QUALITY OF HIRE

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I. Why Is Quality of Hire Important?

*"The old adage 'people are your most important asset' is wrong. People are not your most important asset. The **right** people are."*

~ Jim Collins, author of Good to Great

The quality of employee performance begins with the quality of hire. Though this statement is an obvious truth to many executives, companies that take steps to identify and systematically manage factors that impact quality of hire are in the minority today. Yet the companies that define consistent processes and metrics around quality of hire will benefit from a sharp competitive edge in the future. The business literature is replete with studies exploring ways to increase staffing efficiency and cut costs. Very little has been written, however, about the focus on quality of hire and its direct link to revenues and profitability.

This paper outlines the profound importance of the quality of hire. It details methods used in its evaluation and outlines what the staffing function in a corporation must do to comprehensively manage the quality of its process outcome. The paper lists ways of measuring quality in terms of productivity and output and ways to put quality first in staffing practices. The report includes remarks and observations from iLogos' consulting engagements and discussions with front-line staffing executives at large corporations.

II. Defining Quality

There is no overarching or universal standard of employee quality. Process improvement philosophies define quality as whatever meets the customer's requirements. In the case of a staffing department, the primary customer is the hiring manager. The key to measuring quality of hire, therefore, is to define the hiring manager's expectations at the point of identification of the need for a new hire.

To drive quality into a selection and recruiting process, the company must first define what quality is for each position in the company. The selection process must be grounded on the foundation of a proper specification of the job requirements. The staffing department must work with hiring managers to set out the criteria that will bring about success at a job. These include:

• Knowledge, skills and abilities.

• Attitudes and motivation.

> • Cultural fit, both with the organization and with its customers.

The more specific the criteria, the better the company can calibrate the selection process and measure for a quality outcome.

Once set, these criteria for the ideal candidate for a position inform all aspects of the recruiting process for the position, from the writing of the job description to the criteria employed by an online prescreening function. The criteria of selection and performance must be aligned to ensure that the staffing process reliably selects qualities and characteristics that promote high-quality performance on the job.

III. How to Measure Quality of Hire

The key question to answer in measuring quality of hire is whether the company hired the people it set out to hire, as defined by pre-hire requirements. Measuring quality of hire amounts to measuring how the candidate varies from pre-hire requirements and expectations. The comparison between pre-hire requirements and the new hire's actual performance on the job may be made in one of several ways: surveying the hiring manager, consulting annual performance reviews or measuring worker productivity and tenure directly.

Pre-Hire Assessment

Many companies use standardized assessment tests, such as behavioral and personality tests, as part of the selection process. Whether the assessment tests do indeed result in candidates who are more qualified for the job and who perform well on the job depends on whether the tests have been validated. Assessment and testing are predictive, but do not actually measure quality of hire. A company would still need an independent test or check on the quality of the outcome of the selection process to know whether adding assessment tools to the selection process increases quality of hire.

1. Hiring Manager Survey

Since the expectations of the hiring manager ultimately determine the standards for quality of a new hire, a straightforward measure of quality of hire is to ask the hiring manager how these expectations have been met. A suitably structured survey of the hiring manager will capture his or her opinion in an objective framework. At its most fundamental, the question is simply "*Would you hire this person again?*" Objectivity and quantitative measurement intensify if the survey references specific pre-hire requirements set out by a detailed job analysis.

Sample Quality of Hire Survey Questionnaire

Please rate this hire on the scales below. Choose one rating for each scale.

	Very Low	Low	Moderate	High	Very High
Overall fit between abilities and job requirements					
Motivational fit for the job					
Overall productivity					
Likelihood that the candidate will stay with the organization					
Probability of being promoted after one year					

To establish the overall quality of hire produced by a staffing function requires tracking metrics on the number of hires that meet, exceed and fall short of job requirements. A consistent process reduces variability, either above or below the mark.

A hiring manager survey to measure quality of hire must, however, be distinguished from a survey that investigates satisfaction with the service level provided by the staffing department. Although clearly an important aspect of meeting the customers' expectations, high or low satisfaction with the service delivered by the staffing department (e.g., timeliness or helpfulness of recruiting staff in coordinating and scheduling interviews) cannot be correlated with high or low quality of a new hire.

2. Performance Reviews

Quarterly, biannual and annual reviews represent a potential source of information of on-the-job performance and can be used to gauge whether the staffing process reliably attracts and selects quality employees. Many companies conduct performance reviews, often with formalized structures and procedures in place, and these reviews make the information suitable as a quality-of-hire metric. However, the timing of a review may not be optimal for the validation of the output quality of a staffing function. An HR executive at a publishing company relates:

"One of the benchmarks that we have used to measure quality of hire over the years has been our annual review. We might look at the review score and review of the new hire to determine how well he or she is doing against goals. Obviously, this depends on how long this individual has been in this role—as all reviews are done in the July/August timeframe, if someone had just been hired a few months before, there is not a lot of data to be gathered through this review."

Another obstacle to the use of performance reviews for an assessment of output quality in a staffing process is the fact that separate HR professionals are responsible for performance management and talent acquisition. For the staffing function to benefit from performance management efforts, the two areas of HR practice have to form bridges.

Since performance reviews are often tightly associated with compensation, the staffing function can also turn to data regarding salary increases, promotions, awards and bonuses as metrics to gauge the quality of the employee and then, indirectly, the effectiveness of the staffing process. But a lack of direct connection between hires and review can make it problematic as a reliable indicator.

3. Productivity

The ultimate validation of the accuracy of a selection process is to measure how people actually perform after they are hired. The most rigorous approach to measuring employee quality is to measure productivity. Although productivity can only be viewed after an interval of time has passed with the new hire in the position, it is worthwhile to review the fundamental measures of productivity. Those measures represent a method for evaluating performance and lead to evaluations of quality.

The hiring manager's pre-hire expectations may include a certain target for productivity. Ascertaining how the new hire is meeting that target for productivity may be achieved by polling the hiring manager's opinion, as above, or by measuring the new hire's productivity directly.

Measures for productivity are specific to the job function. Key productivity measures include units of output per employee and workload per employee. A measure of productivity may also focus on revenue generated, as sales positions have traditionally been measured.

Certain level of productivity is part of a hiring manager's expectations. If a company chooses to assess quality of hire by measuring productivity, it must set standards of productivity for the job positions and job families to be assessed. Again, these standards of quality must be worked out through a process of setting out the hiring manager's expectations or the expectations of the company as a whole.

Time-to-Contribution

Focusing on worker productivity sheds light on a new staffing metric--time-to-contribution. The metric typically rests on a hiring manager's assessment of whether a new hire has become a contributing member of the team in the expected timeframe. The challenge is to give the metric some consistent framework, and productivity makes this possible. Time-to-contribution may be rephrased as time-to-productivity: the time it takes for new hires to meet a minimum standard for output.

"Two kinds of mistakes destroy potential productivity. The first is hiring candidates who can't raise their productivity fast enough to stay ahead of their compensation. The second is *hiring people, however capable, who won't stay with the business long enough to earn back what it cost to bring them on board.*"

Training

Time-to-contribution is closely linked to the area of initial training. Data suited for use as quality-of-hire metrics include hours of training required to be productive and scores by new hires on mandatory initial training.

4. Turnover

Turnover is typically measured in terms of the proportion of separations to the total number of employees in the corporation. Costs associated with turnover are extremely high and occur in three areas:

1. Separation costs.

2. Replacement costs.

3. Productivity losses.

Many companies turn to metrics regarding turnover as a reflective measure of quality of hire. The theory is that high turnover is an indicator that there are issues with quality in the workforce. Conversely, high retention (low turnover) is considered to be a sign of quality in the recently hired workforce.
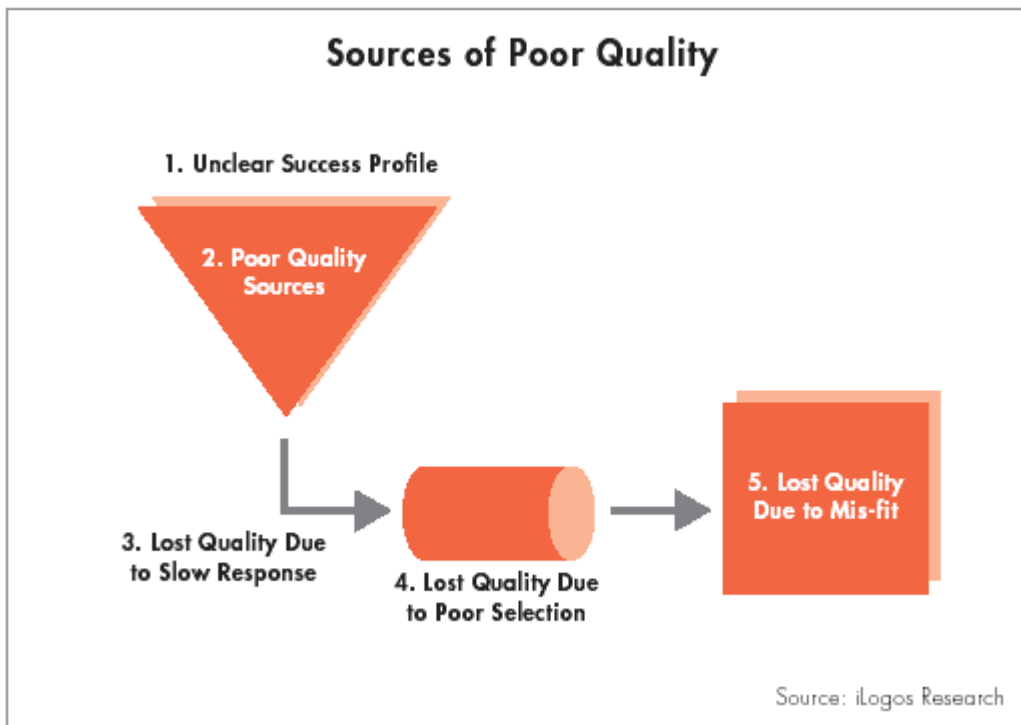
There are many causes of employee turnover. First, voluntary turnover should be distinguished from involuntary turnover. Voluntary turnover is a very poor indicator of quality of hire. Someone who is an outstanding performer may be difficult to retain, as he or she will attract the attention of recruiters at rival companies. Involuntary turnover is a better indicator, provided that turnover that occurs for a performance reason is isolated.

As a metric, the percentage of new hires terminated for performance reasons is a very blunt instrument for assessing new-hire quality. It indicates whether there is a serious problem, but it is not able to differentiate between degrees of quality or productivity. It tracks gross lack of fit, quality or productivity. Still, a reduction in the overall trend for performance-related involuntary turnover in the first six months of employment may be useful for some companies as a first step to improving quality of hire.

IV. Sources of Poor Quality

When the expectations of a hiring manager are not met, causes may lie in any or all of the following areas:

1. The hiring manager's expectations were misidentified at the outset of the staffing process.

2. Candidates having the characteristics to meet the hiring manager's pre-hire expectations were not represented in sufficient numbers in the candidate pool.

3. The staffing process did not react fast enough to hire the candidate who best met the hiring manager's expectations before he or she found employment elsewhere.

4. The staffing process rejected candidates who possess characteristics that would meet the hiring manager's expectations.

5. The staffing process accepted candidates whose characteristics do not meet the hiring manager's expectations or fit corporate culture.

Sources of Poor Quality

1. Unclear Success Profile

2. Poor Quality Sources

3. Lost Quality Due to Slow Response

4. Lost Quality Due to Poor Selection

5. Lost Quality Due to Mis-fit

Source: iLogos Research

Understanding and acting on those sources of poor quality will lead to better end results. However, measurements that analyze the level of quality must be available in order to drive specific actions toward improvement.

## V. How a Better Staffing Process Can Impact Quality of Hire

Once onboard, new hires are influenced by many factors outside of the control of the staffing department, including corporate culture, schedule and workload issues, personalities and performance of team members, personal circumstances and, perhaps

most significant, their relationship with and the management style of immediate supervisors. Hiring manager satisfaction, performance reviews, productivity and turnover provide useful post-hire views that can reflect and measure performance, but those measures cannot be analyzed to specify the staffing department's responsibility for the quality of hire. The staffing department, though, can implement practices and procedures it can control and improve to positively impact quality of hire.

Importance of Methodology

To improve the quality of an overall staffing process, each step of the process must be designed to maximize the probability that the candidate who is ultimately selected meets the expectations of the hiring manager. Quality has to be achieved not as an accident, but as a matter of design. The steps in which to address quality are:

1. Job success analysis.

2. Targeted sourcing.

3. Fast reaction time.

4. Consistent screening process.

5. Measuring quality of hire.

6. Continuous improvement.

Driving Quality

6. Continuous Improvement

1. Job Success Analysis

2. Targeted Sourcing

3. Fast Reaction Time

4. Consistent Screening Process

5. Measuring Qualty of Hires

Source: iLogos Research
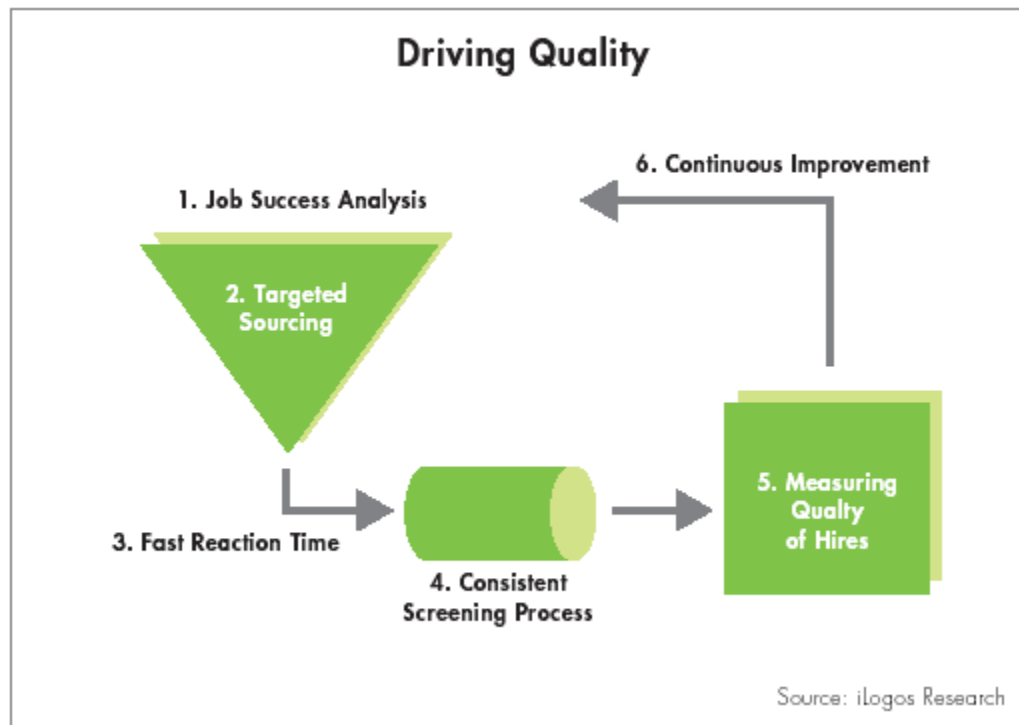
A consistent, enterprisewide methodology for defining the demand for talent and fulfilling that demand in a consistent way will result in an increase in the quality of the workforce.

1. Job Success Analysis

Given that quality of hire is defined in terms of the expectations of the hiring manager, these expectations must be made clear. The staffing department must work with hiring managers to articulate what is required for success at a given job. This calls for a rigorous and systematic methodology for creating competency models for each job family and position that the staffing function fills.

Creating an accurate competency model for a position is the first and most critical step of the staffing process. The set of competencies identified by the job analysis determine the remaining steps in the staffing process: the skills profile determines the criteria for screening and assessing, as well as informs the sourcing strategy and marketing message.

Best-of-breed staffing management systems support the process of documenting the basic requirements of job positions across an enterprise. Job templates and libraries of skills and job requirements allow frontline users to create job position descriptions and requisitions quickly and accurately. A consistent and globally scalable enterprisewide methodology for defining success at a job will result in an increase in the quality of the workforce.

2. Targeted Sourcing

The quality outcome of a staffing process can be no better than the quality inherent in the candidate pool from which it draws. Sourcing is responsible for bringing to the selection process a pool of candidates in which the characteristics identified as contributing to success in the job are in high proportion. This is accomplished through employment branding, the right marketing message, targeted delivery of that message and a smooth and efficient process to encourage a response from candidates.

Employment Branding

Effective sourcing requires a unique employment brand that is communicated well to candidates. The employment brand projected to jobseekers plays an important screening role in the corporation's ability to source the highest quality talent. Cultural fit is as important a factor to the overall quality of hire as the possession of requisite hard and soft skills. In most cases, cultural fit is a hiring manager's unspoken expectation. Lack of fit is a common cause of premature separation.

The overall employment brand is the responsibility of the staffing department, working together with the corporation's public relations and marketing arms. As an important

factor affecting the cultivation of top talent, staffing should monitor and shepherd the employer brand.

Sourcing Strategy

The function of a sourcing strategy is to ensure that employment advertising reaches the right audience and draws on the targeted candidate pool. The goal is to maximize exposure to qualified candidates while minimizing exposure to unqualified candidates. A job posting appearing in a media vehicle that has too low a proportion of qualified to unqualified candidates will increase the burden on later stages of the selection process to screen unqualified candidates out. Some companies using Six Sigma define a defect as the number of unqualified candidates who continue through the screening process and are presented to the hiring manager.

Job Description

Once staffing has collaborated with the hiring manager to create a "job success" job requisition, the job description and marketing message can be crafted. The job description for a vacancy should describe the role and the activities and responsibilities involved. Moreover, the job description should describe the abilities, credentials and experience possessed by the ideal candidate. Other pieces of information on a job description that give candidates the opportunity to self-screen are salary ranges and details on logistics, such as the location of the vacancy and the amount of business travel involved.

Candidate Relationship Management

Corporations can also use robust candidate databases as a source for quality candidates. Candidates who have been sourced at an earlier time may be considered for current needs. Effective candidate relationship management requires a database that maintains structured data on specific desired skill sets, motivations and interests, so that prequalified candidates can be matched automatically to new positions and invited to apply on targeted job opportunities.

Corporate Careers Web Site Best Practices

A primary marketing vehicle under the control of the corporate staffing department is the corporate careers Web site. The corporate careers Web site should implement best practices for attracting and selecting qualified candidates. These best practices include the presentation of a consistent employment brand and provide visitors with good quality information about the organization, even a realistic portrayal of life working at the company. The corporate careers Web site should have user-friendly technology and promote quick and effective communication between candidates and staffing personnel.

3. Fast Reaction Time

Candidates are not static objects to be processed on the corporation's own timetable. They are active agents in the employment marketplace, free to pursue opportunities that best meet their needs. A staffing process must be fast enough to hire top performers before they find employment elsewhere.

That being said, speed should not be valued for its own sake. Hasty hiring decisions may lead to low productivity, lack of cultural fit or unexpected turnover. Corporations are increasingly turning to automated prescreening to increase the responsiveness of the staffing process while eliminating errors.

4. Consistent Screening Process

Screening is an essential step in the staffing process. This is especially true during periods of high unemployment, when the job market is characterized by an oversupply of talent. The staffing function eliminates unqualified people, so that the candidate ultimately selected meets the expectations of the hiring manager. The selection process must be operated with systems and procedures that ensure these unqualified candidates do not make it to later stages of the staffing process, where costs increase.

The competency profile for a position, which is determined through job analysis, provides the necessary structure for the screening process to select for the qualities and characteristics that define success in the position. The key to automating much of the screening and selection process is to gather data from candidates in a format that maps onto the structure of the job competency profile. By pulling data from candidates that matches the defined structure for each position, all candidates can then be matched and sorted against the same set of objective criteria. Consistency is attained when decisions are made on the basis of a systematic and analytical framework.

The widespread acceptance of the corporate careers Web site as the communication medium for jobseekers and corporations makes online prescreening possible. A-best-of-breed staffing management system takes the data submitted by candidates on the careers site and scores and ranks candidates based on that data.

By maintaining the competency model, job description template, screening criteria and algorithm in a database, the staffing management system increases consistency in the staffing of future openings for a position. Increasing consistency over future openings decreases variability in the quality of hire over time, which is the hallmark of an overall quality staffing process.

5. Measuring Quality of Hire

The importance of measuring quality of hire lies in evaluating the effectiveness of a staffing system. The staffing process first sources candidates, then screens out those who lack certain characteristics. At each successive step, more applicants are removed from consideration, based on screens and tests applied to the information gathered in the process.

Ideally, the characteristics selected for by the staffing process should be the very ones that are associated with success in the job position being filled. The selection criteria used in each step should increase the representation in the pool of advancing candidates the attributes of an employee who is successful and productive in the role. In effect, the role of a selection process is to predict the ability of candidates to perform the job in question, screening out those who are predicted not to perform well in the role and selecting those who are predicted to do well. This makes the accuracy of a selection process critically important.

Measuring the quality of a new employee after he or she has come on board provides an independent test or check on the selection process to ensure that it accurately selects for qualities and characteristics that actually contribute to the company business plan. A program of measuring quality of hire also provides a means of evaluating the effectiveness of change initiatives, as a company seeks continuous improvement in its staffing process.

Close the Quality Feedback Loop

The ultimate best practice for staffing to improve the quality of hire is to use quality-of-hire data to optimize the staffing process. Such an optimization involves a rigorous "loop-back" of quality-of-hire measurements to changes made in the staffing process.

Optimization is a challenge for most companies: metrics must be accurate and dependable, and staffing procedures must be standardized in a consistent and repeatable process. Without a staffing process that is measurably repeatable to begin with, optimization will not have an Archimedean point from which to improve the process.

6. Continuous Improvement

> *"This is the nut, and a tough one to crack. Most measures have been strong (times are low, costs are low, and quality is high), and not requiring corrective actions. But could we be engaged in continuous improvement? Yes."*
>
> ~ *Strategic staffing manager, semiconductor manufacturer*

The areas of continuous improvement made possible by linking the results of quality-of-hire measurement to the staffing process are:

1. Talent definition.

2. Sourcing.

3. Screening and assessing.

If the results of a company's quality-of-hire measurement show that the hiring managers' expectations are consistently being exceeded, then a company may revisit the talent definition for the position and revise expectations upwards. If, on the other hand, hiring managers' expectations are not being met, and yet staffing can demonstrate that the candidates possess all the characteristics specified by the talent definition agreed upon when the hiring need was identified, then there is strong evidence that the original talent definition must be revised to better capture the hiring managers' true expectations.

Quality-of-hire data can be used to assess and improve sourcing. The focus may be on an individual recruiter's sourcing skills, or alternatively, the emphasis may be on optimizing a companywide sourcing strategy. Correlating the quality of new hires with the recruiting source from which they were obtained can help optimize the sourcing strategy. Source optimization is important, given that sourcing typically accounts for a significant percentage of variable staffing expenditures.

It is important that screening and assessing tests select candidates who possess the characteristics that contribute to success in the job. Measuring quality post-hire will establish whether the candidates that are selected by screening and assessment are indeed successful. Poor quality-of-hire metrics may indicate a gross disconnect between the standards for screening and assessing candidates and the standards for performance in the job. Where quality-of-hire metrics are good, a company may undertake a careful and systematic process of small adjustments to the screening and assessment process, looking for evidence in the post-hire quality analysis that the changes are resulting in incremental improvements in process outcome.

Reporting and Metrics

For HR executives to make informed decisions about optimizing the staffing process and increasing the quality of its outcome, they need accurate and timely reporting. Quality-of-hire reporting in the corporate world ranges from robust:

> *"A quarterly scorecard is created in each region and then analyzed, then action plans developed at the country level."*
>
> *~ HR manager, diversified technology company*

to nonexistent:

> *"I do not believe we store our conclusions or report and analyze the findings. It has been done randomly in the past, but not across all of the recruiting organizations."*
>
> *~ Recruiting manager, computer services company*

Ideally, quality-of hire-metrics are monitored for an overall trend over time in the measured quality of hire in the organization. To make meaningful comparisons and conclusions about quality of hire over time, quality must be defined and measured in the same way. Decentralized staffing functions may further complicate an enterprisewide standardization of measurements. Without accurate and timely reporting, actionable results of a quality of hire initiative are unattainable.

Quality Focus

The challenges of defining and measuring quality of hire pose high enough of a barrier to some companies that they do not make the attempt. Still, other staffing departments do not measure quality of hire because the company's priorities lie elsewhere, such as with cost containment. However, the greatest financial benefit is attainable through focusing on quality.

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