MERIT Performance Index™

Aligning People With Expected Business Outcomes…

- *Character-Driven Performance Has A Competitive Advantage*^{SM}

- *Character-Driven Performance Reduces Human Capital Risks*^{SM}

- *Character-Driven Performance Restores Trust and Confidence*^{SM}

- *Character-Driven Performance Achieves Lasting Business Results*^{SM}

Developing <u>And</u> Sustaining A Character-Driven Performance Culture…

PREFACE

The MERIT Performance Index™ technology and online process captures, interprets and applies relevant business performance data to help management assess talent, empower leaders and to predict future employee outcomes to improve the *'predictability'* of its overall human capital decision-making**.** Isolation of the Key Performance Indicators (KPIs) unique to each job position to achieve maximum human capital alignment with desired business outcomes is critical in today business environment.

The MERIT Performance Index (MPI) proprietary technology maximizes the predictability of an organization's leadership team to make even better intelligent human capital decisions regarding:

✓ Selection (Talent Acquisition)

✓ Intervention (Employee Development)

✓ Retention (Succession Planning)

The MERIT Performance Index process and applications help the leaders and managers of an organization integrate customized business data with the desirable character competencies and behavioral traits for a specific job position. Process outcomes can include savings in talent acquisition costs, enhanced hiring predictability, minimized turnover, and a reduction of overall human capital risks. Risk mitigation is accomplished by identifying the traits associated with high-risk behaviors leading to workplace accidents, health and wellness issues, quality control problems, etc.

The right people are an organization's greatest asset and the wrong people its greatest liability! People truly are the differentiating success factor for any organization. Many organizations have had great ideas, products and services, but still failed to achieve the goals of the business due to human capital issues.

FACTS TO CONSIDER

✓ *"The most successful organizations manage their human capital as a strategic asset by aligning the workforce with business objectives and using measurement to drive decisions, monitor performance, and improve results."* (US Human Capital Effectiveness Report 2007/2008 summary of results—Part 1 of 3, The Saratoga Review, October 2007)

✓ As Price Waterhouse Coopers, a leading business analyst, recently noted, *"A prime finding of this 2008 report is the growing recognition on a global basis of the undeniably critical role that human capital plays in the sustainability of organizations in all sectors of business and community-related activity."* (Managing People in a Changing World: Key Trends in Human Capital, A Global Perspective – 2008)

✓ *"The future of business is going to require a more data-driven, fact-based method to hire, pay and reward top performers."* (Worldwide Human Capital Management 2007, Top 10 Predictions, Information Data Corporation)

✓ The IBM Global Human Capital Study 2008 states - *"Enhancing workforce performance in today's business environment requires:*

  1) *An adaptable workforce that can rapidly respond to changes in the outside market;*
  2) *leadership to guide individuals through change and deliver results;*
  3) *an integrated talent model that addresses the entire employee life cycle; and*
  4) *data and information to deliver strategic insights and measure success."*

Aligning People With Expected Business Outcomes…

Improving The Predictability of Your Hiring Decisions

The MERIT Performance Index system is an assessment and decision-making tool that establishes the desired character and behavioral profiles for given employee positions. When an index is created, the end-user has a powerful reference point against which an individual's *degree of fit* to the position can be quantified.

Organizations are encouraged to optimize the MERIT Performance Index process by establishing an index for every hiring position in the organization. This not only results in consistency in the hiring process, but also provides for the opportunity to measure an individual's degree of fit across all positions.

MERIT Performance Index Creation

The creation of a customized MERIT Performance Index (MPI) equation involves the skillful blending of character and behavioral data obtained from the MERIT Profile™ survey process with the company-specific metrics that define success.

The key to accelerating human capital effectiveness therefore lies in the process of associating specific competencies with the desired business outcomes and working toward hiring, developing and retaining those competencies.

- ✓ Each MPI is tailor-made (customized) for application within the organization's population.

- ✓ MPIs are developed to select the best available job applicants, but they can also select for important purposes, such as long-term employment, low risk for accidents and low tendencies for abuse/addiction.

- ✓ Each MPI is developed on the set of competencies that are mathematically relevant to the KPI (Note: this is an EEOC prerequisite for all assessments used in the hiring process).

- ✓ Each MPI includes proprietary metrics for character and behavior as well as other in-house measures (if used) such as skills test scores, IQ or EQ, which also have face validity for predicting the KPI.

- ✓ When a customized MPI is developed for every position in the organization, the promotional path (succession plan) for each job candidate can be predicted before the candidate is hired.

- ✓ The MPI emanated from a sound theoretical base, and is established on samples that were prescreened for "outliers" and "invalid" individual metrics.

- ✓ Each MPI provides information by which ROIs can be objectively estimated.
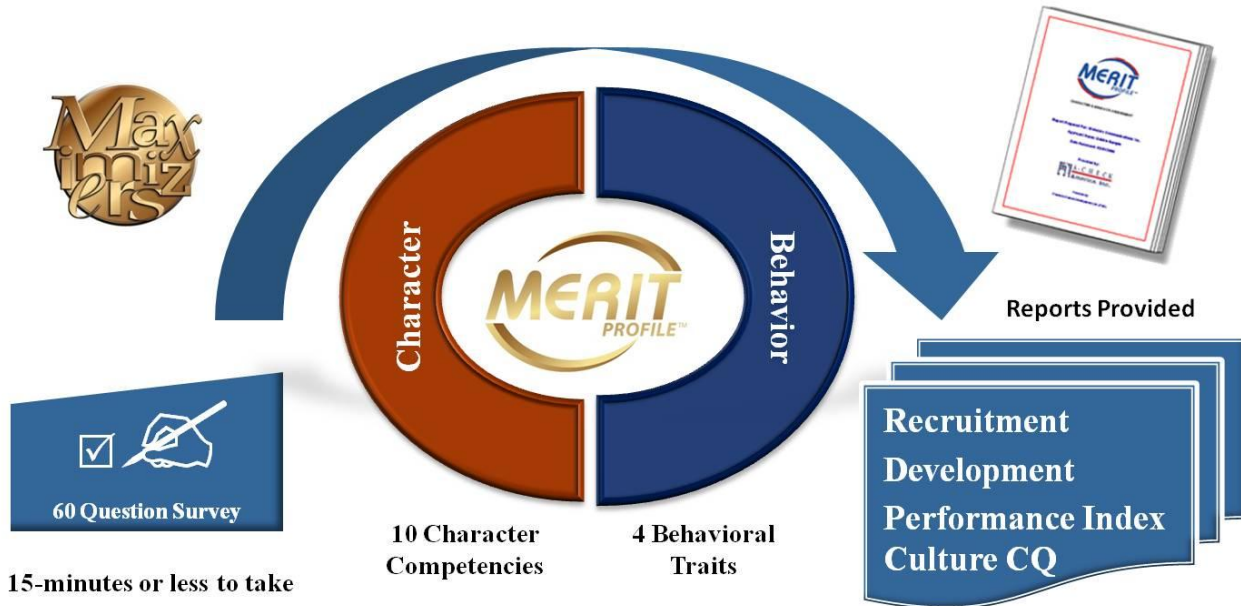
Predictive Metrics Aligned with the Character and Behavior DNA of Human Capital…Substantially Reduces Overall Human Capital Risks and Expenses!

MERIT Profile™
Assessing Character and Behavior

Traditional assessments (*personality, behavior, competency or skill*) are not typically tied to business outcomes, which therefore limits significantly the use of the tool. Of equal and/or greater importance, most assessment tools in the marketplace **DO NOT** assess and measure character and behavior, which are vital components that need to be addressed regarding selection, development and/or succession planning.

A person's character and behavior have a direct impact (positive or negative), upon an organization's overall performance and productivity. The [MERIT Profile](#) is the foundation to the MERIT Performance Index predictive analytic technology.

60 Question Survey

15-minutes or less to take

10 Character Competencies

4 Behavioral Traits

Reports Provided

**Recruitment
Development
Performance Index
Culture CQ**
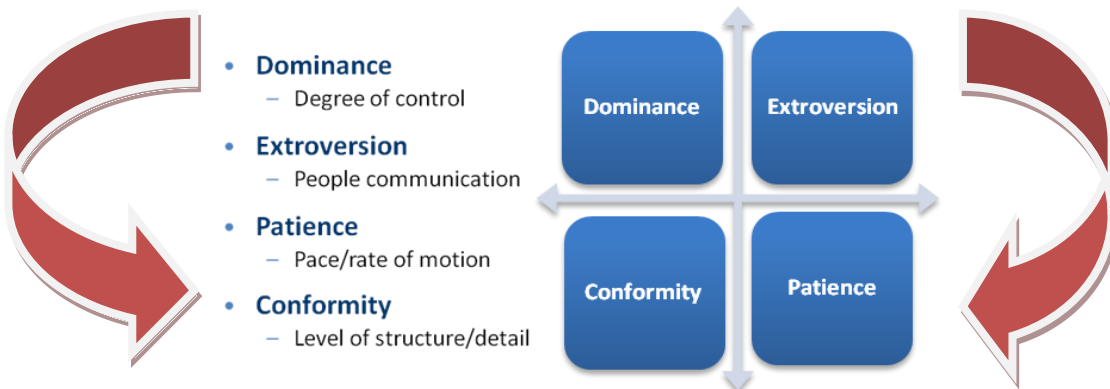
☑ **10 Character Competencies (MAXIMIZERS™ Principles)**

✓ Researched, tested, validated in 50 countries since 1996

✓ Multi-cultural application / Common language

☑ **4 Behavior Traits**

✓ Proven behavioral assessment application

✓ 10+ year successful track record

✓ 144 Behavioral Profile Constructs

Make Things Happen
Achieve Personal Significance
X Out the Negatives
Internalize Right Principles
March to a Mission
Integrate All of Life
Zero In on Caring for People
Energize Internally
Realign Rigorously
Stay the Course

- **Dominance**
  - Degree of control
- **Extroversion**
  - People communication
- **Patience**
  - Pace/rate of motion
- **Conformity**
  - Level of structure/detail

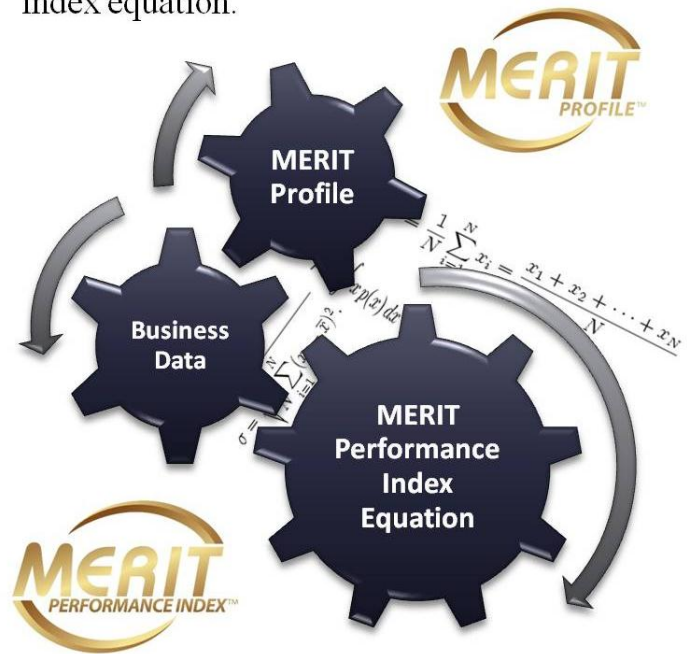| Dominance	Extroversion
Conformity	Patience

Creating The MERIT Performance Index Equation

The following few pages provide a brief overview how a customized MERIT Performance Index is created and a snapshot of three dashboards (Recruitment – Employee Development – Succession Planning). To learn more about the science and methodology please review the MERIT Performance Index™ Whitepaper.

Looking for the balance between the survey data and the business results.
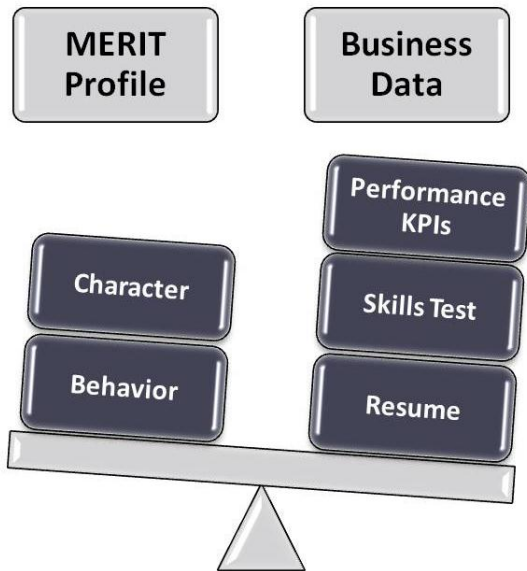
A psychometric process is used to help determine the most predictive performance index equation.
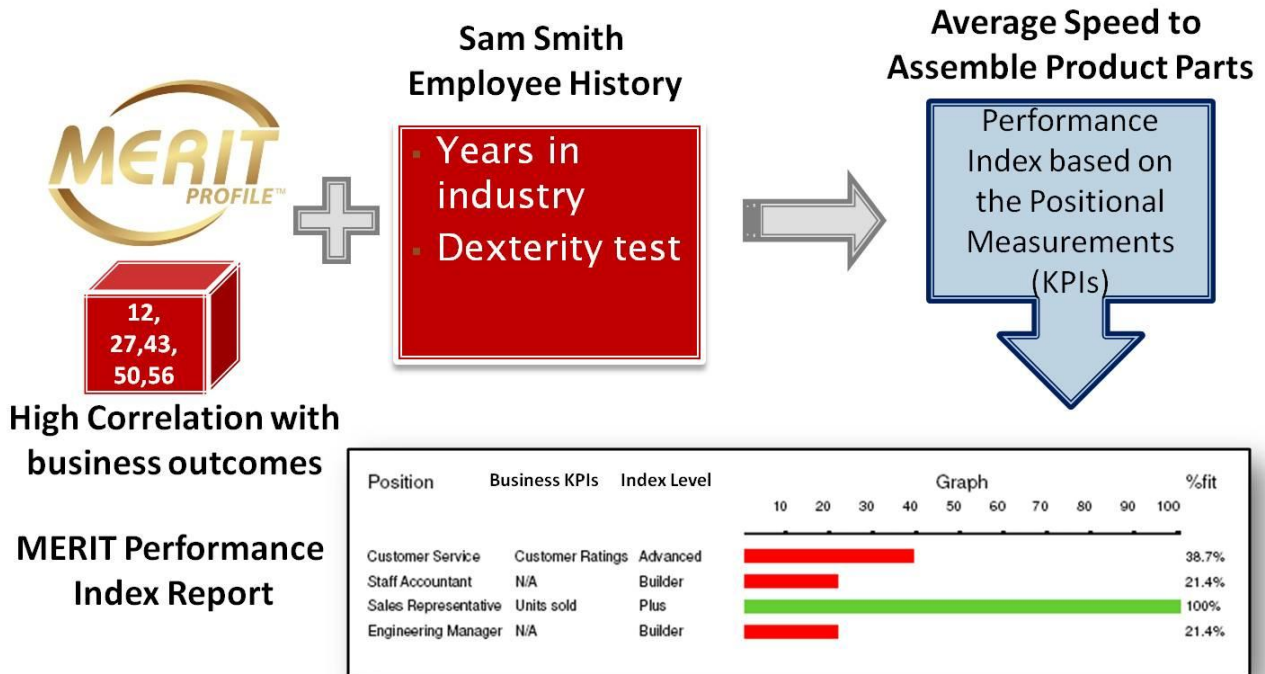

Using A MERIT Performance Index

Sam Smith Employee History
- Education
- Experience
- Job Skill tests
- Background

60 Question Survey

Performance Index based on the Positional Measurements (KPIs)

MERIT Performance Index Report

Position	Business KPIs	Index Level	Graph										%fit
			10	20	30	40	50	60	70	80	90	100	
Customer Service	Customer Ratings	Advanced											38.7%
Staff Accountant	N/A	Builder											21.4%
Sales Representative	Units sold	Plus											100%
Engineering Manager	N/A	Builder											21.4%

Using A MERIT Performance Index (illustrated)

This example illustrates that it can take only a few MERIT Profile survey questions which are highly correlative with the organization's KPIs, along with other statistically relevant employee information to successfully predict a candidate's degree of fit within a position in an organization.

MERIT Performance Index

Determining Candidate's Best Fit

Recruitment Dashboard

⇨ **Linked to defined business objectives**

⇨ **Supported by objective performance data**

⇨ **Quantifiable degree of fit for any candidate**

MERIT Performance Index
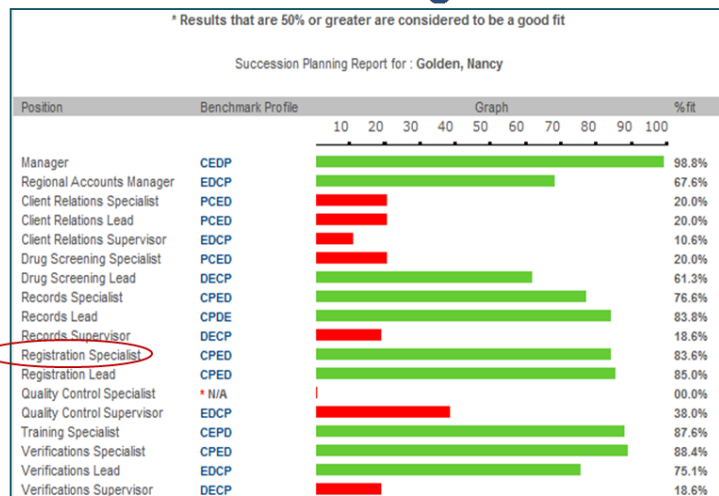
Future Employee Productivity

Development Dashboard

⇨ **Identify individual development needs**

⇨ **Leverage strengths of the team members**

⇨ **Build manager / coach processes**

MERIT Performance Index

Future Employee Growth

Succession Planning Dashboard

⇨ **Linked to performance indexes across all positions**

⇨ **Supported by alignment to mission statement**

⇨ **Quantifiable degree of fit for leadership**

Maximizing Employee Resources…Implementing Transformation

Traditional Benchmarking Practices

The historic application of "benchmarks" in the workplace are numerous and varied, with significant differences in effectiveness. In the most practical terms, a benchmark is a standard point on a scale of measurement that distinguishes one person as having more "value" than another person for a particular position in the organization.

The rationale for using benchmarks is to add "value" that is presumed to have, or actually does have, a positive impact on the bottom line (revenue). In the present context, "value" refers to some type of measurable employee "performance", generally known as a Key Performance Indicator (KPI). Common KPIs include, but are not limited to; sales volume, productivity by various units, performance evaluation scores, number of accidents (risk), length of time in the position (tenure), character competencies, absence of abusive tendencies or addictions, and many others.
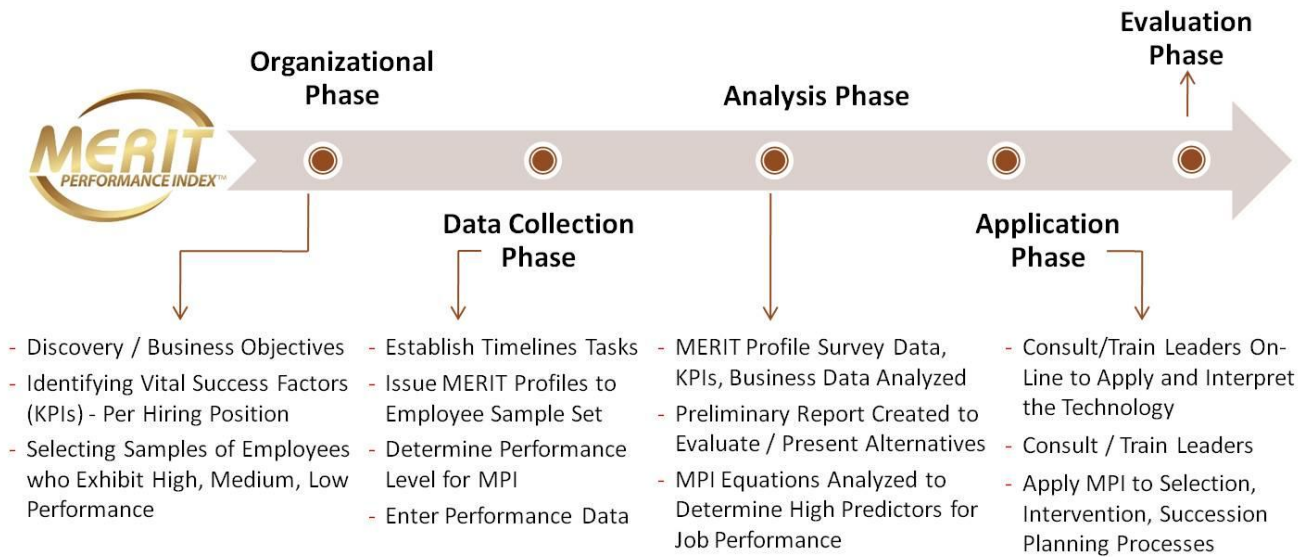
In summary, for workplace applications the function of benchmarks is to identify job applicants who are most likely to "perform" as employees at better than average levels with reference to one or more KPIs that the organization considers important and valuable. An example may help to visualize how benchmarks are supposed to work. Consider the 80/20 rule, where 80 percent of the work is performed by 20 percent of the employees. An effective benchmark would identify job candidates who become members of the 20 percent category. Even in organizations who utilize them, it is highly probable that many benchmarks do not achieve their desired objective, due to a variety of factors identified below.

Common flaws associated with benchmarks include the following:

1. The benchmark has low or no relevance to the KPI.

2. The benchmark's relevance to the KPI is subjectively determined.

3. The benchmark's application is presumed to be equally relevant to all KPIs in all positions in the organization, e.g. a cut point for IQ is used as a sufficient reason to include or reject all job candidates.

4. There is no appropriate procedure for objectively and accurately evaluating benchmark effectiveness.

5. There is no strategy by which the benchmark can be altered to increase its relevance for particular KPIs.

6. The benchmark is uniformly applied without considering differences in organizational culture or managerial style, etc.

7. The benchmark is based on a single score; it does not provide for additional scores that would significantly increase the benchmark's effectiveness on the KPI.

8. There is no strategy for validating the effectiveness of the benchmark for doing what it purports to do before it is applied.

MERIT Performance Index™
Proprietary Patentable Process...

Organizational Phase
- Discovery / Business Objectives
- Identifying Vital Success Factors (KPIs) - Per Hiring Position
- Selecting Samples of Employees who Exhibit High, Medium, Low Performance

Data Collection Phase
- Establish Timelines Tasks
- Issue MERIT Profiles to Employee Sample Set
- Determine Performance Level for MPI
- Enter Performance Data

Analysis Phase
- MERIT Profile Survey Data, KPIs, Business Data Analyzed
- Preliminary Report Created to Evaluate / Present Alternatives
- MPI Equations Analyzed to Determine High Predictors for Job Performance

Application Phase
- Consult/Train Leaders On-Line to Apply and Interpret the Technology
- Consult / Train Leaders
- Apply MPI to Selection, Intervention, Succession Planning Processes

Evaluation Phase

Job Performance and Sustainment

Applying a measurement process to human capital assets will strengthen an organization in the same ways as balanced score cards do for production and financials for the capital assets. The MERIT Performance Index technology provides a valuable data-driven process to help make intelligent and predictable human capital decisions.

Human Capital Is An Organization's #1 Investment And #1 Risk!

Summary Comments

The most <u>cost-effective</u> decision an organization can make regarding its hiring, employee development and succession planning practices, is to determine the measurable and quantifiable success factors required for every specific job position. Once identified, the primary business objective is to align the right person that not only has the "can do" (job skills) but has the "will do" (character competencies / behavioral traits) to achieve the desired business objectives.

If you would like to complete a Client Inquiry Form a Company Representative would be happy to discuss and explore with you how our proprietary solutions can potentially align with your overall business objectives.

Contact Us

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