Measuring Quality of Hire – The Ultimate Recruiting Metric

By Dr. John Sullivan & Master Burnett

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Abstract

This white paper discusses the often controversial HR metric known as "Quality of Hire," sometimes referred to as QoH. In recent years a debate has erupted over what existing QoH metrics actually measure, staffing process effectiveness or actual new hire quality. Like many HR metrics, it seems that every firm defines quality in its own unique way, and that the measures that are used to track it are equally unique. Further complicating the measure is the fact that various factions within an organization perceive the quality of a hire from different perspectives, and therefore want different aspects of new hire quality measured. Line managers what a unique scoring type measure for each candidate that serves as an accurate indicator of the performance level he or she can expect from the new hire at a predefined future point in time. Staffing organizations often want a measure that aggregates the on the job performance information for new hires into a quality index, that serves as an indication of how well the staffing system is doing at producing hires. The clear difference in these two measures is that one focuses on predicting the future, while the other measures historical performance. Both types of measures have value, but designing a methodology that's right for your organization requires understanding what your customers expect, and what you can realistically deliver on a sustainable basis.

Why You Should Read This

Regardless of what industry or industries your firm participates in, chances are your senior leadership is paying more attention than ever before to the impact talent has on productivity. The increased scrutiny this visibility brings to the staffing function requires that staffing professionals and managers alike be able to demonstrate that they relied on sound data when making decisions about talent. As growth around the world continues to create demand for skilled labor that exceeds supply survival will come down to maximizing the value of every talent management activity from recruitment to retention. This white paper introduces many of the concepts and elements that participants in measuring the quality of hire will have to understand in designed a measurement methodology appropriate for their organization. It is intended to serve as a primer, not a mandate.

About the Authors

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Dr. John Sullivan is considered by many to be one of the preeminent thought leaders in the field of human resources. Through his roles as an educator, author, public speaker, and corporate advisor he identifies areas of disconnection between human resources and the corporation at large. His work has largely focused on "Changing the DNA" of the human resource function and the professionals that comprise it. The topic of quality of hire is one he has championed since the beginning of his career. He is one the most vocal author on the subject, and has advised a number of Fortune 100 companies on the development of world-class recruiting strategies. His methodology for world-class human resource metrics has been discussed in depth in his book published by Kennedy Information aptly titled *HR Metrics— The World Class Way*. Dr. Sullivan currently serves as a Professor of Management at San Francisco State University and is the CEO of Dr. John Sullivan & Associates.

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Common Misconceptions About Quality of Hire (QoH)

One of my biggest issues with corporate and external recruiting functions has been their almost universal failure to measure the quality (or performance) of the people they hire. Nearly every other "overhead" function from supply chain to customer service has jumped on the ISO or 6 sigma bandwagon but HR has continued to resist.

What few staffing organizations do to measure the performance of their function lacks a lot to be desired in terms of a qualitative approach. Measures such as cost per hire, volume of hires, or even the speed of hire are at best misleading and at worst, an inaccurate measure of staffing performance. The primary (or perhaps sole) measure of hiring success should be the quality/ performance of the hire. Unfortunately many staffing professionals can't seem to figure out how to measure the quality of a hire, and there in lies a major problem.

Measuring quality of hire (QoH) has become such a hot topic among recruiting professionals and line managers these days so much so that it is nearly impossible to attend an industry conference or read an article on recruiting that doesn't mention it. Regardless of who you talk to, what becomes readily apparent is that everyone defines quality of hire differently, and no two professionals seem to agree whole heartedly on what it should mean.

The Perspective Dilemma

Recruiting professionals typically define quality of hire as a grouping of metrics that measure the degree to which candidates recruited and hired satisfy the requirements as defined. The defining characteristic here is that the evaluation is done post hire, therefore reporting on historical performance. Line managers on the other hand see quality of hire as a series of indicator metrics that reasonably predict how well a candidate will perform on the job if hired. Both types of measures have value, but both come from wildly different perspectives.

Elsewhere in the modern corporation, quality measurements almost always pertain to products or services that have already been completed or delivered. For example, when we talk about product quality in an organization that produces light bulbs, then we look at things such as the error rate among bulbs produced. Under these circumstances, it just makes sense that the term quality of hire should conform to accepted practices and measure the performance of new hires on the job for some period of time post their hire date.

One Way Is Better Than the Next

Another misconception is that one method of measuring quality of hire is better than another. The truth is that in order for a metric to have meaning and be functional, it has to relate to your organization and power decisions that help your organization improve with regards to staffing initiatives. Guiding all metrics initiatives needs to be a solid understanding why you are measuring something and what you intend to do with the data provided. For instance, do you plan to use your quality of hire metrics to help drive change in employee lifecycle processes such as sourcing, onboarding, development, and retention? Regardless of what you intend to do, your metrics will have to be designed to support the decisions necessary to carry out your intentions.

There is a multitude of ways to measure the performance of your hires. Most leading companies settle on 3-6 measures. They usually start with a longer list (6 – 10) and pare it down based on discussions with managers and their 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.

Measuring the Quality of Your Applicants Before You Hire Them

Managers are continually asking for a higher quality of candidate while recruiters tend to focus on reducing the cost or the speed of the hire. The quality of the applicant is clearly the superior factor. There are many ways to measure the quality of an applicant (before you hire them) ranging from simple yes/no condition type analysis to more robust pre employment screening and assessment tests.

Some of the more simple methods include:

- **They get at least one counter offer** - If they are any good (unless they work for government or a not for profit) their current boss will give them at least one counter offer to match yours. The very top get two
- **They are currently employed** - In low unemployment times, if they are not currently working, odds are they are not top talent
- **They have 3 offers from top firms** - In high employment times, if they are active job seekers, the very best have multiple job offers and at least one will be from a top firm. If yours have only one offer (yours) they are not top talent (unless you live in a single employer area)
- **Our top performers know them** - If we are any good, our top people know them. Top performers are a hard secret to keep
- **Executive search professionals know them** - Professionals we work with have them in their data base

- **They were hard to convince** - Because the best are in demand they are hard to "sell". If they don't have high expectations and they settle easily, something is wrong (or you did great market research)
- **They fit our competency profile** - They have at least 110% of the competencies that our specs cover. They have skills and experiences that are not in our minimum requirements
- **They are gone quickly** - The best are taken rapidly. If we are slow to make a decision and they are still around after 10 days, they are not top talent (or you are the employer of choice for the region)
- **Awards** – Top performers are publicly recognized in their firms. They might also be highly rewarded in monetary terms also (a > 10% raise or a > 20% bonus)
- **Manager satisfaction** – If you survey your hiring managers on their satisfaction with the quality of the applicants they receive you can get an idea of their assessment of the quality
- **This year's versus last –** Select a random number of applicant's resumes from this year and last (in the same job). Mix them up and have an expert anonymously select the top and bottom 20%. See whether this years applicants are better represented in the top category
- **The source –** if a current top performer referred them, odds are that they are also a top performer. Referrals consistently rate as the highest quality applicants

Some of the more robust pre-employment screening and assessment methods include:
- **Skills and Ability Testing –** This category of assessments is by no means new, however the scope of positions for which skills and ability tests are available is ever expanding as are the approaches to delivery of the tests. Such tests measure the applicants mastery level of specific skills critical to success on the job.
- **Competency Profiling –** A form of testing that measures an applicants previous display of behaviors that correlate to possessing a certain competency that has been determined to be critical to success on the job. In recent years competency profiling has grown immensely in popularity.
- **Personality / Leadership Aptitude Testing –** Much like skills and ability testing, personality and leadership aptitude tests have been around for many years. Such tests have primarily been used to assess the fit of an applicant into the culture of the organization, however several organizations have made the case for using such tests as an indicator of post hire on-the-job performance.
- **Background Screening –** Background screening is a fairly common component in the staffing process for many organizations. Many argue that the presence of behaviors that contradict job related success

factors in an applicant's background are indicative on future expectations regarding on-the-job performance.

Avoiding Overkill

To maintain simplicity, many organizations develop staffing processes that are rigid and force all applicants through the same process and series of broad assessments. Unfortunately, a pre-screening assessment that proves valid as an indicator of post hire on-the-job performance for one position may not accurately serve as an indicator on another position. Firms utilizing pre-screening assessment tools should determine which tools prove valid for which positions, and only use them where appropriate. Tailoring usage will decrease chances of legal challenge, total program cost, and applicant process satisfaction.

Don't Be Fooled On Applicant Quality

Traditional measures of quality might be misleading. Be careful of:

- **Resume quality** - Top performers seldom have great or even current resumes. People that are on the job market a long time have time to polish and improve their resumes. Beware many people don't even write their own resume!
- **Schools attended** – Top performers come from many schools. The best usually do excel at what ever school they went to. Don't assume, check to see where your firm's top performers actually went.
- **Grades** – In a divers world where many students are older or have to work over-all grades might not predict much. Grades in their major might show more. See if your current top performers had great grades first
- **Number of years of experience** – In a rapidly changing world information and technology change rapidly so "experience" in a dated technology might mean little

Remember - You can't get a quality hire without quality candidates. Also a large volume of unqualified mixed with the qualified candidates will frustrate any manager and increase the likelihood of finding the stars among the trash.

Benefits of Measuring Quality of Hire (QoH)

Number One Benefit of Measuring Quality of Hire

"You can't improve what you don't measure!"

This statement is one that has guided all of my efforts to elevate the human resource function to the level CEO's often expect. Unfortunately it is a concept many traditionalists in HR fail to accept, and one they fight bitterly to the end when introduced. While I understand that many professionals avoid using metrics because they are afraid it will demonstrate to others just how poorly they actually do their job, it perplexes me that they fail to see that it can also do the opposite.

Metrics and metrics alone can demonstrate to others that often criticize the profession that HR does have an impact on the bottom line, and that increasing the funds available for various HR activities can generate a tremendous ROI. In short, the number one reason for implementing any HR metric is that it eliminates any doubts as to the performance of the function.

When it comes to Quality of Hire, the metric is one that managers simply cannot argue against increasing on a fundamental level, unless it is for a position in which on the job performance is not impacted by the quality of the individual performing the requisite tasks, which we all must admit is fewer and fewer jobs in the knowledge based economy.

Other Benefits and Reasons to Measure QoH by Participant

Aside from taking away all doubt about the performance of the staffing organization, measuring quality of hire provides a number of operational, tactical, and strategic benefits to all participants in the staffing life cycle. The lists below break a sampling of the benefits and reasons for measuring quality of hire into categories supporting each of the major participants in the staffing life cycle, from sourcing professionals to line managers.

Benefits to Sourcing
- Not all jobs require top quality candidates. If your processes produce uniform quality in jobs where quality has little impact (janitor?) it is wasteful. In times of tight resources, it is essential to focus the best recruiters on the high impact or "priority" jobs. Quality of Hire metrics can be tracked by source to identify what channels produce what quality at what cost.

- You can't refine your sources without it. If this were football for example, failing to check to see if the top schools produce top quarterbacks by checking the players' performance after a hire would get you fired. Look at the two quarterbacks from the 2000 Super Bowl. One was from San Jose State and the other from Alcorn State. Hardly top schools. Everyone knows to recruit at top schools. Great recruiters know how to get the very best from non-name schools. Only after hire performance measures can tell you where the best come from. If this was basketball, filling all of the requisitions fast but not checking individual and team performance to make sure the hires could score would be ""silly"

Benefits to Individual Recruiters

- Without measuring quality, you may end up wasting money on outside vendors and search firms, which are not worth the extra money if they don't produce quality hires. You can't adequately select among the different vendor firms if you don't assess the quality/ performance of the hire their systems produce
- Many requisitions contain inaccurate or too "high" KSA's and competencies. By looking at the performance of the hire you can help determine which competencies are really needed and which can be dropped
- What if the process doesn't assess "fit" correctly and the candidate's productivity suffers or they quit. Quality and retention measures allow you to identify the root cause
- Shifts in the economy cause people to look and take jobs for different reasons. Without a quality hire you will have no idea if your "offer and selling" systems stop working as the economy shifts
- TQM taught us that quality matters in all processes that have a major business impact. The fact that quality is difficult to measure is a weak excuse when other processes like supply chain and CRM have figured it out. Top HR people get paid big bucks to do the hard things first
- Even great processes have breakdowns. Without quality assessments at each level of the process, finding the "leak" is difficult
- Great candidates drop out as a result of bad interviews, offers. Measures of quality at each level (prospect, candidate, finalist, new hire) allow us to seek out the causes of any weakness in the process

Benefits to Human Resources

- How do you identify the top recruiters and weed out the weak ones without a quality assessment. At the very least, when recruiters are measured on speed, cost and satisfaction equally… quality should be the tie breaker

- HR has a bad habit of going with feelings and intuition. This has hurt them in being assessed as business leaders. The language of business is dollars and numbers. If HR is to be a player, it must prove it's contribution using the language managers understand
- Massive cost cutting (typical in HR) can slow down and weaken the hiring process. Unless you track it you would never know the resulting impact on the quality of hire due to excessive cuts
- If no one else does then maybe that is an excellent reason to do it! Leaders are the first to do things and the best leaders do the "hard stuff" first. That's how you gain a competitive advantage (by being first). Bring cost conscious but ignoring quality means you are likely to only attract the easy to attract (actives) which will result in a low quality of applicant
- A low quality if hire could be partially caused by subtle discrimination. Measuring the quality of hire also includes legal issues and diversity
- If HR is to be an ROI function it is essential that ROI be a key measure of one of the largest and most important HR processes. The R part of ROI requires a performance/ quality measure

Benefits to Managers

- Productivity does matter. It is arrogant to assume that all hires or employees perform the same. If top performers produce better products, customer service and revenue it's essential that we continually adjust our process to hire those that make the biggest contribution to the business as well as to shareholder and customer value. If value is part of our mantra (mission or values) as a firm it needs to be our mantra in staffing
- People do what is measured and they do it faster if it is also rewarded. If you care about something (performance of the hire) you need to measure and reward it
- If you have a high voluntary turnover rate of your recent hires, it makes sense to add a "feedback loop" (as a result of a quality measure). You need it both to the recruiter and to our sourcing model (based on known failures) so that they can avoid "overselling" and improve the "fit" assessment process
- Assuming that "good people some how automatically produce quality results" doesn't work in the product area or service areas so why would it in the people area? You don't gain the respect of the line managers if you have lower standards in staff functions
- If you have to fire new hires that are bad performers a feedback loop to the recruiter turns failures into a learning opportunity for process improvement

Benefits to the Corporation

- How can your firm be an industry leader without quality hires that produce new ideas and innovation? Filling uniforms with "warm bodies" doesn't win football games nor market share
- You can't improve what you don't measure In a market that demands continued product improvement, people processes can not be exempt from continued improvement
- Quality hires and terminations in top positions can impact your image and how analysts value your stock
- As a company becomes geographically dispersed, it becomes harder to track processes by word of mouth. Quality can suffer in some regions and "corporate" would probably not know (or at least there would be a delay) about it

Five Categories for Measuring Quality of Hire (QoH)

Quality of hire metrics that focus on measuring the on the job performance of recently hired employees typically fall into one of five categories, including:

1. Individual Performance Metrics
2. Retention Rates
3. Manager Satisfaction
4. Applicant/Employee Satisfaction
5. Cost of Hire

The fifth category, cost of hire, is included as a quality of hire category because cost is a necessary component when determining value. Cost and quality metrics by themselves tell you nothing of the value derived from a hire, only the expense or performance associated with it. Determining value requires both components. Running a fiscally responsible recruiting function requires that professional recruiters maximize the value derived from each hiring transaction in order to maximize the value or ROI of the services they provide to the corporation.

Some of the metrics you might finding each category include:

Individual Performance Metrics

This family of measures looks at the actual performance of employees at various points in time post completion of the onboarding process. The metrics included can be averaged across job classifications for a set period of time such as a business quarter and compared to previous periods of time to evaluate the effectiveness/impact of changes made to the staffing process.

Actual Measures:
Performance on Position Objectives – All positions in an organization have a role and a responsibility that combine to generate an output. This metric looks at the targeted output of unique job classifications and looks at the individual contribution of each employee currently holding that position. *Examples include: sales volume, customer service calls handles per hour, adjusted words per minute typed, etc.*

Time to Minimum Productivity – This metric measures the time it takes for a new hire to reach a pre-determined acceptable level of productivity.

Average Bonus/Pay for Performance Reward (expressed as a percentage of the employee's base pay) – This metric looks at bonus compensation awarded to employees including compensation in the form of

spot awards, paid time off, cash bonuses, etc., and normalizes the data using base pay.

Error Rate – All employees make mistakes, the assumption is that quality hires make less of them! This metric corresponds to the percentage of transactions that contribute to achieving the position objectives that require rework or exhibit defects.

Forced Ranking Score – This metric asks managers or members of a 360 degree appraisal team to rank order new hires. While this metric cannot be used to evaluate the performance of the staffing function over time, it can be used to evaluate the performance of various sources over time.

Performance Appraisal Scores – If the validity of your performance appraisal system has been tested, and proven to be somewhat objective, then performance appraisal scores can serve as one of the easiest to get individual performance metrics. The timeline associated with using this metric will be limited to that of the appraisal system, and companies that rely on calendar based appraisal dates versus anniversary dates will have difficulty gathering useful data.

Training/Assesment Test Scores – Some positions exhibit longer time to productivity curves than others, particularly those in highly regulated industries or safety intensive environments. In such cases, training test and job aptitude assessment scores may serve as valid indicators of new hire quality. Assuming consistency in testing instrument, the data could be used for period to period comparison.

Retention Rates of New Hires

This family of measures looks at the percentage of new hires that are still employed by the company at pre-determined points in time.

Actual Measures:
Key Job Voluntary/Involuntary Turnover Rate – This metric looks at the turnover rates among new hires placed in roles defined by the corporation as mission critical at various points in time. Compare the rates from one period to the next. Adjust for any "inflation" in overall industry retention rates.

Top Performer Voluntary/Involuntary Turnover Rate – This metric looks at the turnover rates among new hires that have achieved individual performance rates in the top 15% of their job classification at various points in time. Compare the rates from one period to the next. Adjust for any "inflation" in overall industry retention rates.

Total New Hire Voluntary/Involuntary Turnover Rate -- This metric looks at the turnover rates among all new hires at various points in time. Compare the

new hire voluntary termination rates for all hires from one year to the next. Adjust for any "inflation" in overall industry retention rates.

Manager Satisfaction

This family of measures looks at survey results among managers to determine if new hires hired this year (or other period) rank significantly higher in satisfaction compared to hires made last year (or other period.)

Actual Measures:
Manager Satisfaction with the Competencies of the New Hire – This metric asks managers to rate their satisfaction with the competencies possessed by a new hire. A survey is sent for each new hire, therefore a manager with five new hires on his team would complete five surveys. This metric can be collected at various points post hire to determine the rate of change for each new hire.

Manager Satisfaction with the On the Job Performance of New Hire – This metric asks managers to rate their satisfaction with the on the job performance of a new hire. A survey is sent for each new hire, therefore a manager with five new hires on his team would complete five surveys. This metric can be collected at various points post hire to determine the rate of change for each new hire.

Applicant/Employee Satisfaction

This family of measures looks at the survey results of applicants and employees to determine their satisfaction rate with regards to how they were treated during the recruiting process. Data collected from one period can be compared to that of another to determine the impact of changes made to the process.

Actual Measures:
Satisfaction with the Treatment by Recruiter – This metric asks applicants and new hires to rate the treatment they were giving during the staffing process by the recruiter(s) who dealt with them personally. This metric is similar to customer satisfaction metrics, and can be used to help determine if one recruiting approach is more successful in converting applicants to hires.

Satisfaction with the Recruitment Process – This metric asks applicants and new hires to rate their satisfaction with the recruiting process. The survey can collect data on each stage of the process and as a whole. The results can be used to determine where if at all, applicants become disillusioned with the process, thereby increasing the chances that new hires that would produce higher on the job performance are being driven away,

Cost of the Hire

This family of measures looks at the cost per hire of each new hire. Results can be average across source and time period and combined with other new hire quality measures to determine value of hire.

Actual Measures:
Cost per Hire – This metric looks at the costs required to generate a new hire.

Salary per Hire – This metric looks at the starting wage per new hire within a job classification to determine if after adjusting for inflation, the starting rate is increasing or decreasing. An increase could indicate either an overall increase in the caliber of talent recruited (operating under the assumption that increased quality costs more) or that the skills possessed by that function are in greater demand.

Because the recruiting process can select individuals that demand higher starting salaries than necessary, it's important to determine if you are "over paying" new hires.

Are the starting salaries (adjusted for inflation) for this year's hires the same or lower than last years?

Actual Measures:
Offer Acceptance Salary – Compare accepted offers, adjusted for salary inflation, (within position classifications) for this year compared to last years to see if we are "over offering" in order to get candidates to say yes.

Offer Reject Salary – Compare rejected offers rates were the applicant cites insufficient salary as the top reason for rejection.

Finding Data About On the Job Performance

Without a doubt, the greatest roadblock to getting any world-class metrics program/effort started is finding or collecting the data. While HR as an organization is often thought of as the keeper of all employee-related data, the truth is that the information collected historically by HR is in a form that has little value when it comes to metrics. The key reason for this is consistency — or better, inconsistency.

Within HR, many of the methods we use to do things have been developed on an ad hoc basis within functional silos, meaning that in many cases little thought has gone into producing a method that has more than one planned output. Since our processes and procedures were not designed to produce outputs that could be used in more than one place, the data archived by them is often in the wrong format, or not broken out into units that make analysis of it valuable.

Creating a New Data Collection Process Can Increase Risk of Failure

The typical response to solving the absence or shortage of data problem is to create another new ad hoc data collection process that requires managers to submit information similar to that which they may have already submitted in response to another request. Unfortunately inundating managers with requests for information which the see as redundant is a sure fire way to kill a new metrics initiative before it even gets of the ground. Past experience has shown that the participation rate, accuracy rate, and overall dedication to the process decreases under such circumstances. To decrease your risk of failure, conduct a data audit to determine if the data or an indicator of the data you need may already be available.

Finding Existing Data: It's All Around You

Existing data is all around us, but when pressed to locate it, many of us often leave out potential sources of data. As a result, we often default to the most easily accessible data, even when such data isn't exactly what we need. To ensure that we use the most appropriate data, define in advance:

- **Quality needed.** What degree of accuracy is required from the data source?
- **Time frame.** How much time do we have to collect and analyze the data?
- **Money/cost.** How much do we have to spend on getting/analyzing the data?

External Sources of Existing Data

1. Industry benchmark reports
2. Professional association studies
3. Industry associations
4. Consulting firm project archives
5. Data from other firms' efforts
6. Periodicals
7. Academic research
8. Reference books
9. Government agencies (reports, studies, databases)
10. Vendors and suppliers

Internal Sources of Existing Data

1. Data previously collected via corporate forms (comment cards, employee documents, sales agreements, etc.). Keep in mind that other functions collect data, too. Ask around: <u>What you need may have been collected by someone else.</u>
2. Corporate financial reports (federal filings, annual reports, etc.)
3. Past satisfaction/opinion surveys
4. 360-degree assessment data
5. Output reports
6. Marketing collateral

External Sources of New Data

1. Consulting firm studies
2. Opinion surveys conducted by research firms
3. Self-commissioned benchmark studies
4. Self-funded academic research

Internal Sources of New Data

1. Joint research with another function (finance, marketing, etc.)
2. New financial data
3. Surveys, focus groups, interviews

The Best Tools for Collecting the Best Data

As a consultant and professor, I constantly deal with efforts by others to collect data. I am continuously amazed with the number of people who do not understand the difference between methods of collecting data and delivery mechanisms. When people are asked how they intend to collect data, the overwhelming response is either "interview others" or "conduct a survey."

What most fail to see is that each of those is not a method, but rather a delivery mechanism that brings some other process to the customer. Common delivery mechanisms are:

- Interviews
- Surveys
- Focus groups
- Observation

To make such delivery mechanisms/activities useful, there needs to be some underlying process that is designed to yield consistent data. If we were interviewing candidates for a top position, and we had a number of potential hires, then it would make sense to think that we would want to evaluate them using a consistent method — e.g., asking the same questions of each, running the same simulations, and so forth. What follows are several tools/methods to help the above-mentioned delivery mechanisms yield more consistent data.

Ranking. This tool is one with which many are familiar, and one that many employees have grown to hate in progressive organizations that use it in their performance-appraisal process. Ranking asks the participant to order a set of values from those most important or critical to those less important or least critical. In the case of performance appraisals, ranking would ask a manager to provide an ordered list that places employees according to their importance or contribution made towards meeting the group's objectives. This tool is most often used when the list of arguments to be measured is limited in size.

Weighting. The weighting method of assigning measures proves very useful when you are trying to ascertain the relative importance or significance an individual assigns to a limited number of variables, such as components of a total pay package. Via this tool, participants split or distribute 100 points across a range of potential options, assigning a greater weight to those options that have a greater relative importance.

Many organizations have begun using this tool prior to making an offer as a means to identify the expectations of potential employees. The tool is very useful in helping to ensure that you meet the expectations of a customer prior to delivery, because it enables you to adjust the expectations of the other party when you know you may not be able to meet them. This is often called aligning expectations.

Typical Errors in Measuring Quality of Hire (QoH)

Measuring the quality/on-the-job performance of new hires might seem daunting initially, but actually if you keep it simple, it's not that difficult to do. Because I have advised a number of firms on how to measure the quality of hire, I am also aware of common errors that occur during the measurement process. Some of the most frequent errors include:

1. Including too many metrics in the quality of hire assessment program so that it becomes frustrating and difficult to sustain.
2. Designing metrics independently without consulting with and then working closely with the CFO's office to ensure credibility.
3. Assuming standard performance appraisals and training program assessments are accurate and unbiased measures of performance.
4. Not using sampling techniques to cut costs and speed up the assessment process.
5. Trying to measure the quality of hire in every job across the organization versus focusing on a select few mission critical roles.
6. Making metrics too complicated by going beyond the level of measures used in the annual report (generally simple percentages will do). Presenting information to managers in statistical jargon can decrease the likelihood that your reporting efforts will garner acceptance.
7. Failing to measure source quality (because focusing on effective sources and dropping ineffective ones is the easiest way to dramatically improve the quality of hire).
8. Not rewarding recruiters and managers that produce quality hires.
9. Wasting effort on getting benchmark comparison numbers from other firms. Because everyone measures quality of hire differently, comparisons between firms are quite difficult. If you want great quality of hire comparison data I recommend you use the Saratoga Institute data. The best comparisons however are made between this year and last within the same firm.
10. Not assigning a single individual responsible for measuring and tracking quality of hire information.
11. Failing to convert their quality of hire statistics into dollar impact in order to demonstrate the economic value of recruiting and retaining top performers (work with cost accounting and the CFO's office to make these estimates).

If you avoid these major errors your quality of hire program should go smoothly. However, even if you to run into roadblocks don't panic because there is someone in quality control or the CFO's office that can walk you through your difficulties. Why? Because measuring quality is a standard practice in almost every area of the business (with the exception of recruiting and HR).

When To Measure Quality of Hire (QoH)

As mentioned previously this whitepaper deals with quality of hire measures that focus on the on-the-job performance of new hires. Once you decide to measure quality of hire, and determine what measures matter most to your organization, the next logical step is to determine when to execute each of your measures. What follows is a breakout of measures according to the timeframe in which I recommend you execute them.

Immediate Measures (on or near the day of hire)
- Did the actual hire's resume rank in the to 25% (did it receive an A or A+) when the initial resumes were assessed/ ranked?
- % 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)
- When the initial finalist for the job was forced ranked after interviews but prior to an offer, what rank was the actual hire among those finalists.
- Did the actual hire also get offers from out top ranked recruiting competitors? (Asked on first day)
- Managers prediction of the quality of hire (based on a subjective comparison against other recent hires) What percentile do they forecast their performance level to be at
- Manager forced ranking comparison of this candidate compared too other recent hires
- Manager satisfaction with the hiring process (responsiveness, cost, time etc.)
- Surveys of new hire satisfaction on how they were treated during the hiring process by the recruiter, this year compared to last year
- Surveys of new hire satisfaction on how they were treated during the hiring process by the hiring manager, this year compared to last year
- Time from contact about this job to hire date
- Satisfaction of the other finalists (that were not selected) with the hiring process

Intermediate Measures (approximately six months post hire)
- Output, 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.)
- Manager subjective assessment of performance of the hire after 1 month and at 6 months

- Team and co-worker subjective assessment of performance of the hire after 1 month and at 6 months
- Time to productivity (# of days until the minimum expected output level is reached for a new hire)
- How well new hires do on any required testing, certifications or training, this year compared to last
- Satisfaction of the new hire after 1 month
- The quality of your applicants
- Legal complaints or issues

Longer Term Assessment (approximately one-year post hire)

- 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.)
- Manager assessment of performance of the hire at their 1yr performance evaluation
- Year end surveys of all hiring managers on satisfaction with the recruiting process this year, compared to last year
- 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)
- Customer 360,feedback or complaints, satisfaction or other assessment outside assessment
- Co-worker and team 360 (or forced ranking) of new hires (this year compared to last)
- Managers forced ranking of this hire compared to others in the same job
- Average performance appraisal (or forced ranking score) of this years hires vs last years hires
- % stock grants compared to other recent hires and all employees
- Number and $ value of any "spot" and year end bonus (as a % of salary) compared to other hires and all employees
- More nominations/ awards compared to other hires and all employees
- More salary increases compared to other hires and all employees
- 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
- More lateral transfers compared to other hires and all employees
- Patents/ Ideas compared to other hires and all employees
- Cost of their salary – How do the starting salaries (adjusted for inflation) for this year's hires compare to last years for employees rated at the same level of performance.

Over-All Assessment Of The Quality Of Our Workforce (done every year)

- Now take a step back and look at the "Big" picture
- Revenue per employee compared to our direct competitors as a "mirror' of the quality of your people
- Dollar of profit per dollar spent on people costs (this year to last and compared to our direct competitors)
- 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)
- How we are listed on great place to work lists
- How often we appear on benchmark lists for great recruiting

Next Steps

Now that you have new hire quality metrics, the next step is to determine:

- The source the best hires came from (so you can drop the "useless" ones)
- The factors in the selection process that served as an accurate indicator of new hire performance (so that you can drop the measures that don't predict success)
- The recruiters/ managers/ employees that found them (so you can reward them as well as to use them again)

Sample Quality of Hire Measure

A Simple QoH Measure

1. **On-The-Job Performance** – The average performance appraisal score (by position) of new hires after one year compared to the average performance appraisal score from new hires from two years ago.
2. **Retention Rates** – the average voluntary turnover rate of new hires within six months of starting (by position) compared to the average voluntary turnover rate of new hires from last year.
3. **Termination Rates** – the average involuntary turnover rate of new hires within six months of starting (by position) compared to the average involuntary turnover rate of new hires from last year.

A More Robust QoH Measure

You can make the simple quality of hire measure more robust by:
1. Targeting only high mission critical jobs (40% of all jobs).
2. Substituting actual worker performance data (i.e. sales or output data) for the performance appraisal scores.
3. Adding manager satisfaction (from a survey) with the on-the-job performance of new hires.

A Very Robust QoH Measure

To make the quality of hire measure even more robust but also more accurate you could:
1. Add the average bonus rate of new hires during their first year as a measure of performance. Compare this average to the average salary increases of individuals hired in the same position from 2 years ago adjusting for inflation.
2. Add a measure of output quality (error rates or customer satisfaction rates) as a measure of quality as well as quantity of work.
3. Add a "time to productivity" measure which assesses the average number of days it takes for the new hire to reach the minimum expected level of productivity. Compare that average number of days to figure from new hires (and the same position) from last year.

Conclusion

Once you implement a quality of hire measure don't be surprised when many of the traditional things that you used to measure in recruiting become "irrelevant". In addition, you will also stop "feeling good" when you have "filled all of your requisitions" because now you know that you also need to focus on bringing in better people that will eventually become the top performers in your organization!

If I haven't answered all of your questions in this whitepaper, might I suggest that you drop by and talk to the supply chain or 6 sigma experts at your firm. They are light years ahead of recruiting in measuring the "hard stuff" and they can easily show you what else you need to know.

After completing your quality of hire assessment process it is important to make good use of the information that you have gained. The first use of the information by most recruiting managers is generally defensive. By that I mean they use the data to demonstrate to "budget cutters" that they are doing a credible job. However, a better use of quality of hire data is to take the "offensive" to demonstrate to senior managers the significant impact that hiring top performers has on an organization. That means going the next step and converting quality of hire data into "dollars" because dollars are the only thing that impresses "C level" officers. The process of converting quality of hire to dollars is unfortunately too complex to go into here, but I assure you that demonstrating to the CFO that great hiring has a 2-1 ROI and a multimillion dollar impact on profits will make you a hero.

The final step I recommend is to turn your efforts internally in order to ensure that you are team focuses on the few sources that produce top performers. If you have extra energy, you can also use the data to identify your great recruiters and to improve your screening process. And finally, there is one last thing you can do if you really want to make your job easier and that is to convince senior managers and the compensation department to make great recruiting and retention a significant part of every managers bonus formula. After that… life is easy!

For More Information

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