

select
develop
lead

BUSINESS OUTCOME HIGHLIGHTS



BUSINESS OUTCOME HIGHLIGHTS 2009 - 2010



**Continuing
the tradition of
accurate prediction
of employee
performance, and
research-based
selection systems
that improve
bottom-line
business results.**

The highest-performing organizations create a competitive advantage by using personality assessments to select and develop talented employees. Companies often turn to Hogan for our ability to predict employee performance and implement research-based selection systems that improve bottom-line business results.

The first Hogan Business Outcomes report provided return on investment (ROI) evidence from nine research studies conducted in 2007 and 2008. This update shares results from nine new studies conducted in 2009 and 2010. Each study demonstrates the impact of an assessment driven solution on key performance indicators. These studies examine multiple outcomes and include a range of jobs, organizations, and industries.

WELCOME TO HOGAN

People are an organization's most important asset. Creating a competitive advantage begins by assessing and hiring the right candidates, then developing leaders across all organizational levels. Hogan's comprehensive suite of employee assessment, development and talent management products are grounded in 40+ years of research. We publish four assessments that provide insight into the personal characteristics related to job performance.

RESEARCH THROUGH THE YEARS

Drs. Robert and Joyce Hogan have spent 40 years demonstrating how personality predicts job performance. Robert Hogan developed the HPI in the 1970s as the first measure of normal personality designed for business applications. The next decade included further refinement of the tool and the commercial launch of the company in 1987.

In the 1990's, they focused on growing one of the company's greatest assets - the Hogan archive. Joyce Hogan demonstrated the HPI's predictive validity across a range of jobs and industries. Also, during this period, the Hogans developed the HDS and MVPI, which launched a new stream of validity research centered on how derailers and culture fit impact overall job performance. Finally, the company added the HBRI in 2007.

We continue to build the Hogan archive with information from research studies using all four assessments. It now contains data from over 300 criterion-related validity studies, which we use to develop new job profiles that predict a variety of performance outcomes without adversely impacting candidates. As Robert Hogan points out, "There are 2,500 test publishers in the United States, and most of them ignore validity." Hogan has never wavered on the importance of validity or strong research methodology. We recommend ROI studies for all clients and use them to demonstrate the value of our tools.

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.

www.hoganassessments.com

ROI RESEARCH METHODOLOGY

Comprised of doctorate- and masters- level professionals in Industrial-Organizational Psychology, the Hogan Research Division (HRD) leads the execution of ROI client research using complex objective and subjective performance data.

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

- A sample size of 100 individuals to take the targeted assessment(s); 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 more time
- Availability of both subjective (e.g., single- or multi- source behaviorally based performance 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 reflect a variety of key metrics and stable job performance data

Hogan partners continuously with clients to conduct ROI research studies to demonstrate the value of our assessment solutions.

OVERALL FINDING:

HOGAN SHOWS STRONG ROI AFTER IMPLEMENTATION

The table below highlights our findings from the 2007-2008 business outcomes report.

Industry	Job Title	Finding
Government	Probation/Parole Agents	3X increase in performance
Transportation	Transport Drivers	16% decrease in accidents
Pharmaceutical	Leaders	3X more ready for advancement
Communications	Senior Management	Greater success potential
Finance	Business Owners	\$175,000 increase in sales
Food Distribution	Multiple Job Families	2X increase in performance
Business Services	Sales Representatives	30% reduction in turnover
Extermination	Pest Technicians	2X increase in new accounts
Finance	Financial Advisors	\$8 Million in Sales ROI

Building on this work, HRD conducted 32 ROI studies in 2009 and 2010 for a range of clients across several industries, including retail, pharmaceutical, and manufacturing. The majority (88%) of research findings had a positive outcome, where the assessment solution had a strong, favorable impact on key performance metrics. These findings are consistent with our first report. We summarize nine studies from the past two years in the next section.

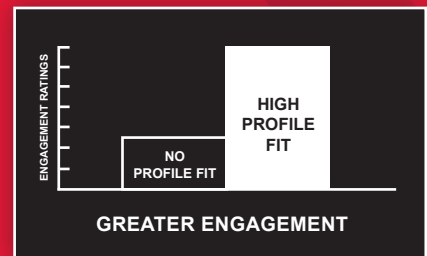
Study 1 – Increased Sales

A large pharmaceutical company wanted to improve the selection system for its sales representatives. 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 and MVPI profile had sales rankings significantly above average compared to those not meeting the profile. Similarly, supervisor ratings of performance improved as fit on the Hogan profile improved.



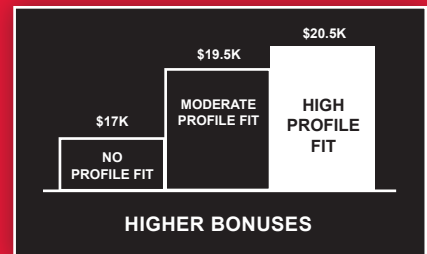
Study 2 – More Engaged Employees

A leading refiner of transportation fuels wanted to understand how a manager's personality influenced direct reports' engagement levels. Managers who appeared organized (high HPI Prudence), hands-on (low HPI Inquisitive), interested in employee development (high HPI Learning Approach), calm and even-tempered (low HDS Excitable), and concerned with others (low HDS Reserved) were perceived as more effective than managers without these characteristics. Also, managers meeting the profile had more engaged teams.



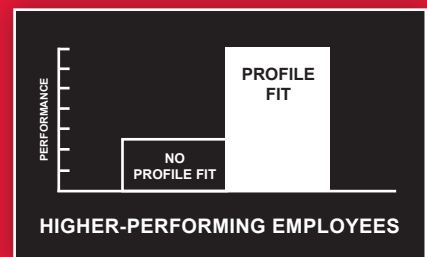
Study 3 – Higher Bonuses

A global product manufacturer in the construction and building maintenance industry wanted to improve its process for selecting account managers. Hogan recommended screening out applicants who lack initiative (low HPI Ambition), have poor social skills (low HPI Sociability), avoid confrontation (elevated HPI Interpersonal Sensitivity), and appear too rigid (elevated HPI Prudence). These individuals had significantly lower sales bonuses compared to those fitting the profile.



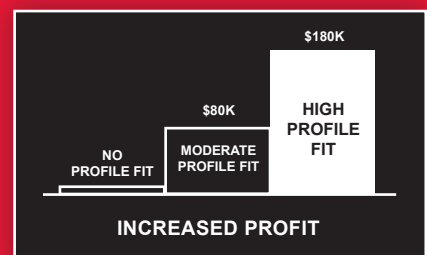
Study 4 – Improved Selection

A leading technology supplier for the defense and space industry wanted to improve its selection process for assemblers and technicians. For both jobs, Hogan recommended selecting applicants who remain calm under pressure (high HPI Adjustment), follow rules and procedures (high HPI Prudence), build job-related knowledge (high HPI Learning Approach), and rely on data to inform decisions (high MVPI Science). Individuals meeting this profile were over three times more likely to be high performers compared to those not meeting the profile.



Study 5 – Maximizing Store Profit

A large supplier of materials for home, professional, and contract builders wanted to improve its talent identification process. On average, general managers meeting the High Fit HPI profile exceeded their projected profitability by \$80,000 compared to the Moderate Fit group and \$180,000 compared to the No Fit Group. When considered across multiple store locations, this translated into over \$11 million in actual profit compared to plan over the Moderate Fit and No Fit groups combined.



Study 6 – Improved Decision-Making

A large pharmaceutical and consumer packaged goods manufacturer wanted to improve its finance leadership development program using cognitive ability assessments. Finance leaders who scored high on the HBRI were better at making effective decisions and solving problems. Leaders meeting the HBRI profile showed more initiative ($r = .26$) and had stronger accounting ($r = .39$) and financial forecasting skills ($r = .36$).

Study 7 – Better Safety Practices

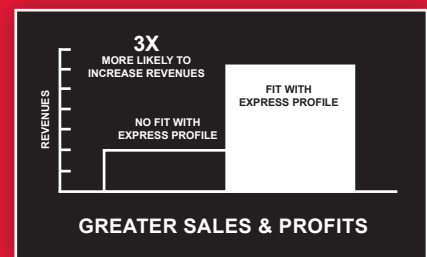
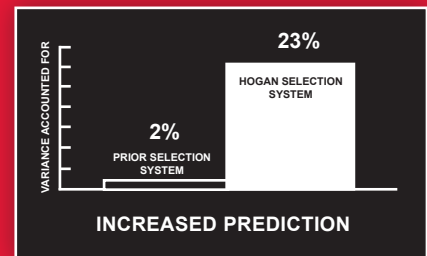
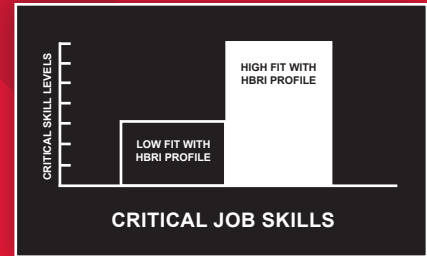
A national food manufacturer wanted to reduce new employee safety incidents. Over a 16-month period, the company compared 400 employees hired before the implementation of the HPI-based Safety Report to 178 employees hired after its implementation. Those hired with the Safety Report not only had 40% fewer accidents, but their accidents resulted in only 3 days lost or restricted compared to 159 days for those hired without the report.

Study 8 – Added Incremental Validity

Hogan partnered with an insurance company to better understand the relationship between personality and call center success, specifically how culture fit impacts employee performance. Hogan found strong incremental validity when adding MVPI Security to the HPI Adjustment and Interpersonal Sensitivity profile when predicting supervisor ratings of performance (final $R^2 = .23$). Hogan's battery represented a substantial increase in prediction given that their existing system only accounted for 2% of the variability in call center performance.

Study 9 – Utility of Express Solution

A large wholesale distributor of fresh and frozen seafood in North America wanted to improve its managerial selection process. The client needed a low cost, off-the-shelf solution they could implement quickly across jobs and divisions. Hogan recommended using the Managerial Express Profile, which consists of the HPI Adjustment, Ambition, Prudence, and Interpersonal Sensitivity scales. Managers who scored higher on the Express Report generated higher sales ($r = .21$) and stronger profits ($r = .23$) than those who did not fit the profile.



IMPACT ON LEADERSHIP DEVELOPMENT

Although more difficult to demonstrate through ROI analyses, our development clients also benefited from using Hogan tools in their high potential and emerging leader programs. Below are examples of how Hogan made a positive difference in leader development.

- A *Fortune 100* finance company partnered with Hogan to improve its high potential identification program. Nominated leaders completed the HPI, HDS, and MVPI and received feedback from a Hogan certified coach. Also, the company administered the HDS to new executives and provided them with group-level feedback related to how their potential derailers may inhibit success. After using the HDS in their new executive on-boarding program for several years, the client was able to identify key derailers that predicted career failure.
- A *Fortune 100* retail company started using the Hogan Leadership Forecast Series as part of its executive leadership program. The client provided coaching and feedback prior to attendance of a three week development program. The positive impact and accuracy of the Hogan assessments in the coaching process led the client to include the HPI and HDS in an assessment battery for mid-level manager selection. This resulted in a customized report that delivered Hogan assessment results aligned with the client's leadership competency model.
- Recognizing a need for talent identification, a *Fortune 100* technology company partnered with Hogan to design its high potential leadership profile. In this program, nearly 500 leaders completed the HPI and HDS. Hogan mapped predictive scales from these assessments to the client's leadership competency model, providing a common framework for developing leaders based on assessment results. Participants completed the assessments and received coaching feedback from Hogan coaches. The program participants gave this program a usefulness rating of 96 out of 100 possible points.
- A well-known shoe manufacturer partnered with Hogan to create a talent-management program capable of identifying suitable candidates for leadership positions. Hogan used the HPI to benchmark successful leaders across operational divisions and created a training and experience biodata questionnaire. This resulted in a fit rating based on assessment results, job performance, and experience. The client recently expanded HPI benchmarks to include additional job families. The new program is meeting goals outlined by project initiatives, and has helped increase the retention rate of identified talent.

THE BOTTOM LINE

Although each case study provides a snapshot on how companies use Hogan in their selection and development programs, the underlying theme they share is the impact our assessments have on the client's bottom line. Whether it is increased sales, higher team engagement, or increased client satisfaction, Hogan delivers strong utility that companies rely on year after year.

To show companies that our assessments function as intended, we discuss ROI implications from the earliest design phases of a project, outlining key data and metrics that must be included. As a result, we average 15+ ROI studies each year and our findings demonstrate that, regardless of industry sector or job type, Hogan assessments provide a significant, long-term return on investment.

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T H E S C I E N C E O F P E R S O N A L I T Y