The State of Psychometric Assessments in India



Willis Towers Watson

India's stature in the global economic landscape is evidently on the rise. It is also equally evident that the next wave of growth will be driven by technology and people. An organisation's ability to identify compatible talent; segment and nurture critical skill and high potential employees; and drive sustainable engagement, will be a key determinant of high performance and profitable growth. Over the years, while several factors impacting human capital in India like talent management, engagement, rewards, employee wellbeing, communication and more recently technology and analytics have been examined and discussed at length; competency assessments through psychometrics and its impact on human capital, remains largely unexplored. Willis Towers Watson's *State of Psychometric Assessments in India* aims to explore the awareness, acceptance and application of psychometric assessments in the country and further examine how this is likely to evolve. The study also uncovers opportunities to expand and deepen the use of psychometric assessments.

Multiple studies conducted by Willis Towers Watson in India over the past 12 to 24 months found that talent management and development, insufficient leadership bench strength and attraction / retention of critical talent consistently rank among the top challenges faced by companies across size and sector (*Figure 1*). The question that begs being asked is "Can psychometric assessments, ranked high on credibility and validity, deliver the solution"?

Figure 1: **Top three most pressing HR challenges facing organisations**



Understanding psychometric assessments

At its most basic, psychometric assessment is the science of applied psychology which is intended to identify specific personality traits that could highlight the suitability for specific roles. These can be in the form of personality questionnaires, leadership tests, motivation tests and situational judgement tests.

Willis Towers Watson's *Reimagining Employee Engagement in India* study finds that companies are increasingly interested in identifying the fit between an employee's personality and the culture and values of the company. If we can reasonably assume that the greater such a fit, the more likely one is to be engaged, we have an extremely powerful factor to add to our selection criteria. Imagine how valuable it would be to hire only those employees likely to be engaged at a company, given its unique culture and/or the ideal culture it is trying to build to help execute its strategic goals. Psychometrics have a pivotal role to play here.

Psychometrics add quantitative measures to qualitative assessments to present a holistic portrayal of a candidate's capabilities. These instruments can bring new depth to a company's assessment of a new hire or an existing employee's abilities, leadership potential, personality and culture fit. When combined with qualitative assessment, psychometrics can also help determine an employee's potential to take on larger or more challenging roles.

Prevalence and application of psychometric assessments in India

In India, more than one in three companies have never explored psychometrics, almost half do not currently use it and only 9% are unwilling to explore a new instrument (*Figure 3*). This clearly shows that while an increasing number of Indian companies are keen to explore psychometrics, perhaps what is needed is greater awareness, superior instruments high on reliability and validity, and an improved user experience.

Psychometric assessments can be applied across the talent cycle starting from hiring to talent development, especially for high potential employees (*Figure 2*).

Figure 2. **Application of psychometric assessments in the employee life cycle**

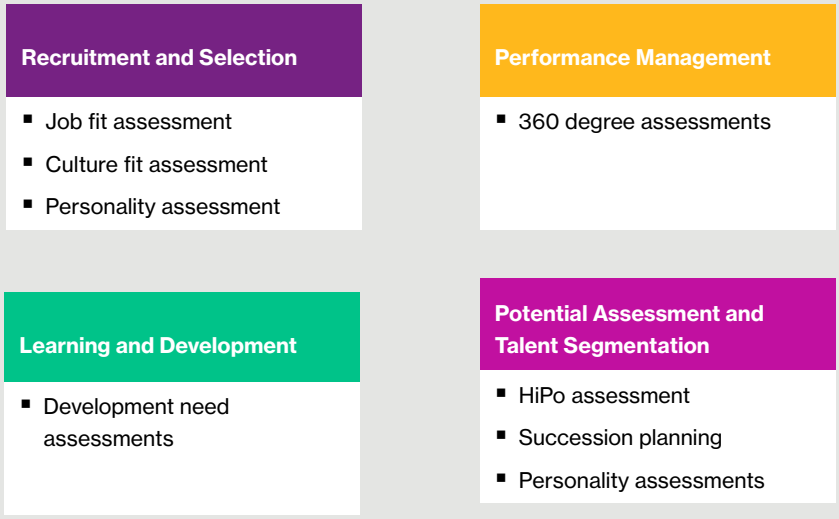


Figure 3. **Current penetration level and openness to explore new psychometric assessment instruments**

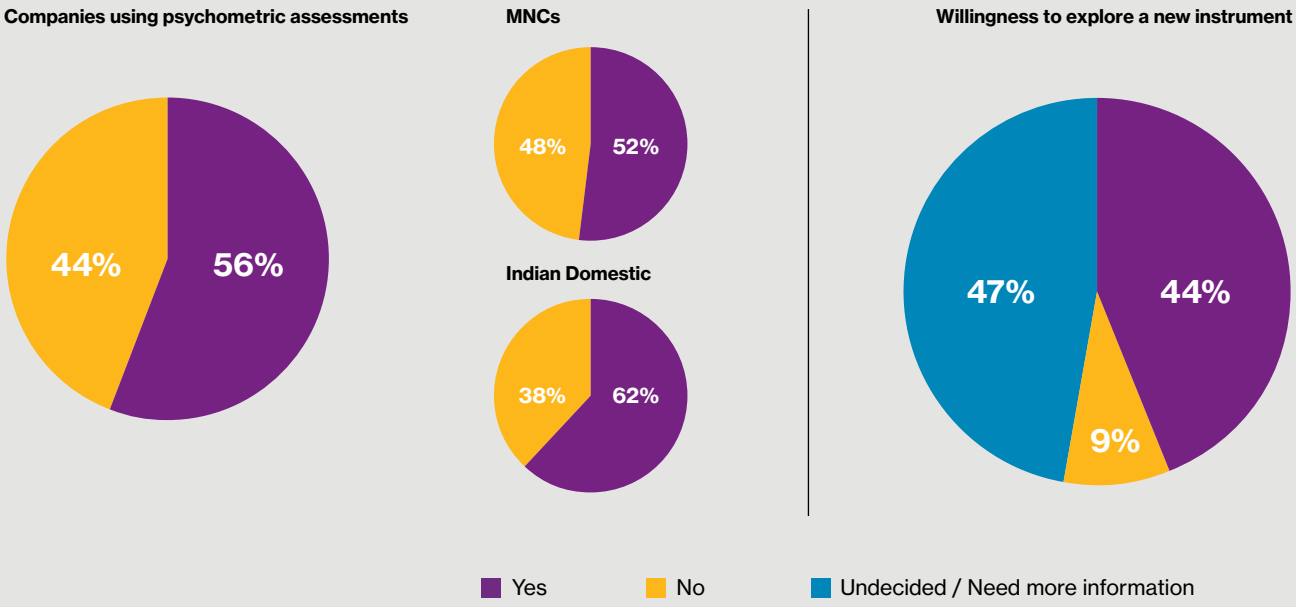


Figure 4. **Objectives of psychometric assessments**

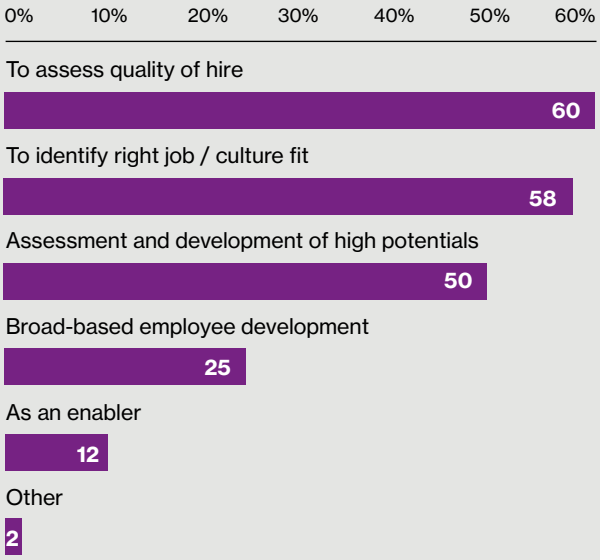
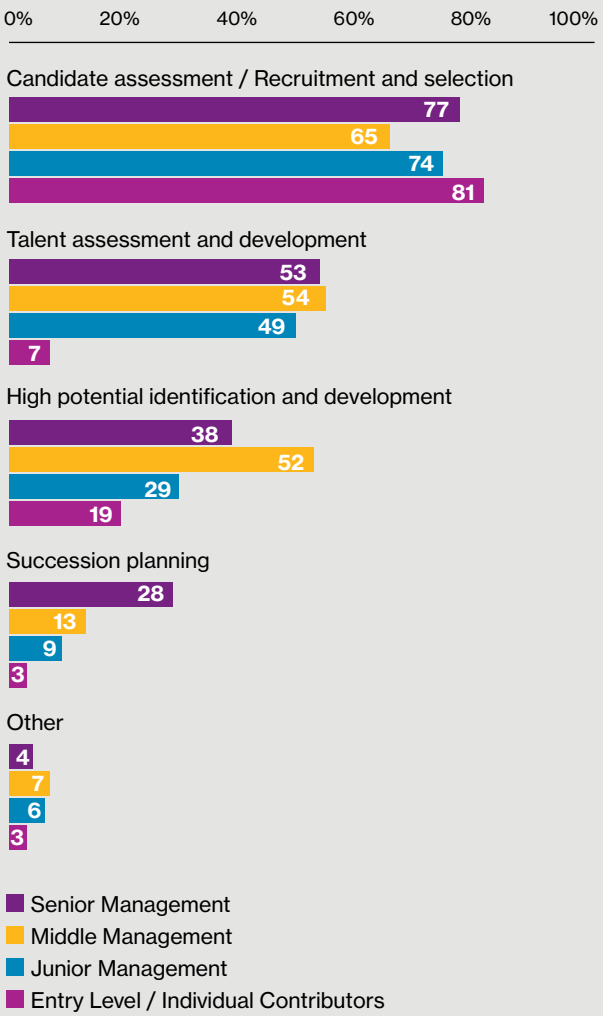


Figure 5. **Areas of psychometric assessments**



1. Candidate assessment: Recruitment and selection

Irrespective of the level, hiring the right talent is most critical and so it comes as no surprise that assessing the quality of hire is the top objective (*Figure 4*). 81% companies use psychometrics for candidate assessment and selection at entry level, 77% at senior management level, 74% at junior management and 65% at middle level (*Figure 5*).

2. Talent assessment and development

Psychometrics aid organisations in establishing desired behavioral traits and identifying individual development gaps. While the survey found that the usage of psychometrics for talent assessment and development was around 50% for most management levels, surprisingly at entry level it was a mere 7%; perhaps another indicator of the need for improved awareness around its benefits (*Figure 5*).

3. High potential assessment and development

Organisations are realising the need to not only identify high-potentials but also nurture them with focused development interventions. The use of psychometrics for high-potential identification and development increases with the level with 19% using it at entry level, 29% at junior management level and 52% at middle management level (*Figure 5*).

4. Succession planning

Worryingly, the survey finds that despite succession planning being a key stated challenge for companies in India, the application of psychometrics in addressing this is comparably low with only 28% using them at senior management and 13% for middle management. These are the very groups that form the source for building leadership bench strength, one of the top challenges cited by surveyed organisations (*Figure 5*).

Raising the bar: The importance of psychometric assessments

Traditional HR hiring instruments like aptitude assessments, assessment centers and interviews have, by and large, enabled organisations to select technically qualified and experienced candidates in the required positions. So why is the addition of a quantitative measurement important?

Simply put, in an increasingly competitive world, traditional methods may not be enough. Identifying, retaining and developing the right talent requires a precision that psychometric assessments can provide. It brings objectivity and consistency to the assessment process. A major advantage is also that it measures an individual's ability against a comparison group. This allows the assessors to benchmark the candidate's ability against the available talent pool. Having said that, psychometrics combined with qualitative assessments can help supplement and validate the assessment results.

Employees at all levels are critical contributors who are expected to be aligned with an organisation's mission and culture. However, the study shows that usage of psychometrics increases with the level, being highest at middle and senior levels (*Figure 6*), since stakes increase with rising levels.

Barriers to success

More than one-third of the companies who don't deploy psychometrics, said they have either never explored the option, had low buy-in from the business or lacked training opportunities.

Another reason may be low awareness around options with an established validity and reliability, leading organisations to explore a multitude of locally designed instruments.

Investment in training and developing a cadre of psychometric practitioners would lead to organisations understanding its impact on the talent cycle, which in turn will lead to a wider acceptance and right selection of instruments.

It is not surprising that almost half of the organisations (44%) are willing to explore a new instrument if given a choice (*Figure 3*) and more than 50% of those who would be willing to explore a new instrument are already using psychometric assessments.

However, other reasons for not using psychometrics also need to be examined. For instance, deployment of in-house instruments like interviews and assessment centers are cited as the major reasons (*Figure 7*). Organisations may want to re-think whether these are effectively addressing their talent management challenges or not.

Figure 6. **Organisations using psychometric assessments across levels**

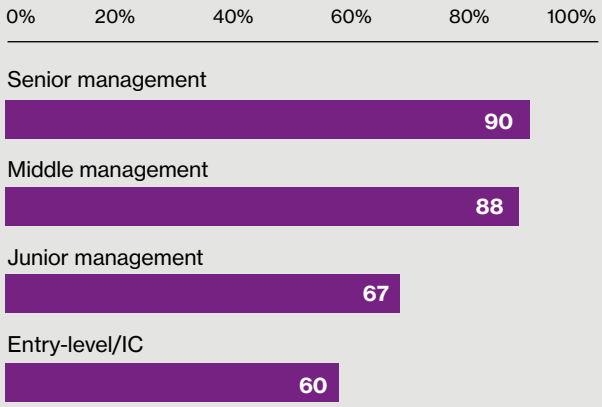


Figure 7. **Reasons psychometric assessments are not used**



Respondents also cite high investment as a factor for not using psychometrics. But is the cost too narrowly defined? The cost of even one wrong hire or improvident promotion can greatly exceed the cost of deploying psychometrics. Especially in economies where employee turnover is an issue, the cost of repeatedly filling the same jobs can hurt an organisation's competitive standing.

It has been observed that hiring the right talent can save organisations approximately three times the cost of attrition / wrong hire. Also growing talent internally, especially for senior level positions, is far more cost-efficient than hiring externally.

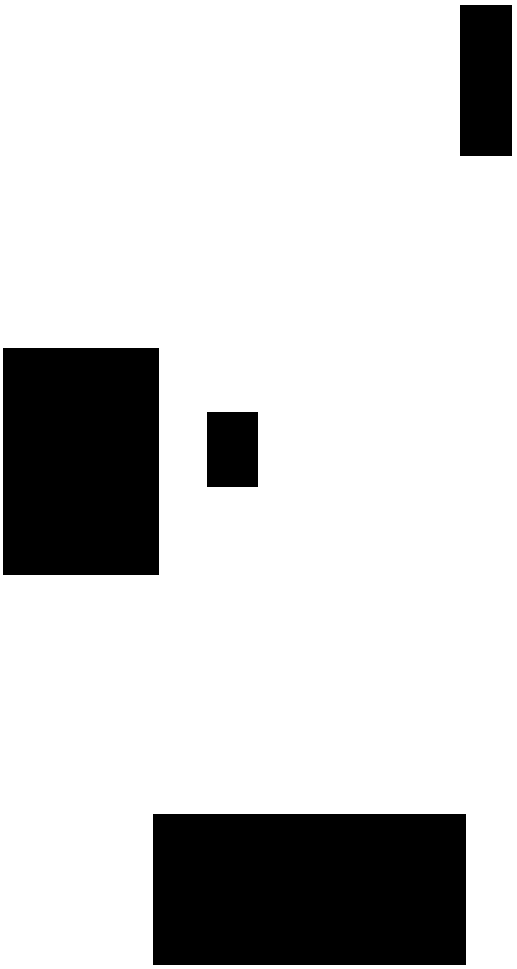
About the survey

Willis Towers Watson polled close to 100 of India's top organisations and HR leaders across sectors during March to June 2016 to explore levels of awareness, acceptance and application of psychometric assessments in the country and further examine how this is likely to evolve.

Conclusion

There is great opportunity for companies in India to broaden their use of psychometric assessments. By using psychometrics across levels, HR and business leaders can ensure that no talent is overlooked and that important workforce strategies like hi-potential development and succession planning are suitably managed. At the same time, to ensure the effectiveness of assessments, HR leaders need to be sure that leadership and line managers understand the benefits of psychometrics, along with qualitatively-based manager and leadership input.

In short, a holistic approach to psychometrics can be a cost-effective way for companies to create a high performing and engaged workforce.



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