



# Hiring ROI

What return are you currently getting on the investment in your sales staff? How about the investment in your service department? And what about your administrative support staff?

Over the years ROI has become a more carefully watched yardstick. From capital projects to marketing budgets, senior management wants to know the effectiveness of their investments. But when it comes to the biggest investment a company makes, it's people, ROI remains an elusive statistic.

Let me be clear, the single most important thing you can do to improve ANY staffing function is to measure and reward the quality/performance of the people you hire. Everything else pales by comparison in changing the way you recruit!



Most employment managers measure success in the wrong way. Looking at the cost of a hire—the number or even the speed of the hire—is at best misleading and at worst an inaccurate measure of hiring success. The primary (or perhaps sole) measure of hiring success should be the quality/performance of the hire. Unfortunately many employment managers can't seem to figure out how to measure the quality of a hire. So here it is...the definitive list of possible ways to measure the

quality of any hire. Most of the measures fall into 5 categories:

1. Output and performance of the hire
2. Subjective assessment by managers and others
3. % of qualifications met
4. Compensation and promotional rewards given to the hire
5. Retention rates of top performers

Of course when you are measuring the quality of a hire you do not need to use all of these measures.

What I do recommend is that you “triangulate” and get 3 - 5 independent assessments to ensure initial accuracy. Firms usually start with a longer list (6 - 10) and pare it down based on discussions with managers and the CFO. Over time usually no more than 5 measures (that are combined into a single index based on cost, accuracy, ease of assessment, and “face validity”) need to be used.

## A LIST OF POSSIBLE QUALITY OF HIRE MEASURES

As a general rule the more powerful measures are listed first in each section. Results and output measures are always superior to other assessments.

### *Immediate Measures (on day of hire)*

1. Did the actual hire's resume rank in the top 25% (did it receive an A or A+) when the initial resumes were assessed/ranked?
2. % of qualifications on final job description that this candidate met (including number of years of experience and education the hire has compared to the req. and other recent hires).
3. When the initial finalists for the job were forced ranked after interviews but prior to an offer, what rank was the actual hire among those finalists?
4. Did the actual hire also get offers from other top ranked recruiting competitors? (asked on first day)
5. Manager's prediction of the quality of the hire (based on a subjective comparison against other recent hires). What percentile do they forecast the hire's performance level to be at?
6. Manager forced ranking comparison of this candidate compared to other recent hires.
7. Manager satisfaction with the hiring process (responsiveness, cost, time, etc.).

8. Surveys of new hire satisfaction on how they were treated during the hiring process by the recruiter, this year compared to last year.
9. Surveys of new hire satisfaction on how they were treated during the hiring process by the manager, this year compared to last year.
10. Time from initial contact about this job to hire date.
11. Satisfaction of the other finalists (that were not selected) with the hiring process.

***Intermediate Measures (up to 6 months)***

1. Output and production (quality and quantity) compared to other recent hires and the all employee average after 1 month and at 6 months. (Ex. productivity, output, sales volume, % of projects completed, customer satisfaction scores, etc.).
2. Manager subjective assessment of performance of the hire after 1 month and at 6 months.
3. Team and co-worker subjective assessment of performance of the hire after 1 month and at 6 months.
4. Time to productivity (# of days until the minimum expected output level is reached for a new hire).
5. How well new hires do on any required testing, certifications or training, this year compared to last.
6. Satisfaction of the new hire after 1 month.

***Longer Term Assessment (over 1 year)***

1. Output and results (quality and quantity) compared to other recent hires and the all employee average after one year. (Ex. productivity, output, sales volume, % of projects completed, customer satisfaction scores etc.).

2. Manager assessment of performance of the hire at their 1-year performance evaluation.
3. Year-end surveys of all hiring managers on satisfaction with the recruiting process this year, compared to last year.
4. Retention - The % of above average performers that are still with the firm (exclude terminations) after 1 year (this year compared to last be sure to adjust for any “inflation” in overall industry retention rates).
5. Customer 360 feedback or complaints, satisfaction or other outside assessment.



6. Co-worker and team 360 (or forced ranking) of new hires (this year compared to last).
7. Managers’ forced ranking of this hire compared to others in the same job.
8. Average performance appraisal (or forced ranking score) of this year’s hires vs. last year’s hires.
9. % stock grants compared to other recent hires and all employees.
10. Number and \$ value of any “spot” and year-end bonus (as a % of salary) compared to other hires and all employees.
11. More nominations/awards compared to other hires and all employees.
12. More salary increases compared to other hires and all employees.



13. The number of months until they are promoted or receive a grade increase (with a lower number being better) compared to other hires and all employees.
14. More lateral transfers compared to other hires and all employees.
15. Patents/ideas compared to other hires and all employees.
16. Cost of their salary - How do the starting salaries (adjusted for inflation) for this year's hires compare to last year's for employees rated at the same level of performance.

#### ***Overall Assessment of the Quality of Our Workforce***

1. Revenue per employee compared to our direct competitors as a "mirror" of the quality of our people.
2. Dollar of profit per dollar spent on people costs (this year to last and compared to our direct competitors).
3. Survey of local recruiters and executive search professionals on how we rank in quality of recruiting and hires (survey conducted by HR advertising firms or market research firms).

#### **Conclusion**

Now that you know the quality of your hires the next steps are to identify:

1. The source they came from (so you can drop the "useless" ones).
2. The factors in the selection process that gave them high and low scores (so that you can drop the measures that don't predict success).
3. The recruiters/managers/employees that found them (so you can reward them as well as use them again).

4. Change the reward system for managers and recruiters so that the quality of the hire is the main focus.

Don't be surprised when many of the traditional things that you used to recruit (job fairs, newspaper ads, etc.) and screen (references and interviews) don't add much value. Now drop all of those "silly" cost-of-hire metrics, stop feeling good when you "fill req's" with "butts in chairs," and focus on bringing in better people!

#### **Improve your hiring ROI with Erie Personnel.**

Want to get the best return on your new hires? Call Erie Personnel!

As Dr. Sullivan points out, the smartest investment you can make is in hiring top-performing employees. Here's how we can help ensure your success:

**Save time locating top candidates with our direct hiring services.** Using a combination of online and off-line marketing and direct recruiting, we'll find the best candidates for your hiring needs—without taking up any of your time!

**Reduce the risk of hiring under-performing employees with our temp-to-hire services.** Temp-to-hire allows you to gauge the performance of a new employee before having to make a commitment to a full-time hire.

**Keep operations running smoothly throughout the hiring process.** The biggest mistake most employers make is rushing the hiring process. By using temporaries to fill-in until you find the right job candidate, you can avoid making costly mistakes.

Call us today.

Dr. John Sullivan is a globally recognized visionary and corporate advisor in the field of Human Resources known for his leading edge views and unabashed style. He has been listed as one of the "Top 40" Power Players in the field of global HR by *PersonnelToday* Magazine. His latest projects include the World-Class Way Series of books from Kennedy Information, including HR Metrics, Improving Productivity, and Recruiting by Line Managers.