

The Quality of Hire BUZZ (Saw)

TALENT  ADVISORS
Smarter People Investments

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THE BUZZ around “quality of hire” has increased from a quiet murmur to, more recently, the sound of a buzz saw. And for good reason. Companies have long recognized the resources needed to support their quest for great talent, but more recently, demand for understanding the return on that investment has spiked.

WHY

such interest in quality of hire?

First, recruiting is expensive and getting more pricey every day. Consider these facts, based on Bersin research:

- Overall talent acquisition spend by companies increased by 6% in 2011.
- Recruitment is now a \$124 billion industry, when you include agencies, tools, advertising and related services.
- On average, companies spend about \$3,500 on simply landing a new hire.
- The cost of recruiting, hiring, and training a new employee averages between two to four times the annual compensation of that position.

Second, companies have more skin in the game than ever. Organizations are flatter, headcount is harder to come by, and it's not so easy to cut loose poor performers. Plus, on the positive side, Corporate Leadership Council research tells us that a great hire is key to performance, attitude, growth, and return on investment. A “superstar” produces 12 times more than an average employee and a “star” contributes about three times that of an average employee.

Talent Growth Advisors recently gathered a group of senior HR and talent leaders to discuss the importance of quality of hire to their organizations, the progress they've seen and the obstacles they've faced in measuring it. The purpose of this paper is to highlight themes from that conversation, as well as report on trends and best practices in the area.



WE ALL WANT TO HIRE SUPERSTARS...

Everyone wants to hire superstars, that much is clear. About such performers, one of our participants said, “We want their ideas, we want their performance and we want to deny our competitors the chance to hire them.” Managers want them for their quick and no-fuss ramp up time, the results they drive, and the ease of supervision over time. Senior leaders also want the results that superstars drive — but they also want them for mission critical succession roles in the organization.

So where do you find superstars? How do you know if you’ve got one in front of you during an interview?

The secret lies in the path you’ve already been down.

... WHAT DOES A SUPERSTAR LOOK LIKE IN YOUR ORGANIZATION?

An analogy to the old expression “One man’s trash is another man’s treasure” might be crass but it’s worth considering in this context. A superstar at one company may struggle to succeed at another company. This is one reason why no generic formula for landing great hires exists. However, there are steps you can take to determine what the roadmap to landing “superstar” employees looks like for your company.

Here are some critical success factors used by organizations considered leaders in the quality of hire effort. Note that you can jump to Step 6 for a quick answer, or start with Step 1 to consider a more sustainable approach to quality of hire.

A SUSTAINABLE APPROACH TO IMPROVING QUALITY OF HIRE

1 Identify your organization’s mission critical roles.

This might sound like a big step in and of itself, but it doesn’t need to be. You can identify these roles with a high degree of accuracy by gathering the right few people together and asking them to identify those roles which are most important to your company’s ability to achieve its business strategy. Which existing roles, when vacant, cause the company to immediately lose value/money? What future skill sets or roles will we most dependent upon? By discussing, debating and agreeing on these roles, you can pinpoint your quality of hire efforts in a very focused way — and then build from there.

2 Determine what “great” looks like in these roles.

This might take more discussion and analysis, but it shouldn’t be overly cumbersome. Use available data and the perspective of leaders to differentiate the performance of those currently in mission critical roles. Some common indicators to consider include:

- Performance review scores
- Talent/leadership review ratings
- Sales data
- Compensation data
- 360° Feedback or other behavioral assessment results

What distinguishes the “great” performers from all the rest? What results set them apart? If you can’t quickly identify those who are considered “great” based on the results, then imagine what indicators would exist if you had more top performers in these roles.

3 Identify similarities among top performers.

Now that you've culled the pack, what behaviors, skills, experiences and knowledge — if any — are common among them? To get at this level of information, you'll need employee-specific backgrounds, education, certifications, prior jobs, etc. Gathering this information and analyzing it is like building a 100-piece puzzle. It takes some time and attention, but it's not that hard.

4 Create plans for sourcing this talent.

You'll likely discern common traits among top performers in these roles. For example, if you've determined that superstars in operations roles have been promoted from within, have a PMP certification and have worked for at least two years in another part of the business, then you've discovered the trail of breadcrumbs. Your sourcing plan might involve identifying high performers who have worked in multiple functional areas. Or former employees now working for a competitor... you get the idea.

5 Implement your sourcing plans.

This may be the hardest step of all, because it involves resources you might not have immediately available. But resources are needed to find potential candidates who are more likely to fit the "superstar" bill. An experienced sourcer should get to work researching and cold-calling targets. Remember, these are your most mission-critical roles and are therefore worthy of the investment of time and resources.

6 Track your hiring success.

Finally, we've arrived at the quality of hire conundrum that so many HR leaders seek to solve. How do you track your hiring successes? Once again, there is a spectrum of approaches for assessing quality of hire. Because we lean toward the practical, we'll highlight some of the data points that we believe tell a simple yet compelling story about the quality of the hires your company is making.

TWO NOTES

- a. We believe that it's essential to measure these data points over time — not limited to a period of, for example, 90 days or six months.
- b. The following list doesn't intend to suggest that this data is easy to come by — or to capture on a regular basis. But it's a good place to start, especially if you are beginning with a very specific role or job family.

Quality of Hire Indicators:

- Employee attrition
- Performance ratings
- Hiring manager survey data related to employee performance
- Employees deemed "promotable"/identified as a successor to a higher level job
- Compensation
- Rate of promotion
- 360-degree feedback results
- Recognition received (HiPo, Emerging Talent, Nominations, etc.)
- Productivity
- Absenteeism

Findings from a June 2013 study by Hudson RPO and the HRO Today Institute:

- Of the companies that measure quality of hire, 85% believe doing so has a positive impact on hiring quality and nearly half believe there is a significant impact.
- 69% of respondents are not measuring quality of hire at all.
- 61% believe that quality of hire is most influenced by the hiring manager.

Click [HERE](#) to read the study.

AVOIDING THE “HOW ARE WE DOING” VERSUS “WHO’S ACCOUNTABLE” TRAP

Many HR leaders struggle to form an approach to tracking quality of hire because the challenge becomes muddled with who should be accountable for the metric. Tracking to assess, analyze and measure is very different from determining who to hold accountable for improving that metric.

The most common place organizations start — and get stuck — is with 90-day (or six-month) attrition as a reflection of the recruiter’s ability to effectively place talent within the organization. How effective that is as a metric for recruiters can be debated — but it is certainly not a good metric of a company’s overall “quality of hire.”

The recommended approach is to determine what you’re tracking — and how you’ll track it — before you determine who’s in trouble for not hitting the right numbers. This will allow you to gather a broader set of data, establish a baseline,

and observe trends, strengths and opportunities. Once these measures are in place, then attention can be turned to who owns which part of the equation (and the answer will involve multiple stakeholders throughout the organization — not just recruiters or HR generalists).

OTHER FACTORS TO IMPROVING QUALITY OF HIRE

Once you determine the appropriate metrics and formula for your organization, the next step is to rethink processes that affect your ability to track and improve quality over time. Consider these recommendations:

- Capture accurate source codes (not by candidate self-selection).
- Track the use of discreet selection/assessment tools used.
- Evaluate trends among roles, functions, hiring managers, senior leaders and geographies.
- Emphasize benchmarking within your own company over time, rather than benchmarking with other companies.
- Discuss and ultimately determine responsibilities and accountabilities for quality of hire for recruiters, Human Resource generalists, people leaders and senior leaders.

THE BOTTOM LINE BUZZ (SAW)

There isn't a simple calculation or a plug-in formula you can manipulate in a spreadsheet. It's a process and it takes time. As one of the participants in our roundtable said, "Quality of hire takes time. It's a discipline, not a project. It involves a variety of stakeholders — not just Talent Acquisition."

Arguably, identifying the most accurate data to track is less important than the gain the organization realizes by the discussion and the discipline associated with the effort.

Adopting a quality of hire mindset is not simple but it's a critical step to take sooner rather than later. Because that faraway sound you hear is that of the "quality of hire" buzz saw. Sooner or later you're going to have to grab it and take control. ■



Talent Growth Advisors, LLC is an Atlanta-based human capital consulting firm that helps companies drive improved results in talent acquisition and talent management.

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