

WHAT WORKS

TOOLS. TACTICS. INSIGHTS.

Getting Inside the Boss's Head

Just how nutty are bosses? Psychologist Robert Hogan has administered personality tests to well over a million people in the past three decades and claims that at least 55 percent of managers in American corporations are unfit for their jobs. That may explain why his company, Hogan Assessment Systems, based in Tulsa, Okla., and many major test vendors are reporting double-digit growth this year over last. Business is booming for the headshrinkers.

¶ A new generation of highly targeted Web-based tests that screen not only CEOs but the managers around them is shaking up the corporate world. These tests—and there are thousands of them, from ePredix's Call Center Solution to Sigma Assessment Systems's Leadership Skills Profile—are extraordinarily nuanced. They not only pinpoint strengths and weaknesses in managers and workers of all ranks, but can do so on an industry-specific basis. Some of the tests use sophisticated algorithms to shift emphasis on the fly, drilling down into test takers' peculiarities as they emerge, or those of their managers or workplaces.

General corporate nuttiness aside, the surge in the popularity of psychological tests can be traced to the recent wave of financial scandals—and, more specifically, to the regulatory bogeyman known as Sarbanes-Oxley. Cautious boards and C-level executives are commissioning assessments as a kind of insurance policy, turning corporate psych profiling into a billion-dollar industry. "People are scared," says Stephen Kelner, a management appraisal expert and industrial psychologist at Egon Zehnder, the world's fourth-largest executive search firm. "They no longer trust their gut because their gut has gotten them in a lot of a trouble lately. They want something 'objective' in case of lawsuits—like a test you can show the board and say, 'Hey, the guy's got good numbers.'"

A typical scene occurred last year at a West Coast manufacturer. The company's financials were fine, but the directors worried that the CEO was trying to cover up a host of problems. So they called in a team of behavioral scientists led by Richard Hagberg to do a psychological profile of both the company's culture and its CEO. A big name in the psych consulting business, Hagberg's Foster City, Calif., firm famously administered the personality test that helped Carly Fiorina win the top job at Hewlett-Packard.

What was going on at this company, however, was

A new generation of psychological tests goes beyond an executive's personality to root out corporate dysfunction.

no success story. (Citing confidentiality, Hagberg asked that the firm not be identified by name.) The company's scores were so low that they shocked even Hagberg's seasoned shrinks. Morale had collapsed in the firm's workforce, which was dominated by an old boys' network that avoided risk, failed to foster teamwork, and bred political infighting. When Hagberg presented the results to the board, the directors asked the CEO to leave the room. "Two members spoke up and said, 'I think this makes it very, very clear what we have to do,'" Hagberg recalls. Within minutes, the CEO was out of a job, he says.

Perhaps all boards of directors will sleep better once the B-Scan appears early next year. Designed by experimental psychologist Robert Hare (who works with the FBI's Child Abduction and Serial Murder Investigative Resources Center) and industrial organization psychologist Paul Babiak, it can indicate if a boss is a sub-criminal psychopath. (Translation: a self-serving, narcissistic schemer who displays a stunning lack of empathy, but who isn't criminally inclined.) Hare, not coincidentally, adapted the test for the business world from his Psychopathy Checklist, the standard test for rooting out psychopaths in pris-



ON THE COUCH Tests given by Richard Hagberg, left, alerted Peet's Coffee chairman Chris Mottern that he had to spend more time talking to discontented employees in his company.

ons. Sub-criminal psychopaths tend to show up more in management ranks than elsewhere in companies, Babiak claims. Indeed, he jokes that many of his CEO clients say the test identifies the very qualities they want in their salespeople. “They say, ‘We want them to manipulate the client,’” he says. “I say, ‘Fine, as long as they’re not manipulating you.’”

Weeding out Capt. Queegs notwithstanding, the psych tests, especially when combined with other management assessments, are helping CEOs run tighter ships. Chris Mottern, the chairman of Peet’s Coffee & Tea, led his company through a bruising initial public offering in 2001. He decided to call in Hagberg to do a so-called cultural assessment of the company as well as 360-degree profiles of its top executives—including the boss. The test defines a top executive’s personality and relates that to his ability to execute strategy, build relationships, and sell a vision.

Some 190 Peet’s employees spent a half-hour or more on Hagberg’s website grading 122 statements, on a scale of one to five, about their workplace. (Examples: “I feel emotionally attached to the organization” and “Personal attack, blame, and ridicule are extremely rare in my workgroup.”) The study found that employees felt alienated from management and feared that Mottern was imposing a corporate bureaucracy on the beloved mom-and-pop culture of a company founded in Berkeley, Calif., in the ’60s.

Needless to say, the boss was surprised—and chagrined. “It was kind of like getting a bad report card,” Mottern says. “But that’s why these tools are enormously helpful.” For him the bad news was worth the \$65,000 price because it gave him a chance to fix problems lurking beneath the surface. “It’s a disaster-prevention tool,” says Mottern, whose personality and work style define him as “the natural.”

Psychological testing in the workplace isn’t a new phenomenon. The practice came into vogue during the 1940s when Katherine Briggs and her daughter Isabel Myers developed the eponymous Myers-Briggs test, which classified people into 16 personality types. (You can take a similar test at www.advisorsteam.com.) But the Myers-Briggs schema, which many tests used, was easy to fake. At least it posed little challenge for an intelligent CEO trained to present a proper image.

Today’s tests are designed to catch phonies by comparing the consistency of their responses to statements like “I’m glad I grew up the way I did” and “Sooner or later most people will disappoint you.” (Fakers will invariably agree with an optimistic statement and disagree with a pessimistic one.) The new tests also allow for custom fine-tuning during the exercise. When an employee finishes rating the 122 statements in the Hagberg cultural assessment, for instance, the program instantly calculates averages for every category of question. Say a worker’s average score for the four questions related to trust is 3.5. The program compares that grade with a global average of hundreds of thousands of employees who’ve taken the test—data stored on Hagberg’s servers. If the norm is 3.8 for trust questions, the algorithm will then generate open-ended follow-up questions probing trust.

Given the uptick in corporate psych testing, it’s clear the trend is working for the consultants. Industry leader ePredix says its online assessment business more than tripled last year, and that of rival Sigma Assessment Systems increased more than 50 percent. But how’s it really working for companies that submit to the corporate psychoanalysts’ couch? If Peet’s employees didn’t believe in Mottern before the touchy-feely tests, they probably do now: In two years the company’s share price has jumped from \$8 to \$22. — PAUL KAIHLA

Searching for Salesmen and Psychos

Psychological tests for job applicants, jobholders, or entire workplaces have grown in sophistication and in specificity. There are thousands of tests to choose from. Here’s a small sampling.

TEST/VENDOR	BEST USE	COST PER PERSON	SIDE EFFECTS
HCG CULTURAL ASSESSMENT TOOL Hagberg Consulting Group Foster City, Calif.	Uncovers workplace morale and dysfunction and gives management greater insight into the organization.	\$15–\$20	A negative report triggered the firing last year of a CEO at a major manufacturer.
THE HOGAN PERSONALITY INVENTORY Hogan Assessment Systems Tulsa, Okla.	Measures the fit between a subject’s personality and the job or the organization.	\$20–\$125	CEOs of several Fortune 500 firms received failing grades—and fired the testing company.
THE CALL CENTER SOLUTION ePredix Minneapolis, Minn.	Seeks personality traits that predict success in call-center jobs during hiring and finds those who excel at upselling.	prescreening: \$16 and up selection phase: \$25 and up	The firm also sells tests designed for nurses, sales clerks, and collection agents.
SIGMARADIUS 360-DEGREE FEEDBACK Sigma Assessment Systems Port Huron, Mich.	Measures a manager’s effectiveness using feedback from supervisors, peers, and subordinates.	\$139–\$199	Sigma tested its own president and found that he lacked an eye for detail.
THE B-SCAN Multi-Health Systems Toronto, Ontario	Slated for release early next year, it will screen for “sub-criminal” psychopathic tendencies in executives.	TBA	Psychologists claim that nearly 1 in 50 managers can be classified as psychopaths.

HCG | Hagberg Consulting Group

Align Strategy, Culture and Leadership to Achieve Business Success

950 Tower Lane, Suite 750 • Foster City • California • 94404 • 650•377•0232