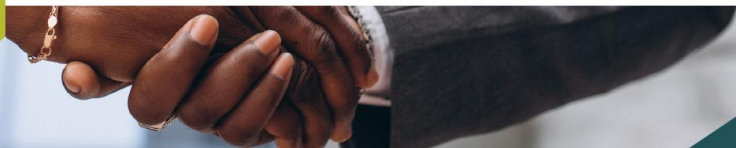


A background image of a handshake between two people, overlaid with large, semi-transparent geometric shapes in shades of teal and olive green. The handshake is the central focus, with one hand wearing a gold bracelet and a watch.

Leadership Selection and its ROI

Confidence in leadership is at an all-time low, with
only 40% of employees
expressing confidence
in the quality of their organisation's leaders.



high-potential employees
who choose to remain with an organisation
for three or more years
are **25%** more at risk of imminent departure.

(DDI, 2023)



IN CONTRAST

Employees considered to be "high potential"

**are three times
more likely to stay**

with organisations

if their leaders have good **interpersonal skills**,
or in Hogan language, can "get along" with others.



DR ROBERT HOGAN (2013) FAMOUSLY STATED THAT

“people are the most consequential and dangerous forces on Earth”

clearly evident when considering **the impact of leadership on the survival, flourishing, or demise of human enterprises, whether small or large, private or public.**



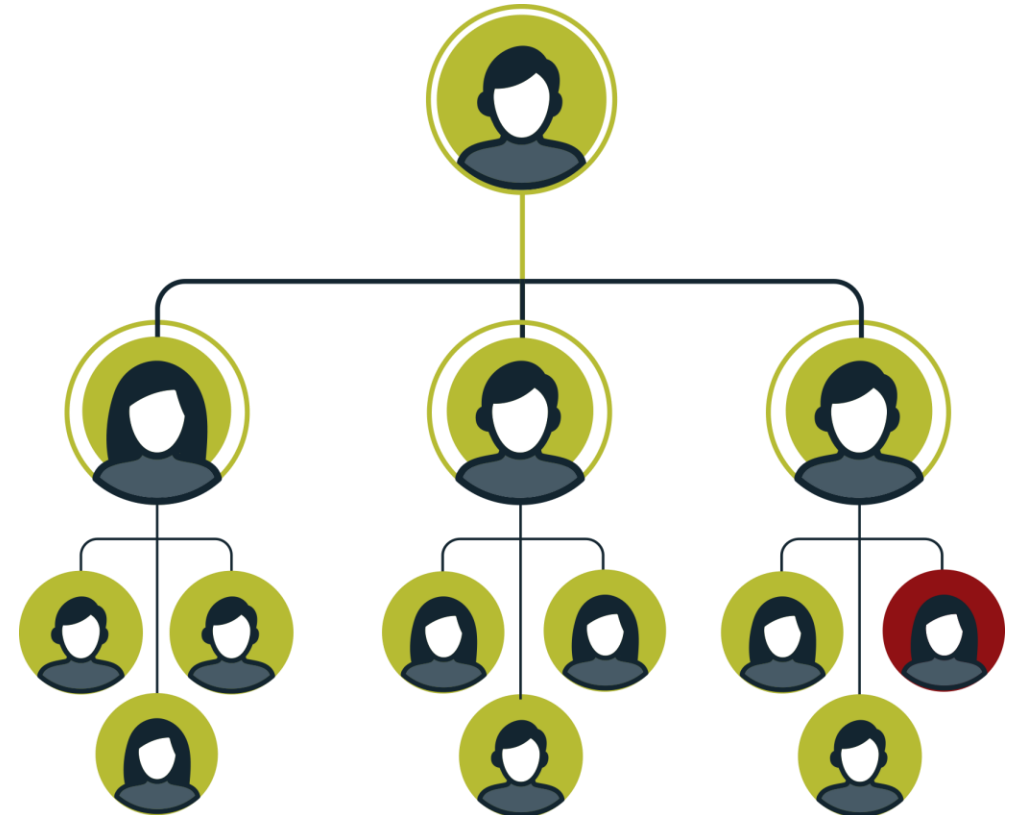
Organisational effectiveness depends on leaders' ability to motivate employees to set aside their self-interest to pursue collective goals. In doing so, collective effort in organisations becomes a force multiplier.



The cost of good leadership

Given their influential role, the ripple effect of an effective leader results in increased productivity across the organisation.

The application of the Brogden-Cronbach-Gleser formula revealed that a company could gain at least **R5,5 million** in productivity over 4 years for **high complexity jobs (leadership)** if selection decisions are based on their Hogan results.



Said differently, this is a year* of productivity gained per high-performing employee during their tenure!

*averaged, dependent on salary and performance




About the Assessments

HBRI
HOGAN BUSINESS REASONING INVENTORY
REASONING
2
DIMENSIONS
THAT MEASURE THE ABILITY TO SOLVE PROBLEMS AND MAKE BUSINESS-RELATED DECISIONS

HPI
HOGAN PERSONALITY INVENTORY
THE BRIGHT SIDE
7
SCALES
THAT MEASURE HOW PEOPLE BEHAVE IN DAY-TO-DAY LIFE WHEN THEY'RE AT THEIR BEST

HDS
HOGAN DEVELOPMENT SURVEY
THE DARK SIDE
11
SCALES
THAT MEASURE HOW PEOPLE BEHAVE WHEN THEY'RE UNDER STRESS AND PRESSURE

MVPI
MOTIVES, VALUES, PREFERENCES INVENTORY
THE INSIDE
10
SCALES
THAT MEASURE CORE VALUES, GOALS, AND INTERESTS THAT DETERMINE CAREER SATISFACTION


A JVR Psychometrics Product
INDIVIDUAL WORK PERFORMANCE REVIEW
PERFORMANCE
5
DIMENSIONS
THAT MEASURE INDIVIDUAL ACTIONS AIMED AT ACHIEVING COLLECTIVE WORK GOALS



The Current Case for **Assessment**

We aimed to investigate the value of the Hogan assessments as selection predictors of leadership effectiveness.

Leadership performance, in the context of this case, is also based on the theoretical work performance structure proposed by Yukl (2012) and was measured using the Individual Work Performance Review (IWPR) (Van Lill & Taylor, 2022). This measure includes a leader's scores regarding the following:

- **Task-based leadership:** Demonstrated when efforts of co-workers are directed towards the achievement of team goals.
- **Relations-based leadership:** Demonstrated when co-workers are empowered and motivated to achieve team goals.
- **Change-based leadership:** The degree to which co-workers are inspired to participate/accept the required changes to the way they had previously done their work.
- **Network-based leadership:** The degree to which networking is used to establish relationships between co-workers and key role players.

This case study is based on the Hogan and IWPR results of **201 leaders**, of which 47 were employed as entry-level managers, 119 as middle management, and 35 top/executive managers.



Calculating ROI

To calculate the Return on Investment, information about the nature of the positions, median salaries, tenure, and appointments per year for these positions was required. In addition, JVR also collected psychometric measurements on the leadership potential (Hogan assessments) and performance (IWPR) of each candidate. Combining these data sources enabled JVR to calculate the gain in performance in Rands (ROI) if **your company** were to use this specific proposed battery of assessments for leadership selection going forward.

Process used in calculating the ROI

The validity coefficient for each of the assessments was calculated using a larger sample representing the general South African population.

An adaptation of the Brogden-Cronbach-Gleser general utility equation was implemented by JVR to calculate return on investment (Cascio & Boudreau, 2011).

Utility analysis quantifies the difference in performance between low- and high-performing staff in positions. This analysis therefore *reflects the difference in Rands between your top- and low performers and helps you make decisions about how far you can go to improve the performance of your team as early as the selection process* – to ensure you achieve a return on your HR investment.

The ROI Formula Used

$$\Delta U = t \times N_s \times r \times SD_y \times X - (N_s \times C)$$

ΔU = Gain in performance in Rands from using a selection procedure

t = Tenure in role (Career Junction Employment Insights (2022) reported an average of 3,5 to 4 years in management)

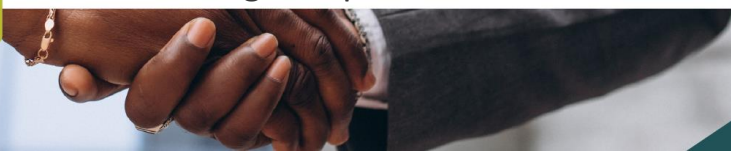
N_s = Number of employees appointed in role per year (this was arbitrarily set to 1. This is likely higher in most organisations)

r = Validity of selection procedure ($r = 0.37$ for the South African population on the most dominant HPI, HDS, MVPI scales, as well as overall HBRI score)

SD_y = Standard deviation of performance in Rands, where the average salary is R627 500 per annum for a middle manager (Payscale, 2023).

X = Average standardised test score (Hogan potential) of selected candidates

C = Cost of Hogan reports



Concluding Comments

1. The combination of Hogan assessments can, in selection contexts, predict candidates with the potential for high performance.
2. High performers could potentially provide value in various ways such as enhanced stakeholder satisfaction, better management of risks, and enhanced compliance.
3. This case study specifically illustrates the financial value to a company by way of the Return on Investment of high-performing leaders when using the Hogan assessments in their selection.
4. Over a 4-year period, the value of the ROI could raise as high as **R5 500 000** per candidate appointed using the Hogan assessments!

