REFLECTIONS ON QUALITY OF HIRE

Summarizing a discussion among talent leaders in Seattle, at a dinner hosted by the NorthWest Recruiters Association (NWRA)

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TALENT TALK: Improving Quality of Hire

The goal of any organization is to build a highly productive team of individuals eager to do their part in advancing company goals. But as every employer knows, the work that each employee does and their impact on the organization can vary greatly. Therefore, it is crucial to understand the value that every individual brings to the organization — and how to maximize that value and hire individuals with similar traits and potential. But how can companies ensure that their talent aligns with business objectives? The answer lies in understanding quality of hire.

While many talk about quality of hire, few actually define, measure or continuously improve it. Confusion abounds in the definition alone. For instance, some consider quality of hire merely as what the hiring manager thinks of the recruiting process and whether or not they are pleased with the quality of candidates presented. Others believe quality of hire is how a new employee performs on the job within the first 90 days. While the latter answer is closer to what is considered to be truth, in reality, quality of hire is neither. It should be defined as the level in which a person in a new role — internal employee in a new position or external hire alike — contributes to the business over time. And this isn't just about the first few months on the job; a more accurate and actionable understanding of quality of hire for most critical roles will be gained by considering their performance over the course of the first two years.

Given the importance of quality of hire, particularly in key roles, why aren't more companies striving to define this crucial factor, measure it and implement the practices that can lead to continuous improvement? The challenge is that many are unsure how to gauge quality of hire.

Talent Growth Advisors (TGA), in partnership with the NorthWest Recruiting Association, recently held a "Talent Talk" roundtable discussion, during which 15 senior talent leaders shared their insights, challenges and best practices in relation to quality of hire.

A recurring theme is that most companies struggle to measure quality of hire accurately and, as a result, lack a clear understanding of the value of their talent. At the root seems to be the debate among HR and business leaders to define what quality of hire is, how to access the data to measure it in an accurate and sustainable way and who should be held accountable for driving continuous improvement. We know from more than a decade of talent consulting experience that many other companies face similar difficulties, driving the need for greater awareness of the best practices for measuring and optimizing quality of hire.

Understanding the Value of Talent

The first step in measuring quality of hire is to recognize how employees create business value, which may be different than discussions we've had in the past about "mission critical" roles. At first glance, one might say that sales roles in a company are certainly the most critical to driving business value, but senior leaders may disagree. In some organizations, they deem R&D or product sourcing essential to the sales team's success, by providing the products for them to sell. In any event, to ensure a successful talent acquisition strategy, it's key to identify — with senior leader input — these business-critical roles. Then, talent acquisition work and resources can be prioritized in a way that overinvests in finding and selecting this critical talent. Think dedicated researchers and sourcers, a more personalized and hands-on candidate experience, etc. in order to bring the highest quality talent forward. One of the biggest challenges in making this happen is that many business leaders aren't involved in enough conversations about how to identify those individuals most impactful to the business.

Key to understanding the value of a company's talent is to identify the difference between tangible assets (equipment, buildings, trucks, etc. that are on the books of the company as capital equipment) versus the enterprise value (the market value, based on the value of shares). The difference between these two numbers (with a few accounting calculations related to debt, industry and acquisitions), are the intangible assets of the company — such as brands, customer relationships, proprietary technology, patents, etc. Most often, these intangibles make up the majority of business value and the key to future growth plans. These assets are not only intangible, they are inert — meaning, they are created, activated and managed only by people — or, more precisely, talent. It is these intangible assets that drive the most value; but how many companies understand how to measure that value?

As our Talent Talk session found, many companies are unsure how to identify the value of their talent. This entails an in-depth understanding of key business goals, critical success factors, essential roles and how they are each impacted by talent — the quality of the incumbents. Without looking at the big picture and being able to identify such strategic levers, however, the bottom line cannot be impacted directly. One participant summed up the challenge around the fact that management isn't sure what roles are contributing to competitive value, and to do so would take a level of discipline the company currently doesn't have.

Another individual admitted that their company struggles to do workforce planning effectively. Instead, the company works to identify critical roles, locate potential replacements for those roles and cultivate those individuals to step into those positions, especially for individuals identified as high flight risks. The main obstacle in this approach, the person shared, is that every leader thinks their roles are critical, making it necessary for leadership to step in and make difficult and sometimes controversial decisions.

The challenge presented by this company is shared by many, in our experience. **Organizations feel obligated to proclaim that "our people are our greatest assets," but the simple truth is that some roles — and some of the individuals in them — are greater assets than others with respect to creating business value.** And the roadmap to identify these roles rests with what our senior leaders are telling investors about future growth plans. The ability to take a bird's eye view and pinpoint the roles most critical to business success is key to creating a more effective talent strategy. Once the highest-value roles and players are identified, though, what's next?

Who Owns Quality of Hire?

When discussing quality of hire, many organizations become mired in debate about who should be held accountable for it — hiring managers, talent acquisition, HR, etc. The truth is that quality of hire should never be relegated to one team. Senior leaders, HR, talent management, talent acquisition and people leaders should all have skin in the game for improving quality of hire. Rather than spending time up front debating who should be responsible for what, it is more valuable to hold high-level conversations designed to address the following questions:

- How can quality of hire be measured in our organization?
- What is the value this measurement can bring?
- How can the measurement be sustained over time?
- What actions will we take based on the data?
- In what areas of the organization should we begin tracking quality of hire?

Without discussing these factors up front, efforts to track quality of hire will be more likely to derail at the beginning. While each party does have a role to play, such as talent acquisition teams taking the lead in identifying and overinvesting in the sources that bring in the best talent, quality of hire affects everyone in the company. Having strong leadership at the top and a commitment throughout the organization toward collaborating on improving it is essential.

Driving Business Success Through Talent

When all stakeholders are focused on the shared goal of hiring and grooming the best talent for the most critical roles, and they're given the tools and information they need to continuously improve on results, then business value will increase in organizations that depend on intellectual capital. As talent increasingly serves as the biggest differentiator for an organization, the ability to understand how people contribute to organizational success is essential to maintaining competitive advantage and driving results. ■

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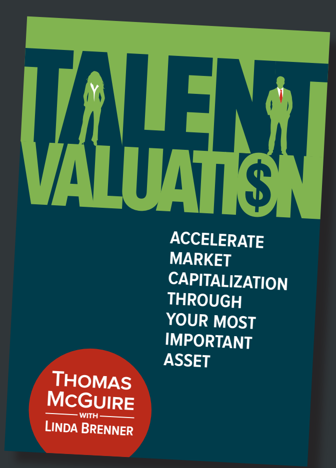
Talent Growth Advisors, LLC is an Atlanta-based human capital consulting firm that helps companies drive improved results in talent acquisition and talent management. To learn more, please visit: **www.teamtga.com**



Want to learn more about linking business value to intellectual capital and talent? Check out our new book, **Talent Valuation: Accelerate Market Capitalization Through Your Most Important Asset** *by Tom McGuire with Linda Brenner, published by Pearson Press and available at Amazon.*