an understanding that the motivation of workers is a key factor in their productivity at work. The importance of human relations as regards the success and productivity of organisations has now been well established, and accordingly the human relations movement has developed and matured. We now take it for granted that investment in people is as important as investment in other aspects of business or organisational life.

What is interesting is that although psychometric testing has been around for much of this century and has been widely available in many forms since the Second World War, it is only in the last few years that the growth has begun to accelerate.



Many of us, particularly in management or senior technical or professional positions, are likely to have encountered psychometric testing in some form. Despite this, there are still many misconceptions about what psychometric tests are and what their potential is in many areas of organisational and personal development.

Environmental influences

What are the influences that have stimulated the growth in testing? The broader influences on organisations include:

- managing change
- competitiveness
- downsizing
- a focus on productivity, and therefore on performance measurement
- a focus on creativity/team-building, and thus on personal behaviour and skills

As we move through what we have called the human-relations phase into the new millennium, priorities are changing. This is the information age, and along with it is developing the knowledge economy. This will surely see an increase in the importance of the skills, capabilities and knowledge that people hold. In fact, the meaning of the knowledge economy is precisely that the knowledge and skills of individuals and organisations will be tradeable; and for many organisations, these factors will be the most important or their only asset.

Any organisation in such a position will want to defend its knowledge and skills. But before it can do that, it will need to know what it has got. This will involve an assessment and measurement of things that we have not traditionally been good at assessing and measuring. However, this is where psychometric testing can play a part.

The growth of testing

More specifically, some changes that have had a direct impact on the need for testing include the following:

- 1 Testing itself has become more sophisticated, with many more tests and suppliers of tests within the market.
- 2 Increased mobility in the job market, allied to a greater understanding of the cost of making the wrong appointment, has led to a search for more 'intelligent' tools to assess people for recruitment purposes.
- 3 A substantially greater priority has been given to learning and development in many organisations. This includes a greater need to assess people in terms of strengths, weaknesses and development needs, and psychometric tests have proved useful in doing this.

- 4 There has been a movement toward assessment as part of performance management.
- 5 The professionalisation of the human-resource function has occurred.
- 6 An understanding of the importance of personal skills, and of the influence of personal behaviour preferences on these, has also developed.
- 7 There have been changes in the 'contract' between organisation and employee that encompass much more than just the exchange of labour for money.

The development of human-resource practices

Alongside these more general organisational developments, and in healthy organisations at the centre of them, is the Human Resources (HR) function. In parallel with such developments, the HR function has developed many of its practices as part of its contribution to organisational development and success. A number of these are relevant to the present discussion. Some of these include:

- dealing with problems in selection
- quality assurance and development processes
- the movement towards competence

Dealing with problems in selection

For most of our working lifetimes, *the curriculum vitae (CV)*, along with the interview has been the stock-in-trade factor in selection. Yet there is a wealth of evidence that this process is flawed. Consider just some of the following points.

It has been shown that:

- interviewers make up their mind about a candidate from first impressions and then seek to justify that judgement
- judgements are often based on less-than-rational grounds – like appearance, gender, accent etc.
- few interviewers have appropriate training or skills for the job
- even well-conducted interviews, according to the British Psychological Society, are only 25 per cent better than choosing someone by sticking a pin in a list of candidates



So what we see is a collection of first impressions, negative information, self-delusion on the part of interviewers and a susceptibility to stereotypes. All of these limitations stem from the fact that the data is entirely subjective.

Once it is recognised that such selection processes are flawed, HR professionals need to identify more rational and effective ways to carry them out. Not least of the

reasons for doing this is the cost of getting it wrong. Many costing exercises have been done, and of course the costs involved differs according to many of the circumstances involved. However, for a senior position it is not at all difficult to calculate that a poor appointment can cost upwards of £150,000 when the indirect as well as the direct costs are taken into account. This means quite clearly that it is massively cheaper to do it right first time – even if the direct and immediate costs are higher.

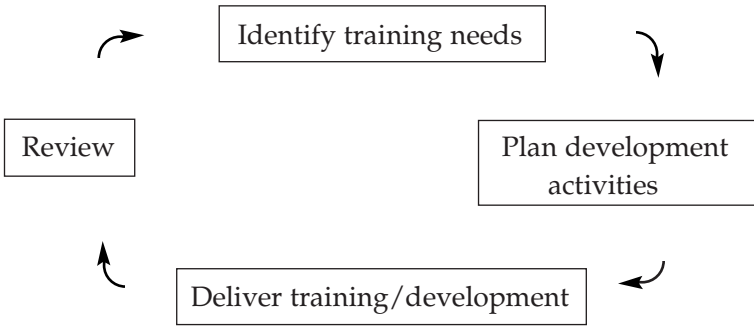
Psychometric testing has an important role to play in good selection procedures. Of course, it is not the whole answer, but tests have a great deal to contribute to robust and effective repertoires of assessment procedures. We shall discuss this in more detail on Thursday.

Quality-assurance and development processes

Training has always been important to most organisations. But more recently, we have seen a broader appreciation of the wider development perspective, and the need to see this as a process. This helps to ensure that development transfers to the working environment and that individual and team development are aligned with business priorities.

This approach is well exemplified in the *Investors in People* (IIP) initiative. This is a quality standard that underwrites the effectiveness of the development processes within an organisation. Although, of course, not all organisations have ‘signed up’ to IIP, it has been very influential in spreading the word about robust approaches to development.

The model of the process it espouses is as shown in the diagrams.



The Investors in People training model

You can recognise this as a typical quality process. However, one of the effects of the widespread knowledge and use of such a model is an increasing focus not just on getting the training done but also on making it ‘intelligent’. By that we mean that development activities should be based on a thorough understanding of individual needs.

The knock-on consequence of this is that people need good information in order to understand and articulate development needs. This in turn puts the emphasis on means of assessment – everything from performance to ability to behavioural preferences – which is exactly where psychometric tests can often help.



The movement to competence

Organisations are increasingly using the notion of 'competence' as a language to describe the skills that underwrite their organisational development. In fact, there are two separate but related terms to consider here: competences and 'competencies'. Competences are output based and are 'can do' descriptions of the roles and tasks required in doing a particular job effectively. Competencies are more 'to have' descriptions of the fluid intelligences and their associated behaviour. They are the input side of the equation, and represent the underlying capabilities and characteristics that enable us to deliver on the competences.

People are our greatest asset

By way of a summary, we can extract from much of the reasoning and evidence above the simple statement: 'People are our greatest asset.'

What we value most about people at work is the knowledge and skills that they apply to that work. As we have said above, there is an increasing focus on the competencies that help people to deliver at work. These are sometimes explicitly called competencies, but they are also referred to as *personal effectiveness*. Some of the 'core' skills of personal effectiveness which seem to be most sought after include:

- teamworking
- leadership
- interpersonal skills
- management skills
- managing change
- customer skills
- managing self
- lifelong learning and development



The competence approach, particularly when the focus is on competencies, lends itself very well to measurement and evaluation. And as we have already pointed out, to assess and measure is one of the main drivers of interest in psychometric testing.

Summary

We have seen today that major changes in the environment in which organisations operate are forcing further substantial changes on them in order for them to remain competitive, healthy and successful. Many of the main HR practices have changed as a result of those pressures. This has involved a higher level of scrutiny on how we recruit, retain, manage and develop staff.

We have described trends that involve an increasing focus on competencies, or personal effectiveness, in an environment where assessment and measurement are seen as the best means of evaluating these. This is why you can see more use of psychometric tests at the moment, and why you will see even more in times to come. Tomorrow, we will look a little closer at the nature of the tests themselves.