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No matter how much data accumulates demonstrating the many shortcomings of the hiring interview process, we persist in trying to rely on interviews to improve our hiring success. By now, we should know better and devote our resources to something actually likely to work. Anything but more interviews!

—Editor

Just When You Thought it was Safe

EEOC has issued a new compliance manual that specifically warns that word-of-mouth recruiting (read: Employee Referral Programs) “may generate applicant pools that do not reflect diversity in the labor market.” With this new guidance and expected focus of enforcement programs, you might look closely at your own referral programs and applicant tracking data.

Quick to Hire? Getting it Right Is Just **Not** that Easy — **OPINION**

In an opinion piece published in his online newsletter, “Just my E-pinion,” Bob Brady discusses the observation that we often “hire in haste, regret at leisure.” As the founder of Business & Legal Reports, Inc., and its online site, BLR.com, Bob has had plenty of personal experience on which to reflect and has heard from hundreds of businesses on this topic over the last 40 years. He reflects on the maxim “hire people for what they know” and “fire them for who they are.” He says, “Getting a fix on ‘who people are’ is the hallmark of an HR professional.”

Reading this, I began to get excited. I thought, “He really *gets* it!” Then came the summary page, where he lists eight things he does *in the interview* to “create scenarios that look for evidence of ‘life skills.’” **Bob, it’s just not that easy!**

All of the things research has shown about the predictive shortcomings of interviews (14 percent predictive validity, one-in-eight chance of catching a candidate’s lie or error of fact, decisions made in less than five minutes...) offer little hope we can overcome those shortcomings with a simple shift of focus to looking

for “evidence of life skills.” If we’re going to find out “who they are” in any sense predictive of future job success, Harvard’s research makes it clear, we need to **measure job fit**. And it’s not that easy. The legal and ethical considerations of the current employment scene also require us to do it with measures that are both reliable and valid. The difficulty of the task might be reflected in how often we ask the relevant questions in seeking guidance. A Google search of “job fit” yielded 161,000,000 hits. Add “assessment” and you reduce the field to 33,000,000. When you add “online,” you cut the number by about half. Add “reliability” or “validity,” and you’re down to about 2 percent of the original result, and all the search engine tells you is that they used the words (a “lip service” measure)! This process seems to indicate there’s a lot of interest in the topic, in measuring it and doing it easily (online) but a small percentage of ways to do it legally, ethically and accurately. If you’ve read this newsletter in the past, obviously we have our own biases about how it can be done without compro-

mising those legal/ethical/accuracy standards: **Find job-fit measures** built on research with large, real-world samples; make sure they meet the Department of Labor’s guidelines on validity and reliability; and make sure they comply with standards for non-discriminatory effect. Once you have met those critical guidelines, you can look at ease of administration and analysis; time factors in reporting results; cost and expected returns on investment over time; and evidence they have worked for other users in similar situations. Finally, **look at the organization** that is producing and supporting the instruments. Do they have a track record? Are they likely to be around to support you next year? Are they actively carrying out research to improve and expand the capabilities of their products? If they operate online, what’s their documented uptime? Do they have sufficient bandwidth to support their workload? Finally, look at their professional associations and award history. Do they belong to the Association of Test Publishers? Do their measures pass peer review standards of the Society for Industrial and Organizational Psychology? **Does it seem like a lot to consider?** Remember, we warned you, “It’s just **not** that easy” — but it’s worth it!

Tracking Turnover — An Insufficient Metric — and Some Alternatives

In last month's issue of this publication, we mentioned in passing, "As far back as most of us care to remember, HR has tracked 'turnover' as one of our few consistent metrics. **As commonly used, however, turnover is at best a hodgepodge statistic...**"

Reader reaction to this broad statement was fairly strong, both in endorsing and rejecting the premise. Rather than an argument for or against the measure, however, let's consider some alternate and additional metrics and their value. Any effort toward measurement of HR and its effects is probably positive, and it is always surprising how many otherwise successful businesses don't know even their raw turnover rates or what they spend to replace a departing employee.

In our current climate of low unemployment, boomers leaving the job scene and the shift from labor-intensive to knowledge-intensive jobs, talent retention and hiring success based on job-fit practices has moved up on the corporate priorities list. How can we measure the effects of our current hiring and retention practices?

In hiring a new employee, most of the direct costs are front-loaded, occurring before or in the first few days of employment. Most of the indirect costs are post-hire, adding up over time of training, acclimation and acculturation. At some point, usually long after the date of hire, the employee reaches the break-even point and begins to contribute to the company's profitability.

Accurately measuring those costs is a difficult and time-consuming exercise but one that should become a priority for any enterprise interested in a strategic approach to HR. For the limited focus of this article, we will simply assume that hiring a new or replacement employee is extremely costly, and measurement of our level of success in the process is critical to our mission.

What to measure then? Given the front-loaded costs of the process and the observed fact that most companies' raw turnover scores mask a critical dichotomy (a group of relatively stable, long-term employees and a second group of short tenure, constantly churning with turnover), **early hire failure is a crucial concern.** Track cumulative new-hire failure rates at 30, 60, 90, 180 and 365 days from hire, and you will begin to build a measure of your hiring process and its relative success or failure. Your raw turnover rate may be something you're proud of, and happy to mention to the Board of Directors, but can you say the same about the probability that a new hire will still be around to celebrate the six-month or one-year anniversary of the hire? **Try to find benchmarks** for your industry or other companies similar to yours. The failure rates for new hires in most call centers would make the HR manager in the average three-star hotel slightly ill and give the HR manager of most medium-sized cities cardiac failure. Take heart, though: **No matter how high or low your numbers are, you**

can change them in a positive direction by changing your process, incorporating best practice assessments in selection, improving the skills of your line managers and other things you really do know how to do but haven't found the time and resources to accomplish—yet.

Another opportunity, often unmeasured, is success of initial training as measured by post-training performance. Are you training new hires in a manner that is actually producing success when they begin their real jobs? In one client's operations we found that the characteristics (as measured by the ProfileXT™) necessary for success in their training program were very different from those required for success on the job. The results were devastating. They lost people in training who could well have been successful on the job and invested weeks in training people who had little chance of long-term job success! Without the measurements offered by the assessments, all they really knew was that a lot of their new hires failed, either in training or on the job, before they began to pay off as employees. With the assessments, they were able to modify the training programs, increasing the percentage of employees who excelled in both processes — being trained and actually doing the jobs. **Another crucial dimension to measure: Promotion success** — at the same time intervals. If you are routinely promoting people (who, we assume, were doing a good job before

promotion) and then losing them to failure at the new job, you're experiencing one of the most expensive types of failure. Not only do you lose them and their prior productivity, but your competitors are the most likely beneficiaries of your error! Using job-fit measures before offering a promotion can be one of the most cost-effective parts of the process. An ounce of prevention is, indeed, worth a pound of cure.

What about sudden spikes in turnover? Often, when a sudden flurry of departures hits the HR department, and the demands of quickly hiring more people than usual cause "Chicken Little" syndrome in management, little time is devoted to finding out just who left and why. Sometimes, especially in a fast-changing business, the flurry is the departure of the "old guard," unwilling or unable to change with the business. Is this turnover negative? Probably not — inconvenient, perhaps, but not necessarily bad. If you have a standard exit survey in place, you might be able to detect the root causes of the spike in departures. With the metrics in place, a careful analysis of the results may help you make changes — or assure you no change is necessary, and eventually, the crisis will pass.

The tasks of deciding which metrics to use, putting the data collection process in place, periodically analyzing the results and making changes based on data may seem overwhelming. **Can you afford to do less?**

Medical Lab's Strategic Hiring System Trims First-Year Failures, Promises Even More Reductions

Like many such operations, a mid-sized medical laboratory that employs over 400 people, relies heavily on students to fill skilled entry level positions (phlebotomist, specimen processor, etc.) As a result, they expect a higher turnover in these positions, as students matriculate and leave for other pursuits. Before embarking on a strategic hiring program, however, their first-year failure rates for all hires ran a steady 33 percent, a number they deemed undesirably high and costly.

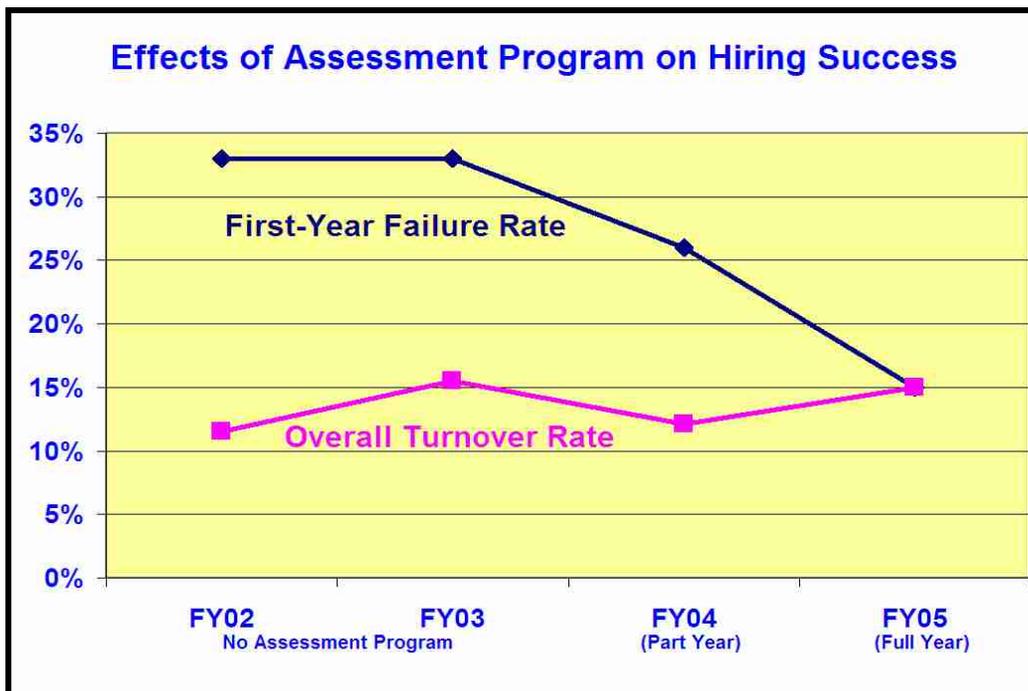
Partially through fiscal 2004, the laboratory initiated an assessment program, screening all new hires with the Step One Survey II™, and began developing ProfileXT™ success patterns for their most critical job categories. By FY 2005, the program was well-developed, and ProfileXT™ patterns were in use for a majority of their hires.

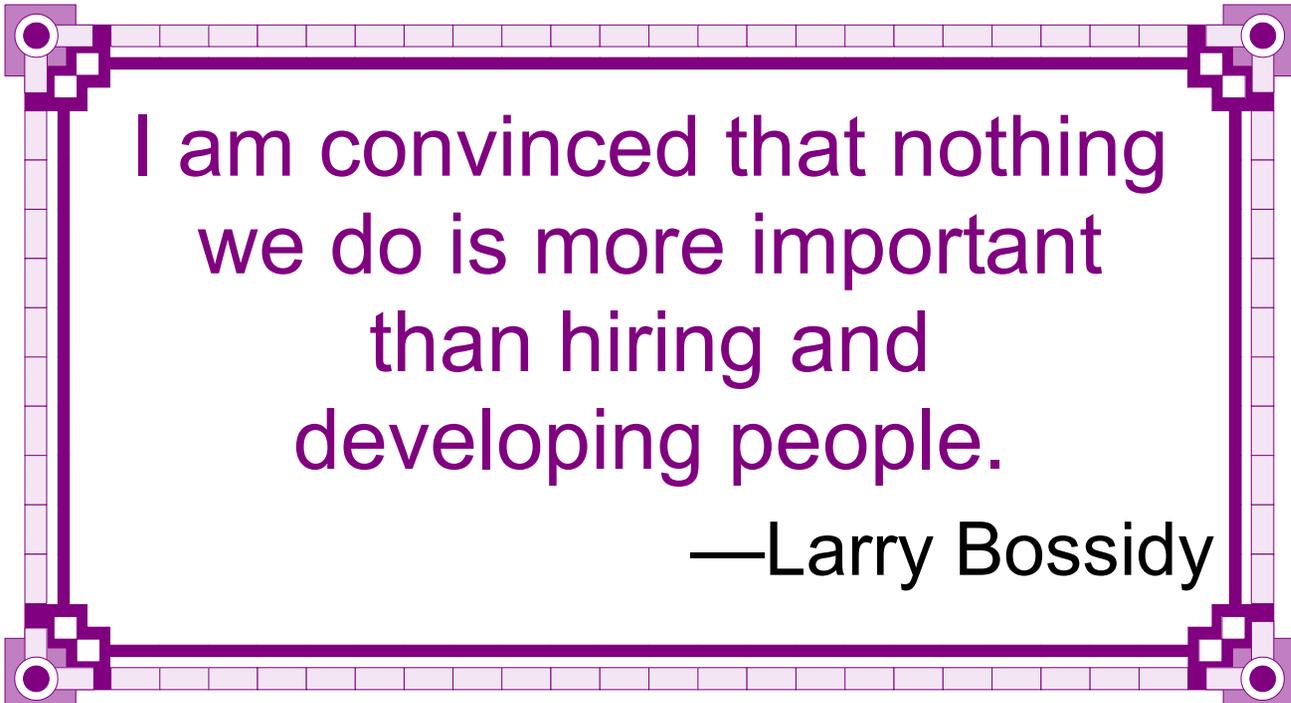
Against a background overall turnover rate hovering between 12 percent and 15 percent annually and relatively stable over four years, the graph clearly shows the positive effects of their assessment efforts. First-year failures declined from their base rate of 33 percent to only 15 percent in FY 2005, a number matching their background turnover.

This success brought additional opportunities. By the end of 2005, the lab had accumulated significant data on the single most critical position, phlebotomist (from a first-year failure perspective and in terms of the effect of failure on the operation). Careful analysis of the data, using the ProfileXT™ and their success pattern, revealed an opportunity to further reduce early failures in this position by adopting a criterion that eliminated candidates who failed to match the overall pattern at 70 percent or

better. By also *eliminating candidates who matched the Thinking Styles section at less than 70 percent*, they could expect to reduce their early failures by 35 percent without eliminating any candidates likely to succeed. This same criterion should reduce their failures in the first six months by over 45 percent. (Currently, just over half of new phlebotomists fail to reach the six-month mark.) This approach, based on solid statistical evidence of the job-relatedness of the criterion, will be extended to other critical job categories as sufficient data becomes available. The immediate goal is to reduce first-year hire failures across all categories to the 12 percent level or below, while continuing to improve the productivity and performance gains produced by better job fit. Their goal, a distant possibility a year ago, now seems very near and reachable.

First-year failures have declined from their base rate of 33 percent to only 15 percent in FY 2005...





I am convinced that nothing
we do is more important
than hiring and
developing people.

—Larry Bossidy

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