

Business Case for the Predictive Index® (PI®)

Predictive Index® (PI®): What Is It?

Organizations use PI® to help gain a competitive edge and to help managers more effectively lead their organizations. PI provides objective, reliable, and valid information to assist decision makers in developing motivated, productive organizations of talented people. It enables managers to measure an individual's drives and behaviors to determine how the person would perform in a specific job and interact with others.

Since 1955 PI® has been used by more than 8,000 large and small businesses in over 120 countries. PI is available in more than 60 languages, is validated, reliable, and has full EEOC compliance. Based on over 400 validity studies, there is no adverse impact based on age, gender or race.

Leadership—Leaders need to articulate a clear vision and inspire others to follow the course. PI® can help identify and develop leaders, enhancing leadership styles and improving communication. Who are your high potentials? What is your criteria for selecting, developing and promoting leaders? Do you have a succession plan? Do you have a defined leadership culture?

Management - The best managers are made, not born. With PI®, managers are better equipped with the insight they need to communicate with employees to get results. Do your managers know the difference between managing and leading? What are their natural tendencies?

Job Satisfaction - Since job satisfaction and customer satisfaction are closely entwined, it is more important than ever to have the right person in the right job. PI® can help make sure that employee morale and commitment stay high. Are your people, your talent, leveraging their strengths, their interests, what drives and motivates them?

Productivity - Time is money and the company that works most efficiently stands to grow most profitably. With PI®, managers know more about the way people work and how to maximize productivity.

Recruitment/Selection - Many candidates. One job. PI® can help make sure the right decision is made, reducing costly turnover.

Teamwork - A successful business depends on strong overall teams, but getting people to work as a team is a tremendous challenge. PI® can be used to help you put together balanced teams and make sure each player has the skills and training needed to contribute to team success.

Strategic Planning - Where is the company headed? How will you get there? Who will drive the initiatives? PI® can show you how to match individual skills and future company needs.

Mergers & Acquisitions – Are the organizations/companies compatible? The two cultures, leadership, decision making? Who will you decide to put in certain roles? Which talent will you

retain and how? Use PI® to assess a merger and/or acquisition, where the challenges will be, and how to successfully integrate two organizations.

What's the Business Case for PI®?

Human Capital - Biggest Expense, Most Important Asset

- On average between 35-75% of company's total expenses are their people.

Reduce Turnover and Retain Talent

- Performance improves by as much as 25% when a manager excels at supporting development.
- Intent to stay with the company can increase by up to 40% if manager is effective.
- On average it costs between 100 and 300% of an executive's salary to replace him/her.
- For lower level workers, average is between 40-70% of salary.
- Example – At a company with 500 employees and an average salary of \$50k, with turnover rate of 5%, if all workers leaving are lower level, cost of turnover is between \$500K and \$875K.
- ***Just a 5% improvement on this turnover would equal between \$40-\$70k in savings!***

Improve Hiring and Selection

Benchmark top performers so you hire high-producing employees.

Research shows that most hiring decisions are made based on appearance, education, and experience but most FIRING decisions are made on behavior, style, and values. *McKinsey data shows that top performers generate substantially more than just the average performer:*

- ***40% increased productivity in operations roles.***
- ***49% increased profit in general management roles.***
- ***67% increased revenue in sales roles.***

Example:

- *Company with 30 'average' salespeople generating \$150k in revenue each.*
- *Replace 3 of these average performers with high performers.*
- ***Revenue is increased by over \$300k.***

Improve All New Hire's Success Through Targeted On-Boarding and Development

- Over 40% of new leaders fail.
- Cost of this failure extends beyond the individual's salary to extend to measureable factors impacting the larger organization, including:
 - Time in reviewing candidates, conducting interviews, candidate follow-up, staff time in training, direct productivity losses, and recruiting and retraining costs for finding replacement.

- Intangibles: impact on co-workers productivity and morale, lost business due to mishandling by employee, lost management time, damage to reputation and market share.

Engage Employees

Companies with Highly Engaged Employees:

- **19.2% higher operating income***
- **17% higher operating margin****
- **27.8% improvement in EPS*****

Companies with Disengaged Employees:

- **Employees absent 3.5 more days per year *****
- **Decreased operating income of 32.7% *****
- **3.8% decline in net income and 11.2% decline in EPS *****

*Conference Board Research

** Towers Perrin Talent Report

*** International Survey Research (ISR)

Although “Attracting, Engaging, and Retaining Talent” is the 2nd Most Important Business Challenge Facing CEO’s, the Level of Priority Compared to Other Business Investments is # 44.

2009 Towers Perrin Study

Disengaged Managers Are 3 Times More Likely to Have Disengaged Employees.

2009 Sirota Intelligence Study

By better understanding of what drives and motivates themselves, individuals are better prepared to better understand others and what is required to be successful in the workplace. This connection to one’s role, the culture, and the business results is a more engaged and productive workforce, directly resulting in improved financial results.

- Example –A company has 500 employees, with an average salary of \$50k. 25% of these workers are disengaged. Because disengaged employees are absent more than their engaged peers, this lower productivity is costing the organization over \$70k a year. (assumes 260 annual working days)
- Moving just 3 of these people to be engaged would save the over \$8k in lost productivity.

Differentiators of Top Performing Leaders

The role of the leader has never been as important or demanding as it is today. Leaders at all levels must deliver consistent, sustainable results in leaner organizations and get things done day to day with fewer resources. There is an increased emphasis on maintaining employee morale and high levels of productivity in an increasingly complex and changing business environment. Leaders must also ensure that the right people are in the right roles with the right skills.

Unfortunately, many companies have fewer resources to devote to selection, succession, and leadership development initiatives that would help ensure that their leaders are set up for success

and able to handle these challenges effectively. In this environment, an understanding of which competencies make the difference in a leader's effectiveness and the extent to which this varies by level and industry is necessary to help organizations prioritize their talent management efforts to ensure that the initiatives they put in place are high impact and yield the greatest return on investment.

To help shed light on the competencies that differentiate top performing leaders, data was collected on the managerial effectiveness of 622 leaders across organizations including government agencies, non-profits, multi-nationals, *Fortune* 500, and *Fortune* 1000 organizations. The results of the study point to four key findings:

- 1. The ability to build trust and demonstrate personal accountability is the foundation for leadership success.**
- 2. Exceptional managers, regardless of level, also demonstrate competence in three other core skill areas—action orientation, building teams, and critical and analytical thinking.**
- 3. In addition to the four core competencies, it is important to master specific competencies that are critical for success at each level of management.**
- 4. The ability to execute plans and initiatives effectively is the hallmark of an exceptional manager.**

Article: Harnessing Entrepreneurial Characteristics

Entrepreneurial performance, indeed any individual's performance in a given role, is largely a function of character and skills. Because skills can be continually learned, developed and honed, but character is fixed and stable, a prerequisite to top-performance in any role is getting the character-fit right. A research study was just completed to learn more about the personalities of successful entrepreneurs.

227 finalists for the Ernst and Young Entrepreneur of the Year program over the last twelve years were asked to take the Predictive Index® (PI®). A very distinctive PI Profile for the entrepreneurs emerged from the data with over seventy percent sharing common core characteristics.

Eighty-two percent of the entrepreneurs studied are assertive, self-confident, challenging, venturesome, independent and competitive individuals, while eighty-five percent have low patience, and are tense, restless and driving individuals, who work with a profound sense of urgency.

Successful entrepreneurs and innovators approach life with a hypothesis-testing mindset, and seek to cultivate that mindset in others. They are independent in putting forth their own ideas, respond well to pressure and challenge, and will resourcefully work through and around roadblocks to achieve their goals.

The benefits that can accrue to individuals, corporations and societies via entrepreneurship can be substantial. Good business leaders in the today's organization often possess key entrepreneurial traits such as innovation, creativity and risk-taking. But just as importantly, and perhaps more so, they establish corporate cultures and business practices that support and nourish entrepreneurship throughout the enterprise.

Themes from Conversations with CEOs Regarding Today's Business Climate

1. **Change.** The amount, pace, type, and volatility of change across industries is unprecedented, and shows no signs of slowing down. Leaders will have to increasingly be aware of these changes and will have to help their organizations skillfully cope with it. "We are looking for people who can lead in a perpetual state of crisis."

2. **Flexibility.** Organizations these days are increasingly "traveling light", with a reluctance to make long-term binding commitments to people or projects. Perhaps nowhere is this trend more apparent than in hiring, with companies of all sizes relying more than ever before on temporary and contract workers. For example, the bureau of labor statistics reports that one out of three American workers is now part-time or temporary.

3. **Transition.** Look for top-ranked employees to begin exploring the job market as it begins to improve. Harvard Business Review recently reported that 20% of employees identified as "high-potentials" voluntarily left their organizations during the recession, a number that is only expected to increase. Also, now that the business environment has generally stabilized, and their investment portfolios have recovered (at least somewhat), many executives will now feel more comfortable making those long-delayed career transitions. To deal with these issues, smart CEO's and their organizations are putting succession plans into place right now. The key question becomes whether your company has the right talent in the right places to execute its business plan.