

Orion Systems™

Executive Brief



**Assessments That
Measure
Undesirable
Attitudes**

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**Maximizing Human
Capital**



Orion Systems™ Pre-employment Assessment (PE) is an applicant screening tool which provides significant human resource, loss prevention and asset protection benefits.

Orion alerts employers to potentially problematic and unacceptable employee behavior as well as highlighting positive tendencies in those same areas *before* a hiring decision is made.

The benefits of using Orion Assessments include:

- **increased employee retention and tenure**
- improved customer service
- **improved training effectiveness**
- lower tardiness and absenteeism
- **fewer background check failures**
- improved workplace safety
- **less workplace drug use and its negative consequences**
- lower shrinkage and internal theft
- **fewer employee terminations**
- greater compliance with operations, human resource, asset protection and loss prevention policies and procedures
- **enhanced selection of managers and assistant managers**

The purpose of this guide is to factually support and document the above statements. Sections of this Brief include:

The Applicant Information Orion Provides

Administration and Results

Optional Minimum Criteria or Guidelines

Benefit of Consistency

Data Management and Reporting

Orion Assessment Development

Orion Validation

The Legal Protection Orion Provides

WHAT ORION TELLS YOU ABOUT YOUR APPLICANTS

Orion PE Applicant Assessments focus on workplace attitudes as these are the most important factor - more than intelligence, experience or skill - in determining the workplace success of the applicant. These critical attitudes are rarely revealed in the course of pre-hire interviews.

Orion PE Applicant Assessments measure an applicant's critical front-line workplace attitudes and predict workplace behavior in the following areas.

You can select all or a combination of these areas depending on your company hiring objectives and priorities:

- **Supervisory Attitudes** - Tells you how willing the applicant is to accept direction and training from supervisors and follow company policies and procedures. This scale also reflects the applicant's supervisory potential. Scored Above Average, Average, Below Average.

Example: An applicant who scores Below Average on the Supervisory Attitudes scale is far more likely to disregard training and policies and take short cuts on procedures.

- **Work Attitudes** - Tells you if the applicant is likely to be absent or tardy; also, how well the applicant values the workplace and working with a team, organizational attitudes and trainability. Scored Above Average, Average, or Below Average.

Example: An applicant who scores Below Average on the Work Attitudes scale is far more likely than others to be late to work, call in sick when they are not ill, see work as a "necessary evil" rather than a meaningful, valuable part of life.

- **Workplace Drug Use Attitudes** - Tells you how permissive the applicant's attitudes are toward workplace drug use and the impact of drugs in the workplace. Scored Low Risk, Marginal Risk, or High Risk.

Example: An applicant who scores High Risk on the Workplace Drug Use scale is far more likely than others to have a permissive attitudes toward drug use in the workplace. Such applicants are also often more likely than others to be tardy or absent, be inattentive to customers and have problematic attitudes toward workplace safety.

➤ ***FACT:*** The Workplace Drug Use scale predicts the outcome of a physical drug test with over 98% accuracy.

- **Workplace Theft Attitudes**^{***} - Tells you how likely the applicant is to rationalize workplace theft (defined as taking others' property without permission and/or in a retail environment taking inventory without paying for it) and cheating (not following company policies regarding asset protection). Scored Low Risk, Marginal Risk, or High Risk.

***** Orion does not measure honesty or integrity. These terms are often confused with the Workplace Theft Attitudes scale.**

Honesty and integrity are subjective terms whose definition varies from person to person. What one person views as honest, another may view as dishonest. The terms "honesty" and "integrity" also carry moral connotations that Orion makes no attempt to define or measure.

As with the Workplace Drug Use scale, Orion passes no judgment on the rightness or wrongness of any particular behavior. Orion simply predicts the likelihood of specific workplace behaviors. It is up to each Orion client to determine the appropriateness of that behavior relative to its revenue, profit goals and the work environment it seeks to maintain.

A person who scores "High Risk" on the Workplace Theft Attitudes scale has responded to the survey items in the same, or substantially the same manner as those who admit theft from their employer. The Orion Survey reveals attitudes which may be problematic or positive relative to the likelihood of specific workplace behaviors.

Example: An applicant who scores High Risk on the Workplace Theft Attitudes scale reveals a problematic attitude toward taking inventory or company property without paying for it.

➤ ***FACT:*** Companies who exclude from consideration those applicants who score High Risk and Marginal Risk on the Workplace Theft scale have shrinkage rates that are half the national average.

➤ ***FACT:*** Internal and external theft costs United States retailers \$40 billion dollars per year as reported by the latest National Retail Security Survey conducted by the University of Florida.

- **Customer Service** - Tells you how willing the applicant is to be helpful and courteous to customers. Scored Above Average, Average, or Below Average.

Example: An applicant who scores Below Average on the Customer Service scale is far less likely to go the extra mile to help customers and is more likely than others to find customer behavior and requests for help to be annoyances that interfere with his/her "real" work.

- **FACT:** *A large national retail automotive service company reported a 23% increase in customer satisfaction in the first year after considering only those applicants who scored Average or Above Average on the Customer Service scale.*

- **Prospects for Long-Term Employment** - Tells you how likely the applicant is to frequently change jobs and how he/she believes these job changes will affect his/her professional success. “Long-term employment” is defined as more than six months. Scored Above Average, Average, or Below Average.

Example: *An applicant who scores Below Average on the Prospects for Long-term Employment scale is far more likely than others to change jobs often looking for the perfect employment situation rather than investing his/her energies in consistent, high-level job performance as the means of employment success.*

- **Safety and Risk Avoidance** – Tells you how likely the applicant is to disregard safety training and take safety risks that would endanger him/her self or others. Scored High Risk, Marginal Risk, Low Risk.

- **FACT:** *A large national retailer reported a 32% reduction in workplace accidents and a 21% reduction in overall liability at the end of one year after screening in only those applicants who scored Level One or Two on the Safety and Risk Avoidance scale.*

- **Validity Level** – In addition to the attitude scales listed above, each applicant Profile includes a Validity Level. The Validity Level tells you whether the applicant has responded to the survey items with their true opinions, and consequently, whether the rest of the Profile is reliable. Some applicants may try to tell you what they think you want to hear, or believe that if you really knew what they thought about these work-related issues, you may not hire them. Some applicants mistakenly believe that there are “right or wrong” answers to the survey questions and try to select the “right” answer. The extent to which the applicant tried to alter the result of the survey rather than selecting responses that best reflect their views determines the Validity Level. For example, if an applicant responds with “Very Slightly Agree” to a survey item such as “I have stolen small items in previous jobs, but I will never do it again”, this applicant by responding in the middle of the answer scale is attempting to appear “average” and is avoiding answering with his/her true views. One can not “Very Slightly Agree” with the statement as a person either has, or has not, stolen from previous employers.

The Validity Level will be one of the following:

- Low Risk – Highly reliable Profile information
- Marginal Risk – Questionable information
- High Risk – Unreliable information

When an applicant scores Low Risk in Validity Level, the scores on the applicant's Profile are highly reliable.

When an applicant scores High Risk in Validity Level, this means that the applicant's responses are not sufficiently reliable to produce a reliable Profile.

- **Self Assessments** – These are self-reporting or self-descriptive responses by the applicant dealing with specific previous workplace behavior, attitudes and work activities the applicant may like or dislike. If using the Post Survey Interview phase of the survey these self assessments can be extremely helpful in creating informative dialogue with the applicant.
- **Post Survey Interview Section** – The post-survey interview is based on the specific responses of the individual applicant. If the responses indicate areas of potential problematic behavior, or areas of potential positive attitudes, the interviewer is encouraged to explore these areas with the applicant. This section suggests specific questions to cover during a follow-up interview. The design of the Post Survey Interview, in conjunction with the survey questions and responses, assist the interviewer in generating informative dialogue with the applicant.

ADMINISTRATION AND RESULTS

Orion Assessments are typically administered to applicants online at the Orion NetServ website. Results are emailed instantly to designated company recipients/hiring managers. The assessments can also be administered using paper and pencil with results obtained at the Orion NetServ site or via the Orion FaxServ system.

OPTIONAL MINIMUM CRITERIA OR GUIDELINES FEATURE

Orion provides the optional feature of creating minimum criteria determined by you and customized to your goals, employment positions, labor needs and availability. We refer to these criteria as guidelines. These guidelines, in addition to being targeted at your hiring objectives, can also be based on the degree of decision-making autonomy you wish to provide to your recruiters and managers.

For example, if one of your goals is to reduce turnover, you may elect to consider only those applicants who score average or above average on Prospects for Long-term Employment (the likelihood an individual will remain with the company for six months). Indeed, Orion clients who use Long-term Employment as a minimum hiring guideline will lift this exclusion during the holiday hiring season as long-term employment is unimportant for these temporary, seasonal workers.

Just as a company has minimum age, education, and work experience requirements for employment, you may choose to create minimum criteria for areas measured by the Orion Assessment. Established by you, these minimum criteria can be used to address hiring priorities and assist you in reaching your company's hiring objectives.

A 14-year-old applicant would not be considered to have "failed the age test." An applicant who does not have a high school diploma or a GED has not "failed the education test." That applicant simply has not met certain requirements that have been deemed to be important to profitable operations.

Electing to establish minimum criteria or guidelines should be viewed the same way. An applicant cannot "pass or fail the Orion test." The applicant simply has not met one of the requirements you have determined as important to productive and profitable operations. If desired, an override authority can be created in the system for those instances in which you deem it appropriate.

These guidelines may be changed by you at any time based on changing goals and objectives as well as labor availability.

BENEFIT OF CONSISTENCY

In addition to the benefits outlined above through greatly enhanced candidate selection, Orion Assessments assist in bringing enhanced consistency and compliance in pre-hire procedure enabling greater progress toward achieving hiring objectives throughout the company. In order to receive maximum benefit the assessment should be administered consistently throughout each location just as are completed applications, proof of identity, background checks, etc.

DATA MANAGEMENT AND REPORTING

Orion provides real time, online summary and detail reporting of all assessment results, along with verification reporting. Use of this statistical data allows you to monitor individual store applicant data as well as overall company outcome distributions. Orion's real-time data management systems will also enable you to monitor compliance by your recruiters and managers.

ORION ASSESSMENT DEVELOPMENT

Orion's initial and ongoing development began and continues based on dialogue with senior operations, human resource and loss prevention executives as well as field-level managers and supervisors. This means that the assessment tool you use provides the information you need to hire employees who are more likely than others to create a profitable enterprise.

The Orion development team consists of experts in the fields of psychology, statistical analysis, testing, and law from both the business and academic worlds.

During the development of the Orion applicant assessment system this team gathered valuable input from industry leaders, managers, human resource professionals, and loss prevention professionals addressing two simple questions: 1. What would you like to know about applicants before you hire them and, 2. How would an assessment process work best for you?

This development methodology has keyed the evolution, change and ongoing validation processes for all Orion Assessments throughout our thirty year history of creating accurate, effective assessments which provide significant return on investment for our client companies.

For example, in one validation phase many business leaders volunteered their time, efforts and applicant pools. Ultimately over 2,300 managers and assistant managers from companies recognized as some of the best managed in America, as well as thousands of applicants and employees participated in a development process spanning several years. No employment decisions were made using the survey responses during this initial study period. Applicants' employment histories were tracked and their work behavior compared with their assessment results. The study

results demonstrated that ***Orion applicant profiles accurately predicted performance evaluations 90% of the time.***

This study was believed to be the largest of its kind involving managers, assistant managers, employees and applicants. It is just one example of the science behind Orion Assessments.

Furthermore, in developing the assessments, a conscious decision was made to define the attitudes measured in the most universal, non-industry specific way. See “Applicant Information Orion Provides” for more detail.

ORION VALIDATION

While presented in a non-threatening, applicant friendly questionnaire, Orion Pre-Employment Assessments are sophisticated instruments that predict with 90% reliability how an applicant is likely to behave on the job in key profit-making or profit-breaking ways. The science behind Orion Assessments create superior reliability.

Orion assessments were developed and validated using the accepted procedures, standards, and guidelines for assessment development by the American Psychological Association. The following summarizes this science:

Assessment Development Methodology:

Orion Pre-employment Assessments (the “PE”) measure work-relevant attitudes and experiences selected as important for employees of a profitable company. The PE alerts employers to potentially problematic and unacceptable employee behavior and highlights positive tendencies in these same areas. The PE contains only content relevant attitudes and behaviors. All items considered for inclusion in the PE are content valid. Because all questions on the PE have face validity (meaning the subject of the questions are related to the work environment), the PE encourages cooperation and acceptance of this part of the application process. Content areas were selected after reviews of potential characteristics most relevant to work performance. Information and opinions were gathered through interviews with executives, operations managers and human resource directors of some of America’s most successful companies. These interviews explored areas considered most important when evaluating the performance of an employee and therefore any applicant for employment. Item development used a rational, content valid approach, generating two kinds of items: self-assessments and attitude statements. The best items were selected for inclusion in the assessments following discriminate function analysis, rational scale development, studies of internal consistency reliability (the reliability calculated was Cronbach’s coefficient alpha), selection of constructs for inclusion as subscales using a rational process based on needs and experiences of employers, calculations of Pearson correlations, and principal axis factor analysis using varimax rotation.

Assessment Validation:

Orion Assessments were developed and validated using the following commonly accepted psychological testing standards and practices: chi-square analysis, Omega square analysis, t-test analysis, standard deviation measurements, Cronbach's coefficient alpha analysis, analysis of variance, Pearson's correlation, cross-validation analysis, test-retest procedures, supervisory ratings, work/behavioral histories, and evaluations of subsequent performance. Orion PE's were and continue to be validated using the three types of validity accepted as appropriate for evaluating employee selection procedures: **Criterion validity** (the comparison of test results to measures of actual work performance) in which scores are correlated with current behavior (concurrent model) or future behavior (predictive model – preferred as this is most like the actual situation of employee selection); **Construct validity** (determining what is actually being measured); and **Content validity** (a logical appraisal of the content covered by the test items, which should focus on job relatedness). In addition to these ongoing validation procedures relating to reliability and validity, Orion PE's are validated relative to **equal employment opportunity requirements** and **adverse impact** regarding protected population groups. Validation analysis in the area reveals consistent distributions reflecting no adverse impact for any protected group. Our Validation Manuals will be provided to you upon request.

Orion Assessments have been further validated in the field, autonomously and independently from Orion Systems, by our client companies. The validation performance metrics provided us by these client companies reflect significant positive outcomes in areas such as reducing shrinkage, internal theft, turnover and increased customer service, sales and workplace safety. This outcome data is available for your review upon request.

Equal Employment Validation:

In addition to these ongoing validation procedures relating to reliability and validity, Orion Assessments are validated relative to equal employment opportunity requirements and adverse impact regarding protected population groups. Validation analysis in this area reveals consistent distributions reflecting no adverse impact for any protected group.

THE LEGAL PROTECTION ORION PROVIDES

As noted in the science summary, Orion's development and validation procedures are based upon and subscribe to the guidelines and procedures of the American Psychological Association and the Federal Uniform Guidelines of Employee Selection Procedures. All survey items included in any Orion assessment are developed, reviewed and validated to meet the equal employment opportunity concerns of the Federal Guidelines, as well as legislation such as the Americans With Disabilities Act, privacy and fair employment legislation, and related requirements.

Meeting these legal standards was a basic principle underlying Orion's initial development and remains an ongoing activity of the Orion organization.

An example of this can be seen in the ongoing debate over legalized marijuana in some jurisdictions. Because Orion only measures work-relevant attitudes and

behaviors, this debate and proposed legislation has no impact on Orion assessments. Orion only measures attitudes toward *workplace* drug use. Again, attitude is the critical factor. Orion assessments are concerned with the applicant's ability to distinguish between acceptable behavior outside the workplace and acceptable workplace behavior and attitudes. To further clarify, consider the many employee behaviors that are completely acceptable outside the workplace that would not be so while on the job because those behaviors interfere with profitable operations. Talking on one's cell phone for long periods of time is an illustration of a legal and acceptable behavior that is an undesirable behavior in a work environment.

Since the introduction of Orion Pre-Employment Assessments in 1985, and throughout their subsequent evolution and modification, millions of applicants have completed Orion assessments. In that time, not one Orion client has ever suffered an adverse court judgment or administrative ruling related to Orion assessments. In fact, not one Orion client company nor has Orion Systems ever been a party to any judicial proceeding resulting from the use of Orion Assessments.

This is due in large degree to our significant, ongoing and dedicated work in this area. This is also due to the fact Orion validation clearly and consistently reflects the absence of adverse impact on any legally protected group. It is also due in part to the structure and design of Orion assessments which are non-threatening and presented in an applicant friendly format.

In fact, it has been shown repeatedly that using a demonstrably valid assessment provides greater protection from illegal hiring practice claims than you otherwise would have in the absence of such a system.