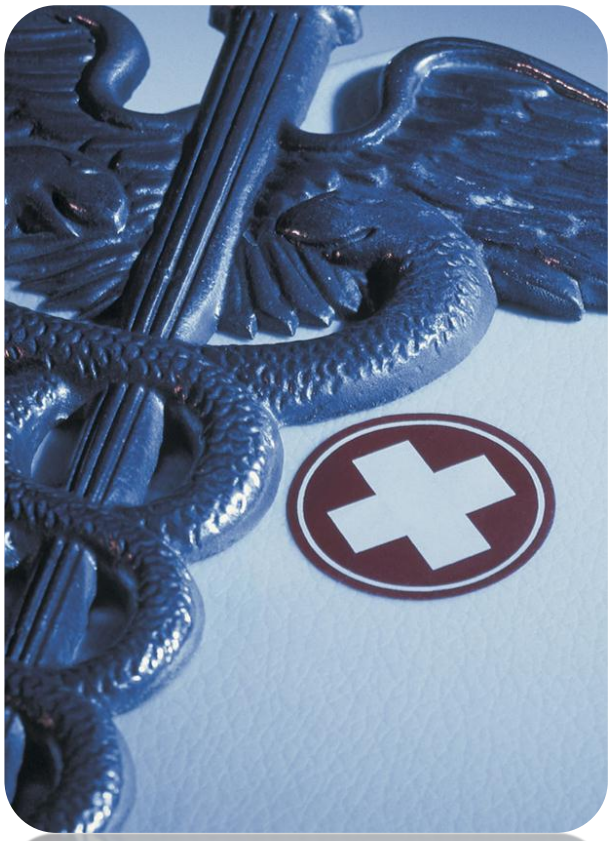
ROI STUDY

Identifying Tomorrow's Leaders

For a Healthcare Organization



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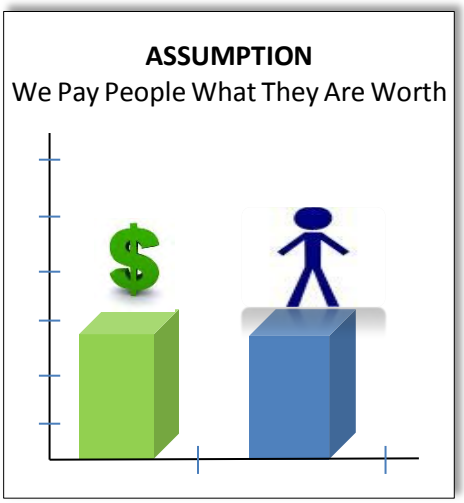
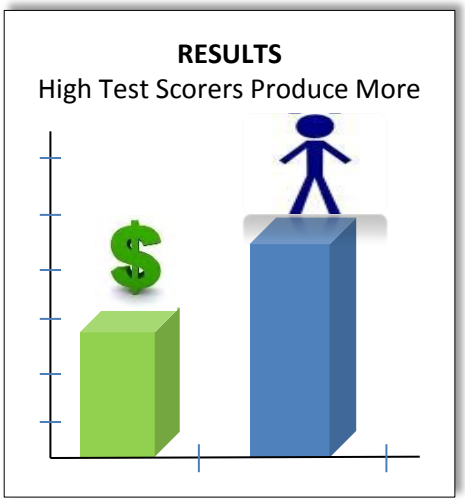
Exceptional Value in Pre-Employment Testing with the WSP®/S -- April 2013

The W***ork Styles Predictor*** **(WSP®/S),** for supervisors and managers, is a 67-item test that measures core competencies important to success in a nurse leadership role, such as Managing Oneself, Managing Others, Managing Quality, and Managing the Business. A large-scale criterion validation study was recently conducted on the **WSP®/S** for Sutter Health (including 65 current nurse leaders and their direct supervisors). The average correlation between the **WSP®/S** and job performance was .24, which is statistically significant and falls in the range of most professionally developed pre-employment tests. This number suggests that this instrument can identify applicants who are more likely to be successful on the job. Next, we followed the validation study with a utility analysis.

A **utility analysis** measures the return on investment (ROI) for a selection test. This analysis yields a dollar value that indicates how much cost savings will be gained if a particular test is used for selection. In order to accurately assess the ROI, we considered the salary of a Charge Nurse position ($57 per hour), how much it costs to administer the selection test ($65), and the relationship between the test and job performance (r_{xy} = .24).

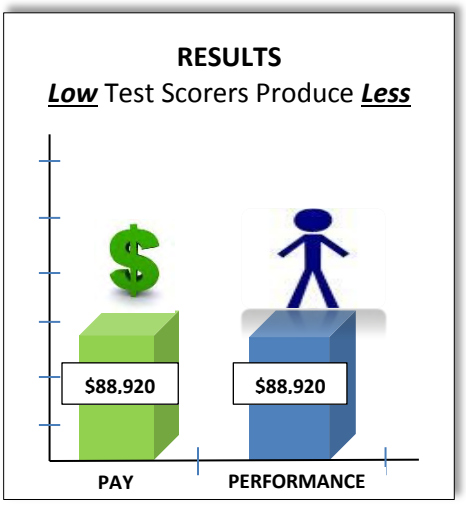


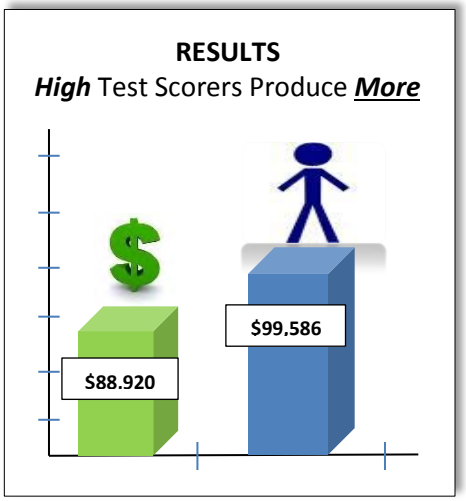


The effectiveness of the test was assessed with a sample of currently employed Charge Nurse/Shift Lead or Assistant Nurse Manager/Manager positions from Sutter Health. The test was significantly related to job performance. Based on the information obtained from this organization and using a conservative estimate of an hourly wage of $57 per hour, a utility analysis was conducted for the **WSP®/S**.

The analysis revealed that if Sutter Health only hired the *top scoring applicants*, they would realize an **increase in productivity on the average of $10,926 per hire** in the first year of

employment. This indicates that *top scoring applicants* are 12% more productive or effective than lower scoring applicants. This estimate was obtained using a conservative test cost of $65 per applicant.





$UA = [N_s * r_{xy} * SD_y * (\lambda / SR)] - C$

- N_s = number of applicants selected
- r_{xy} = relationship between test and performance
- SD_y = standard deviation of performance – expressed in wages
- λ = standardized value of the minimum acceptable score on the test
- SR = selection ratio
- C = cost of testing per person

- Assume applicants selected: **1**
- Relationship between **WSP®/S** & performance: r = **0.24**
- Conservative estimated salary: **$88,920** ($57 x 2080 x .75)
- Standard deviation of performance – expressed in wages: **$35,568**
- Standardized value of the minimum acceptable score on the test: **1.28**
- The selection ratio: **.25** (or one hire out of four applicants)
- Test administration costs: **$260** ($65 x 4)

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