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# Employer's *Advantage*

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**Metrics, Compensation, and Retention...**

I was recently privy to a manufacturer's internal discussions on these three interrelated topics. Basically, their thoughts ran like this: "We have people, good people, doing jobs that they like and do exceptionally well. In many cases, they have no desire to move up to supervision, or to move to other jobs in the company that pay better. Unless they move, though, they can't make more money, and we may eventually lose them. We need a way to fairly compensate a tile setter who produces at three times the base rate, so he can feel good about his work, our company, and how he takes care of his family. Then we won't lose him. But first we need better measurement of productive output, so we don't perpetuate mediocrity."

**WOW! Job fit, productivity, and retention, not to mention goodwill, fairness, and caring! Bravo!**

## KEEPING YOUR BEST— HOW TO IMPROVE YOUR ODDS

The official statistics are confusing, and more experts are challenging the government's methods of calculating unemployment, but overall unemployment is clearly trending down. As the job market swings toward increasing scarcity of qualified applicants, a parallel trend begins to appear: top performers in every sector of the economy start to change jobs, looking for better pay, more recognition, opportunity for advancement, or perhaps just a change.

Ask yourself these questions about your people:

- Who is most likely to look for outside opportunities?
- Who finds it easiest to get a different job?
- Who would I miss most, if they quit?
- Whose loss would hurt me most, in our competitive field?
- Who is my competition trying to recruit?

Chances are, the answer to all of these questions is exactly the same: "Our best."

If your company has been struggling to remain profitable for these past few difficult years, or just struggling to stay alive,

you have probably tried to cut costs, delay raises, run lean, and expected more from every worker, especially from your best. They may, by now, feel underpaid and underappreciated, adding to the pressures to look around for a better deal.

Estimates of the cost to replace a top performing employee vary, from their annual salary to as much as four times that number. It's time to reappraise your practices, and be sure you are doing everything you can to keep your best employees. There's almost no other place in your business with the opportunity to reap as much return on your investment!

**What can you do to retain your best people?**

**Identify them:** Too many businesses do not really know who their best people are. Use measurable, objective criteria to identify your top performers. The old saw about not being able to manage what you don't measure applies here, in spades!

**Learn what makes them "the best":** Characteristics of top performers can be measured and recorded. If you know those characteristics, you can look for new people to

become your best, you can focus on keeping your best, and you can bank the information to help guide your future actions.

**Recognize and reward their performance:** While money can be important, in most studies it comes in fourth or fifth in importance when compared to recognition, simple thanks, job satisfaction, opportunity to advance, and other "soft" variables.

**Give them a path to follow for promotion:** If you know the characteristics of your best people, and the characteristics required to succeed in the positions in your business, you can design individual career paths to keep your best people with you, while improving your profitability.

**Avoid the "Peter Principle":** Few mistakes in business are as costly as over promotion. Usually, our former top performer (promoted to the point of failure) cannot succeed at the new job and cannot go back to the old job. We lose them to our competition, where they become a top performer again—doing their old job!

**It takes thought, planning, measurement and investment to keep your best — but it pays!**

***Even if you're on the right track, you'll get run over if you just sit there.***

**— Will Rogers**

## WHEN GOOD APPLICANTS ARE SCARCE, REACH FURTHER

**SELECT FOR FIT, TRAIN FOR SKILLS — OPINION, JOHN W. HOWARD, PH.D.**

*"We know they don't have wings, but we send pigs to flying school every day..."*

In F. Leigh Branham's book, Keeping the People Who Keep You in Business, he makes this suggestion; "Interview applicants who may lack traditional qualifications, such as degrees or years of experience, but have the **right abilities** and can be trained..." (emphasis added).

If an employee has the right abilities, training for specific job skills can become efficient and profitable. Absent those right abilities, no amount of training is likely to produce a top performer, and even a high level of skill will not keep him/her on the job.

Our egalitarian underpinnings continue to cost

American businesses billions of dollars, as we pursue the failed notion, "we can train anyone to do anything." We know they don't have wings, but we send pigs to flying school every day. We even subsidize their flight schools with tax dollars!

If a business will discipline its selection for training process, devoting just 10 percent of the money usually budgeted for training to assessing before training, the payoff will be very gratifying.

Selecting employees with the right characteristics, then providing training, will produce a high number of top performers who fit their jobs, enjoy their work, and

produce profits for their employer.

If we continue to focus on training without first identifying the characteristics necessary for success, we will continue to produce workers who have learned the skills but cannot perform at a high level, will not enjoy the work, will not remain on the job over time, and who will not produce profits.

Pigs, by the way, may never be good fliers...but they can run quite well. Train your pigs to run, and send eagles to your flight schools. In both cases, you can produce top performers, and your profits will reflect your good business practices!

## BUILD YOUR RETENTION LIBRARY — A WEALTH OF IDEAS

In a salute to the importance of the topic of employee retention, you can find shelves of recent books on approaches to this challenge. Three of the best are reviewed briefly here. All contain practical ideas and tools to apply to your unique opportunities and goals:

**Keeping the People Who Keep You in Business** (Leigh Braham) — Provides a very specific and complete set of retention practices, organized around attracting, selecting, integrating, and coaching your people. He offers real examples of these principles at work, and points out that "reducing turnover takes commitment." Common sense ideas are pre-

sented in a practical and inspiring manner.

**Keeping Good People** (Roger E. Herman) —

A noted futurist with several major and accurate predictions of workforce trends to his credit, Herman believes job changing will continue to increase throughout the workforce, and businesses must counter the trend, if they wish to retain their best people.

The author identifies five principal reasons why employees leave their jobs. He offers nearly 200 practical ways to head off

turnover.

**Here Today, Here Tomorrow** (Gregory P. Smith) — Well-written and easy to read, Smith's approach is practical and understandable. Some of his ideas may sound foolish, and some may seem prohibitively expensive. But he offers evidence that they work and are ultimately cost-effective. Add these books to your resource base. Use assessments to select, match, and improve your decisions and better retention can be your reward!

**"If you think it's expensive to train your people, and then lose them—try not training them, and keeping them!" —Zig Ziegler**

## STRATEGIC HIRING SYSTEM PAYS OFF IN RESERVATIONS CALL CENTER

A major hotel management firm operates a reservations call center with a primary mission of customer service, and a secondary sales function. The call center experiences wide seasonal workload fluctuations, and has traditionally begun a major round of hiring each winter. Both performance and turnover have presented challenges in this environment. In 2003, reservations agents hired in the winter campaign had only a 27 percent chance of remaining on the job beyond June 30. This required additional and continued hiring efforts through the spring and summer seasons—times of year that present additional hiring challenges in their employment market. In midwinter, by contrast, the company had an abundance of applicants for their open positions. The challenge: Design and implement a strategic hiring system, with the goal

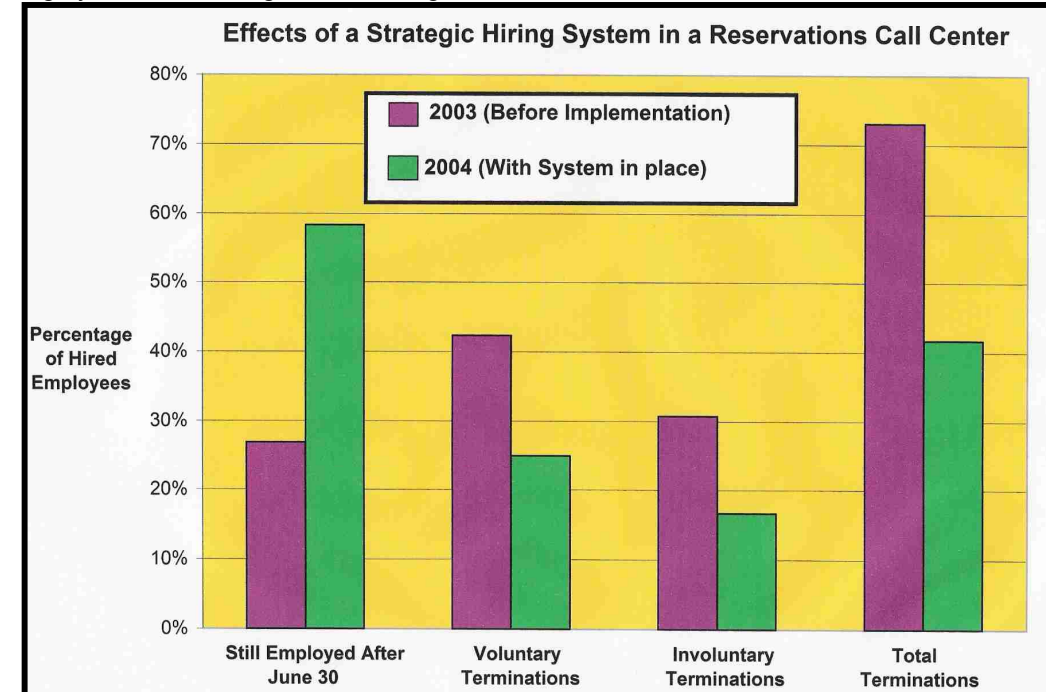
of increasing retention and reducing the necessity of additional hiring through the spring and summer. The chosen system was a two-stage strategic system beginning with a low-cost honesty-integrity measure (the Step One Survey, or SOS). Once a candidate was screened into the finalist pool, a targeted job-fit measure was used to predict the probability of success (the Customer Service Perspective, or CSP).

Because the company enjoyed a large applicant pool for the available openings (roughly 10 applicants were screened for each person hired), they chose a relatively high criterion for the SOS scores, seeking to consider only the top 35 percent for inclusion in the finalist pool. For the job fit analysis of the finalists, call center managers chose five Top Performers, and a success pattern was constructed, using the Customer Ser-

vice Perspective assessment. (for details of this analysis, see Vol. 1 Issue #6 of this newsletter.) Finalists took the CSP, and were matched to the Top Performer pattern. Candidates who matched at less than the 70 percent level were not considered further for employment. Scores of 70 percent or better included the finalist in the interview process, using the CSP interview guide in the decision process.

Results of this process are summarized in the graph below. Overall, retention beyond June 30 increased from 27 percent to 58 percent with use of the strategic hiring system. Results were even more striking in the area of involuntary terminations; a reduction from 31 percent to only 17 percent involuntarily terminated in the study period. As shown in the sidebar, the program has proved to be very cost-effective.

**Overall, retention beyond June 30 increased from 27 percent to 58 percent with use of the strategic hiring system.**



**Costs and Benefits:** Prior to implementation of the system, the employer had estimated the cost per turnover in the reservations center at \$4,500. Using this estimate, and the actual cost of use of the assessments, the return on investment of the entire program (including preliminary pattern-building and analysis) was **better than \$5.45 returned for every dollar invested**. Given the even higher costs associated with firings, the true ROI was probably much higher.