

ECOPSY
CONSULTING





Who brings you profit – your boss or your teller?

Professional qualities of specialists and competencies of top managers as predictors of business outcomes in a bank



Speaker's info: Eugene Lurie



- ▼ **Role:** Head of Research & Development
- ▼ **Areas of expertise:** Assessment Centers, SJTs, HR IT.
- ▼ **Education:** Moscow State University, I/O psychologist
- ▼ **Experience:** R&D leader, HR IT project management, AC standards development, personnel assessment consultant

ECOPSY Consulting in Numbers



No. 1 in HR consulting in Russia
(Expert and Kommersant Money magazines, 2012)

23 years on the market

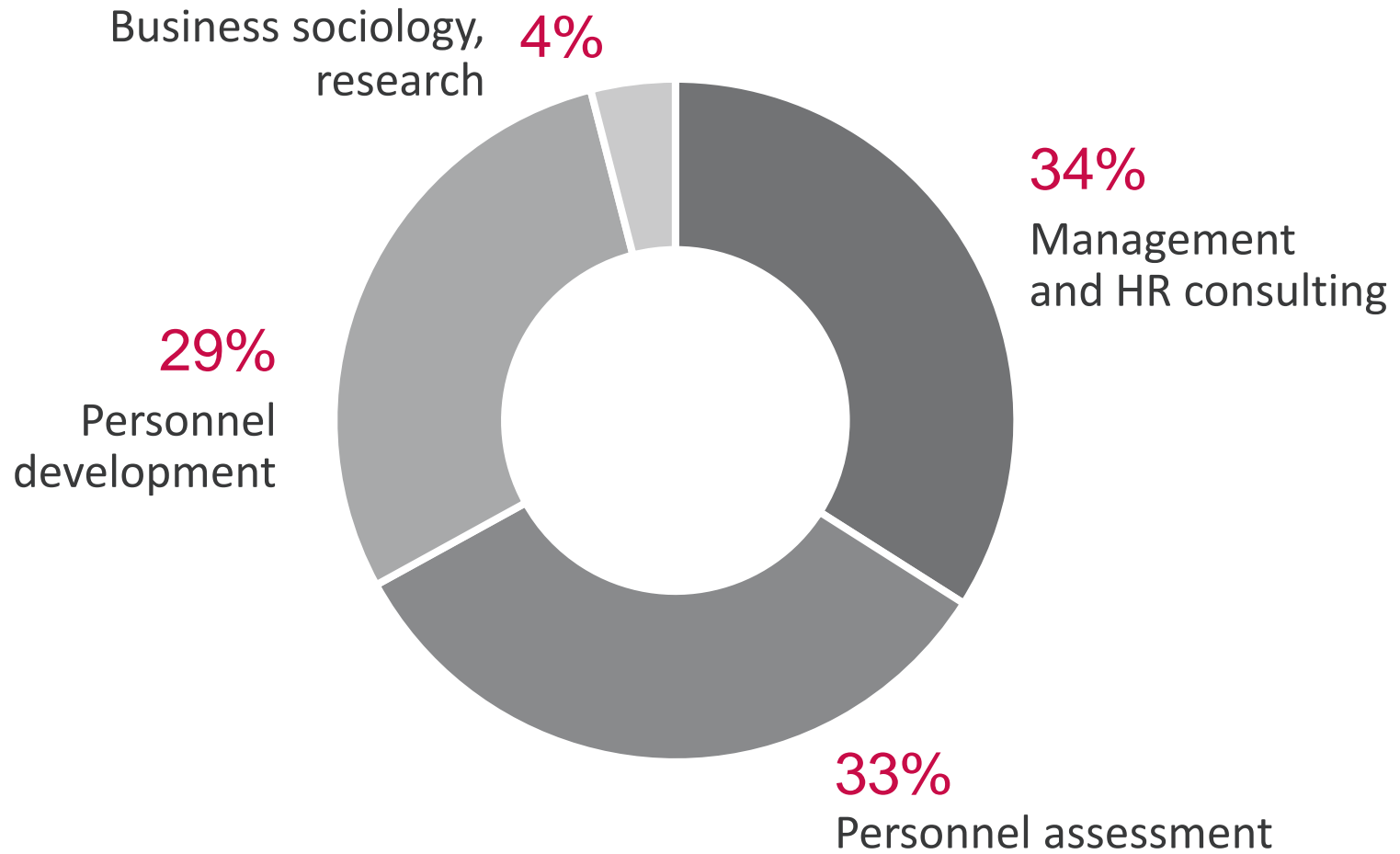
An average of **136** clients a year

166 employees (as of January 2012)

Over **500** projects annually



ECOPSY Consulting: Areas of Expertise

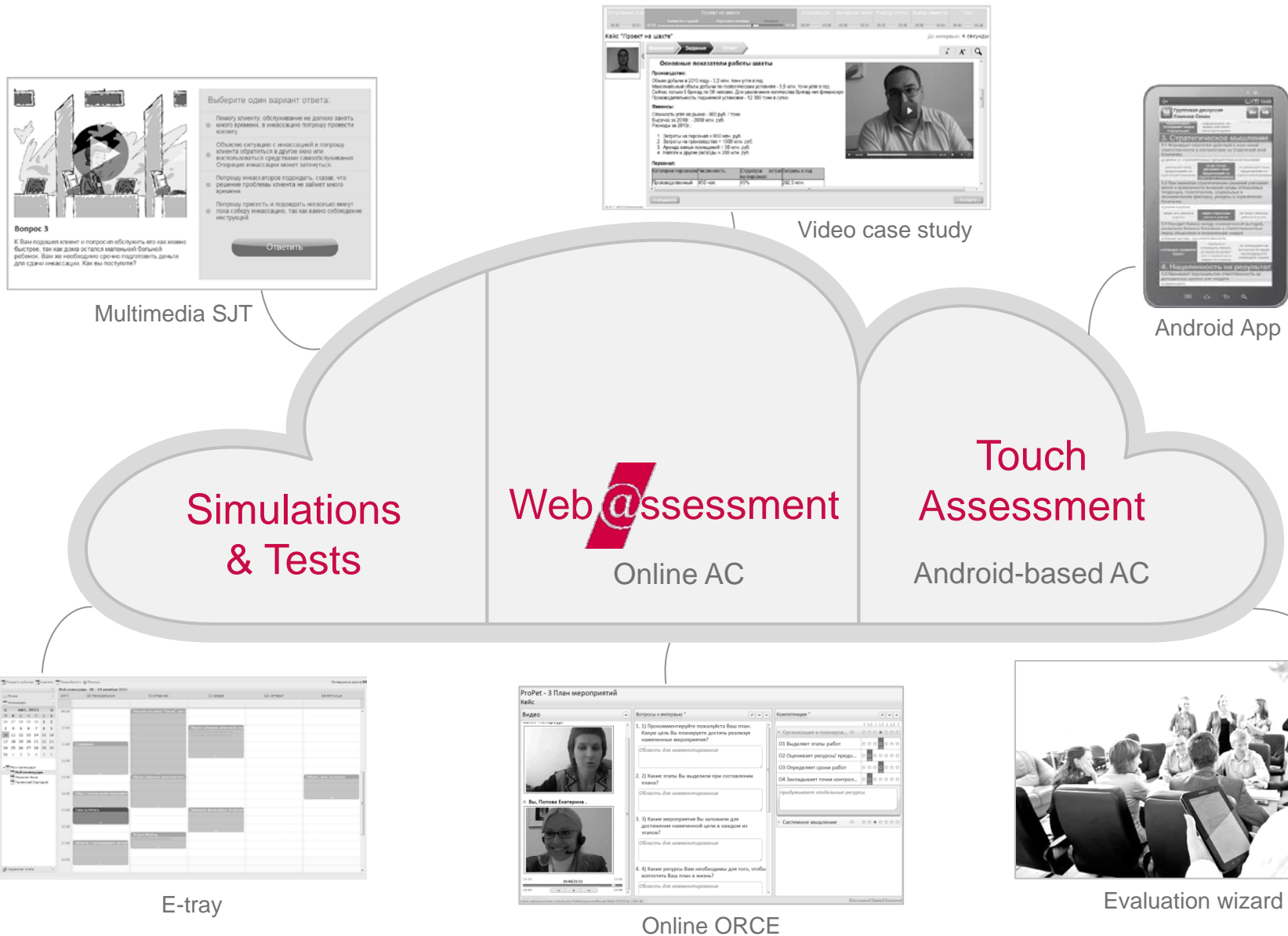


* Revenues generated by divisions (as of 2011)

© Eugene Lurie, Alexey Popov (ECOPSY Consulting)



Technology leaders: Web@ssessment cloud platform (1)



Part of the IPAD (International Partnership for Assessment and Development)

Founded by Prof. Christof Obermann and David Purdy

- IPAD Partner
- IPAD Network Partner



© Eugene Lurie, Alexey Popov (ECOPSY Consulting)



Who brings you profit – your boss or your teller?

Professional qualities of specialists and competencies of top managers as predictors of business outcomes in a bank



Agenda: Questions and suggestions

Questions

- ▼ How do we measure connection between people and profit?
- ▼ Who is more responsible for profit: top managers, mid-level managers, or specialists?
- ▼ What should we do to make assessment more oriented on business-outcomes?

Our suggestions

Profit should be measured on the level of organizations, not individuals

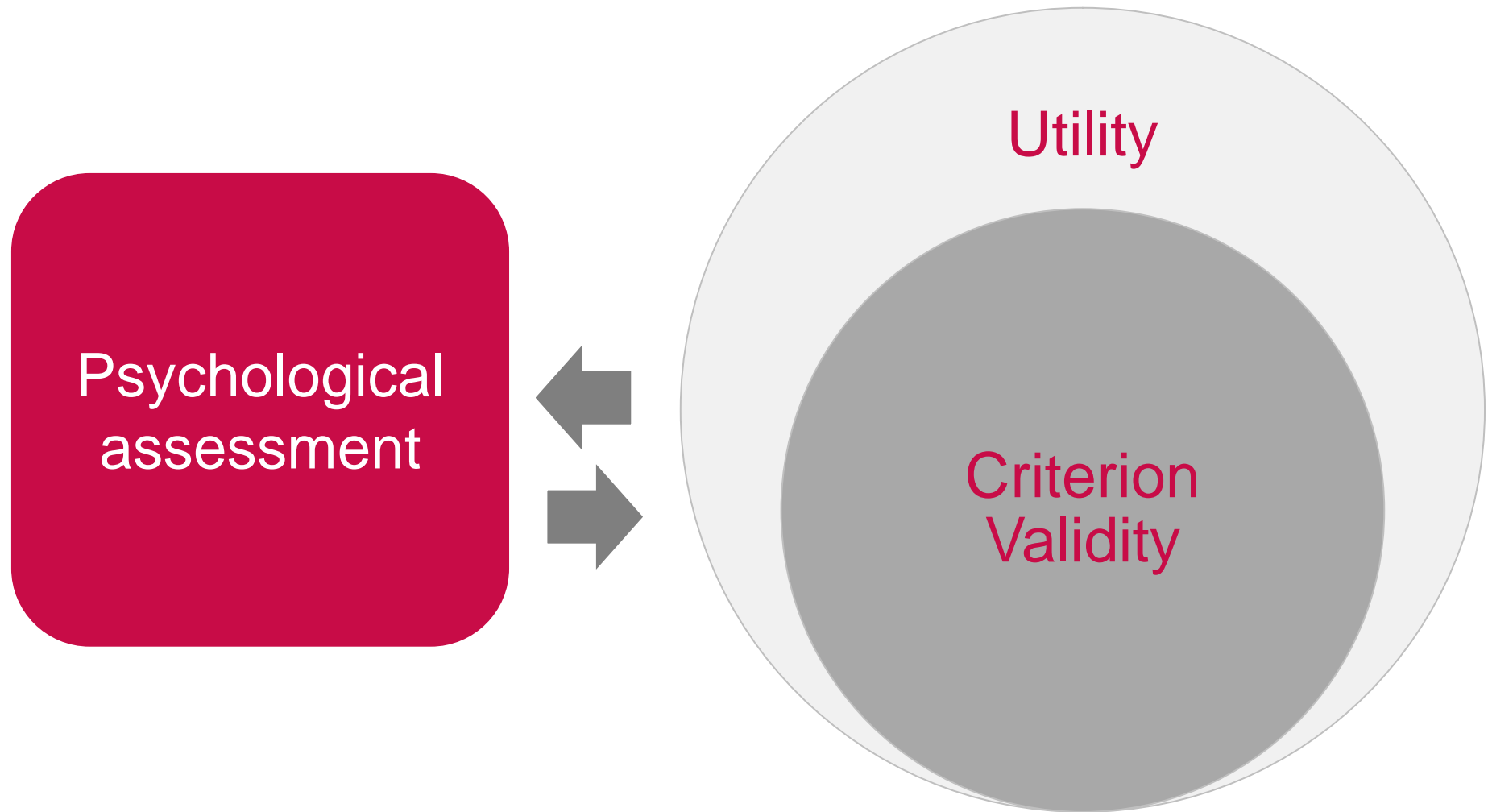
Measured on the level of organization (bank branches), profit depends more on specialists, rather than managers.

There are key competencies in managers that can really make a difference. Assessment should be focused on these competencies.

Question 1: How do we measure connection between people and profit?



How do we measure connection between people and profit?



How do we measure connection? Validity

Short-term studies

ACs demonstrate sufficient, but not magnificent predictive validity

- ▼ Gaugler et al. (1987): **0.37**
- ▼ Thornton III & Rupp (2006): **0.31 – 0.43**
- ▼ Hermelin et al. (2007): **0.28**

Longitudinal studies

The more time passes, the larger validity

- ▼ Mitchel (1975): OAR correlates with salary increase. **0.22 in 1 year, 0.28 in 3 years, 0.32 in 5 years.**
- ▼ Hinrichs (1978): OAR correlates with job level in 8 years (**0.40**). But so does a simple study of personal file (0.49).
- ▼ Ritchie (1994): OAR predicts management level in 4 years (**0.39**)

Commonly used criteria are:

- ▼ Supervisor ratings
- ▼ Salary progress
- ▼ Career progress

How do we measure connection? Utility of AC vs. other method

Study	Sample	Other method	Utility per selectee per year
Cascio & Silbey, 1979	Food sales	Interview	\$ 616
Cascio & Ramos, 1986	Telephone org.office	Interview	\$ 2676
Burke & Frederick, 1986	Mid-level sales	Interview	\$ 3036
Gerpott, 1990	Chemical industry	Interview	DM 3329
Tziner et al., 1994	Israeli corporation		\$ 506
Thornton III & Potemra, 2006	Police sergeants		\$ 1231 to \$ 3027

* G.C. Thornton III & M.J. Potemra, 2006

How do we measure connection? Problems

Validity

- ▼ McEvoy and Beatty (1989) : **contamination results** from the fact that AC evaluations are often used in determining promotion and making other administrative decisions.
- ▼ Thornton and Byham (1982): supervisor ratings manifest considerable limitations, including **leniency, halo effects, and range restriction errors**.

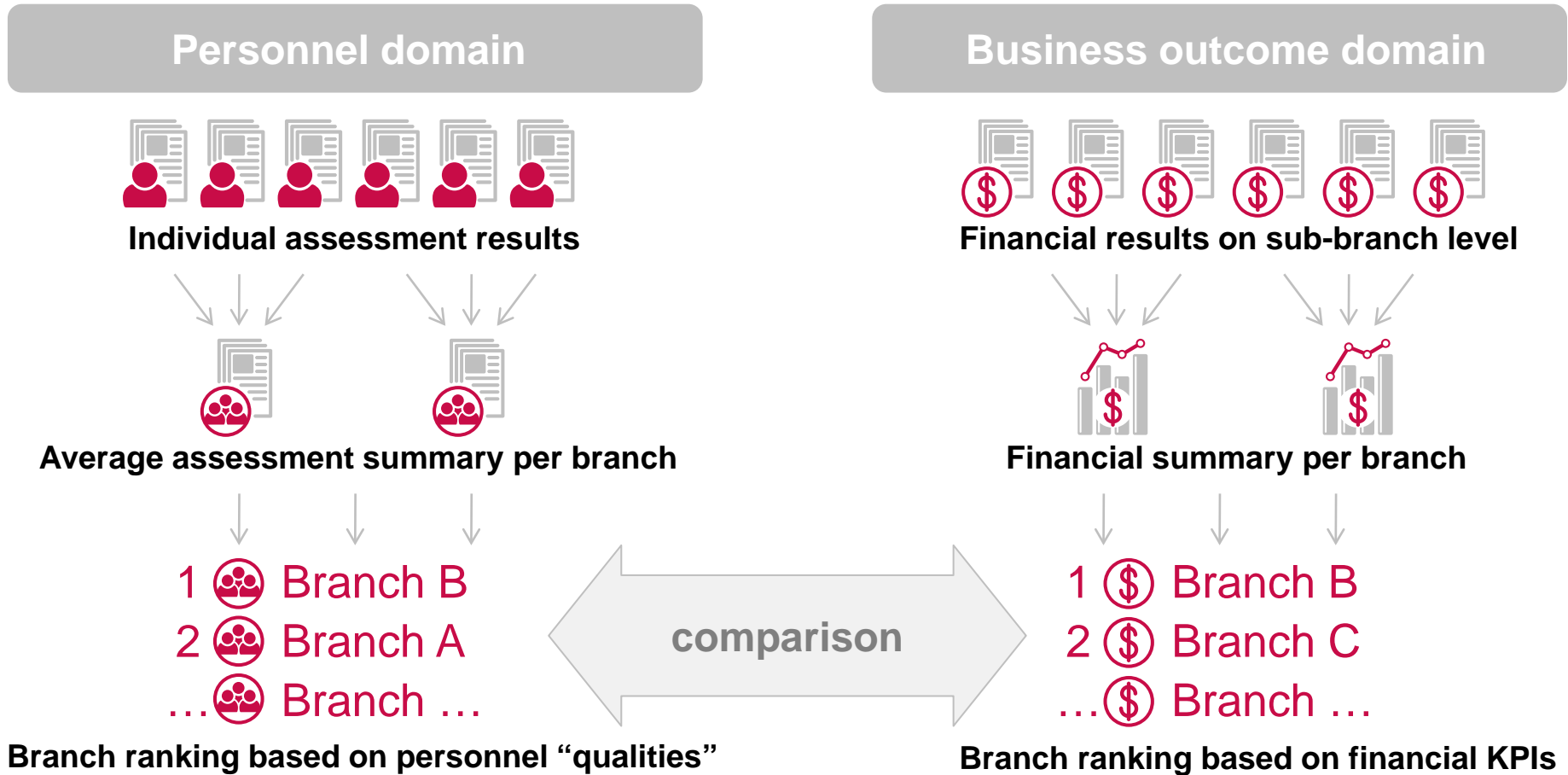
- ▼ Criteria are not hard enough
- ▼ Not directly connected to **business outcomes** of the company

Utility

- ▼ Cascio & Silbey (1979): the largest impacts on AC payoffs are exerted by the **size of the criterion standard deviation**, the selection ratio, and the difference in validity between the AC and the ordinary selection procedure.
- ▼ Cascio & Silbey (1979): even **ACs with validities as low as .10 show positive gains in utility** over random selection.

- ▼ Utility is **assessed** rather than measured **directly**

How do we measure connection? Our solution






- ▶ Criterion is totally independent of individual-level data
- ▶ Criterion reflects business outcomes of the company (which is, after all, our primary interest)

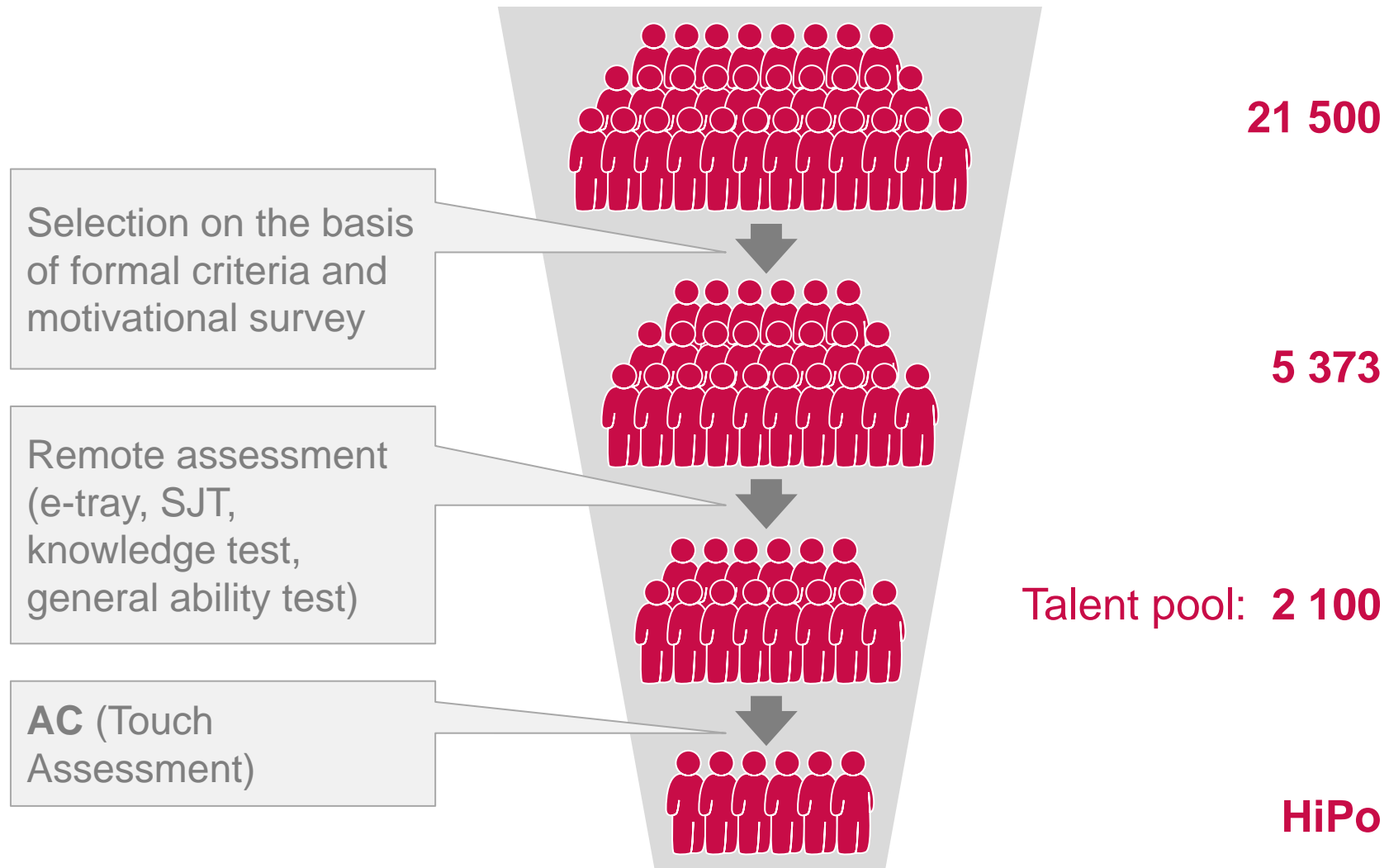
Question 2: Who is more responsible for profit: top managers, mid-level managers, or specialists?

Samples and methods

Client: major bank

	Sample	N	Year	Method	Criterion
	Top managers of head offices	62	2012	AC	Business-plan KPI coefficients on the level of 17 territorial branches (years 2011 and 2012)
	Mid-level managers	393	2011	AC	
	Specialists	5373	2011	Multi-stage sift-through: remote assessment + AC	

Multi-stage sift-through



Top management and KPI of the Bank (N = 62)



Business plan KPI	Strategic thinking	Flexibility	Results orientation	Business acumen	Building relationship	Leading others	OAR
Quarter 1	0,00	-0,02	0,00	-0,01	0,01	-0,10	-0,04
Quarter 2	0,08	0,35	0,22	0,10	0,05	-0,01	0,16
Quarter 3	-0,08	0,20	-0,03	0,00	-0,21	-0,21	-0,09

Top management and KPI of the Bank



- ▼ Average correlation of OAR with bank KPI = **0.01**, i.e. negligible.
- ▼ Largest OAR correlation with business-plan KPI in the 2-nd quarter = 0.16
- ▼ This is mostly due to Flexibility (**r = 0.35**).

Thus, **no direct relation** of top management competencies on the whole **to business outcomes** of bank branches.

BUT: potentially there is relation to “Flexibility”

Which is amazing because it suggests that developing **ONE** competency in **ONE** person can lead to an increase in the profit of a **large organization**.

Interestingly, this is Flexibility, not anything else.

Mid-management and KPI of the Bank (N = 393)



KPI	Systems thinking	Influencing others	Planning and organizing	Personal accountability	Self-improvement	OAR
Quarter 1	0,06	0,00	0,08	0,03	0,13	0,08
Quarter 2	0,07	0,01	0,10	0,12	0,09	0,10
Quarter 3	-0,02	0,08	0,07	0,03	0,04	0,04

Mid-management and KPI of the Bank



- ▼ Average correlation of OAR with bank KPI = **0.07**, i.e. small to negligible.
- ▼ Largest positive and statistically significant correlations are with **self-improvement, personal accountability, planning and organizing.**
(Regretfully, Flexibility was not measured)

BUT: we can see that **performance management** is potentially important in mid-management.

Top management	---	manage ideas ?
Mid management	---	manage performance ?

Specialists (tellers) and KPI of the Bank (N = 5373)



Assessment method	Business-plan 2011	Business-plan 1 quarter 2012	Business-plan 2 quarter 2012	Business-plan 3 quarter 2012
E-tray (N = 5 373)	0.19	0.33	0.13	-0.10
Knowledge test (N = 5 373)	0.31	0.12	0.32	0.09
SJT (N = 5 373)	0.31	0.36	0.22	0.35
General ability test (N = 5 373)	0.57	-0.35	-0.02	-0.36
AC (N = 180)	0.64	0.71	0.36	-0.43

Specialists and KPI of the Bank

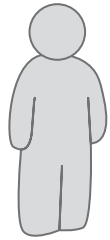


Assessment method	Strength	Duration	Stability
E-tray	Weak to medium	Middle-term	Yes
Knowledge test	Weak to medium	Middle-term	Yes
SJT	Medium	Long-term	Yes
General ability test	Strong	Short-term	No
AC	Strong	Middle-term	?

- ▼ **Much more evident!**
- ▼ Tacit knowledge (SJT) is much more predictive
- ▼ Measuring tacit knowledge in specialists is beneficial for both short-term and long-term predictions of business outcomes of the Bank

Question 3: What should we do to make assessment more oriented on business-outcomes?

As for our research...



Specialists (talent pool) should be **ABLE** to learn something new and **CAPABLE OF** solving concrete managerial tasks / cases



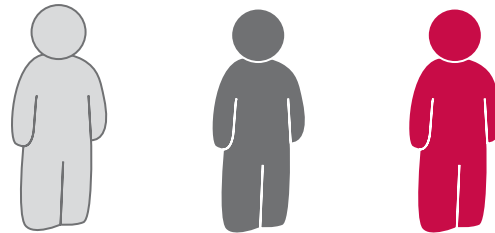
Mid-managers should be competent in **MANAGING PERFORMANCE**



Top managers should be **FLEXIBLE** and **READY TO CHANGE** if needed

As for general assessment practices...

- ▼ Business outcomes should be measured on the **level of organizations**
- ▼ Assessment should be focused on qualities important for business outcomes:



TACIT KNOWLEDGE for specialists in the talent pool

PERFORMANCE MANAGEMENT competencies in mid-management

FLEXIBILITY in top management

Eugene Lurie, Alexey Popov ECOPSY Research & Development Center

lurie@ecopsy.ru

 [Eugene Lurie](#)

 [ASSESSMENT_CTR](#)

 www.facebook.com/ecopsy.ru