

From the CEO's Desk: When Recruiting Succeeds and When it Falls Short



TALENT ACQUISITION

HCI White Paper

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By Tom Durgin



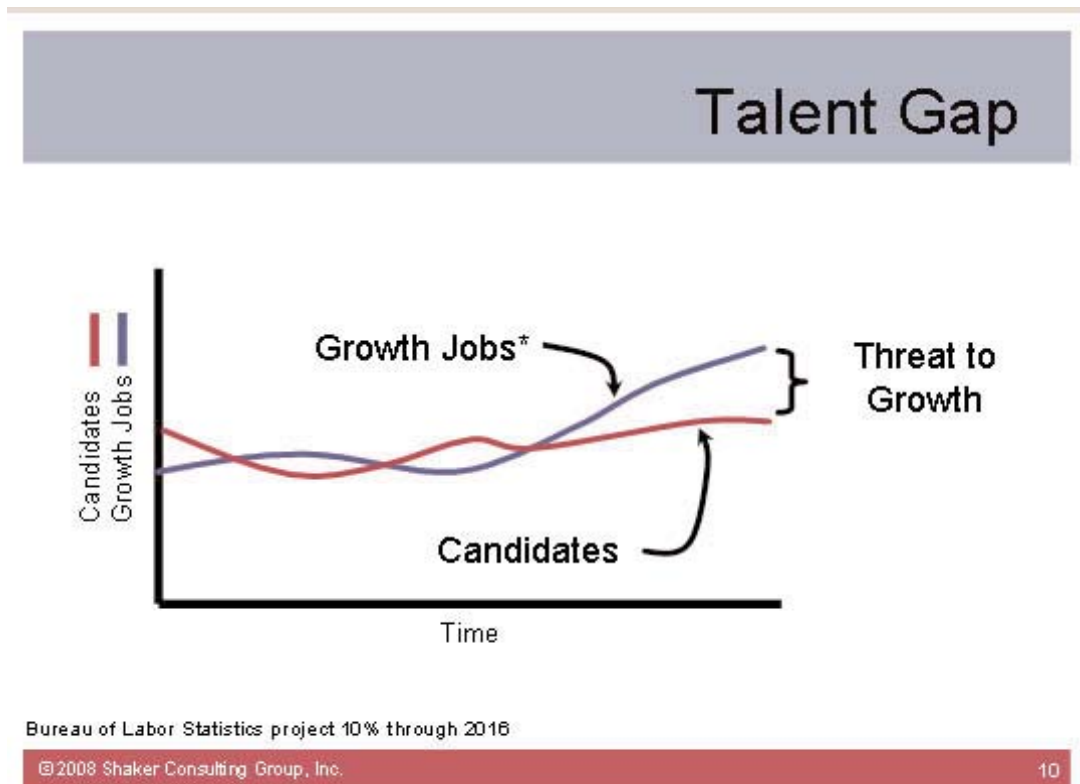
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INTRODUCTION

The link between recruiting and its effect on business has become ever more apparent today. The importance of timely and cost-effective talent acquisition takes on new meaning when the stakes are high, and they've never been higher than in this current global market of scarce talent. It's become a simple equation - make the right talent choices and stay ahead, make the wrong choices and fall behind the pack.

In this paper, Joseph Murphy, Vice President at Shaker Consulting Group, takes a close look at the link between recruiting and business success, what the differences are between best practices and ineffective practices, how to advocate for recruiting as a vital business process, and how to be a catalyst for value-based metrics that demonstrate whether or not your recruitment process is truly linked to your business strategy.

Figure 1



We'll also look at the "Performance Imperative," the talent gap, and the implications of workforce planning from a recruitment perspective.

THE TALENT GAP

Before a further discussion about the link between recruiting and business success, a brief look at the talent gap is in order.

The reasons for the gap are simple and stark: There aren't enough candidates to fill jobs in growing businesses, and the gap is projected to increase at the rate of 10% per annum through 2016. Murphy notes the blip where the red line first dropped below the blue line. "This was back in the nineties, and was a sign of things to come." The rate of growth in the gap will only serve to exacerbate the talent shortage, sharpen the competition for talent, and make talent more expensive. For people with the right skills to sell, this is a boon - yet it can sup-

press growth for businesses ill-equipped to compete for that talent.

to business growth jobs, there are also replacement jobs to be filled in the near future from the tidal wave of retirements that will wash across the European, American and Japanese labor markets.

The bigger picture is even more telling. In addition
Figure 2

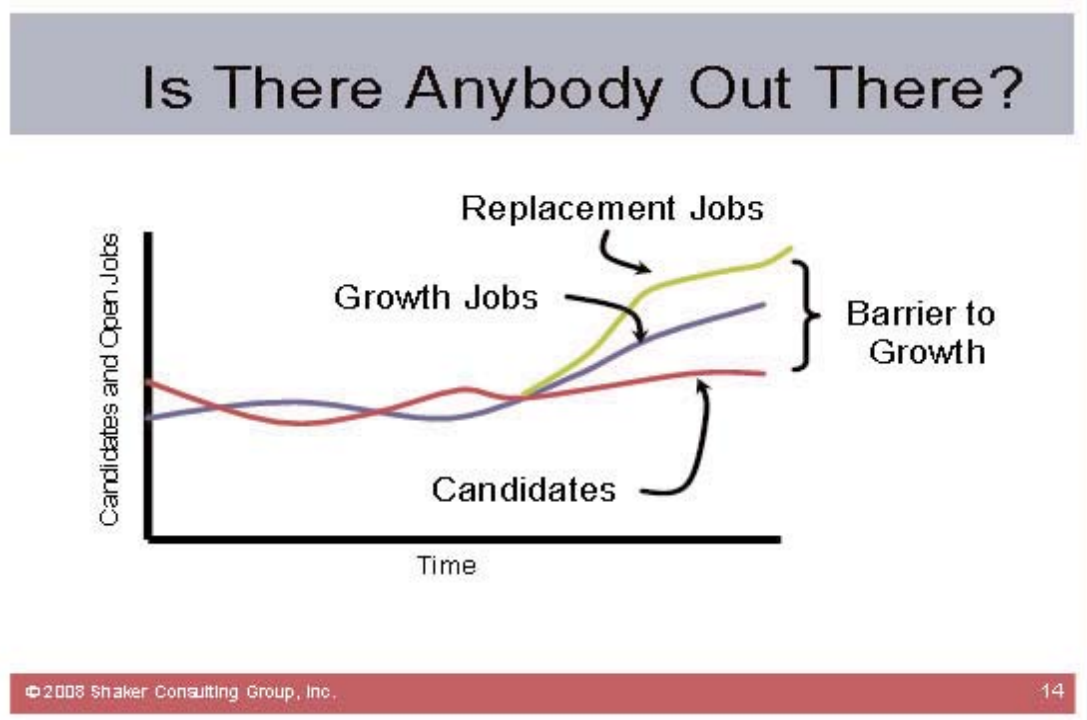
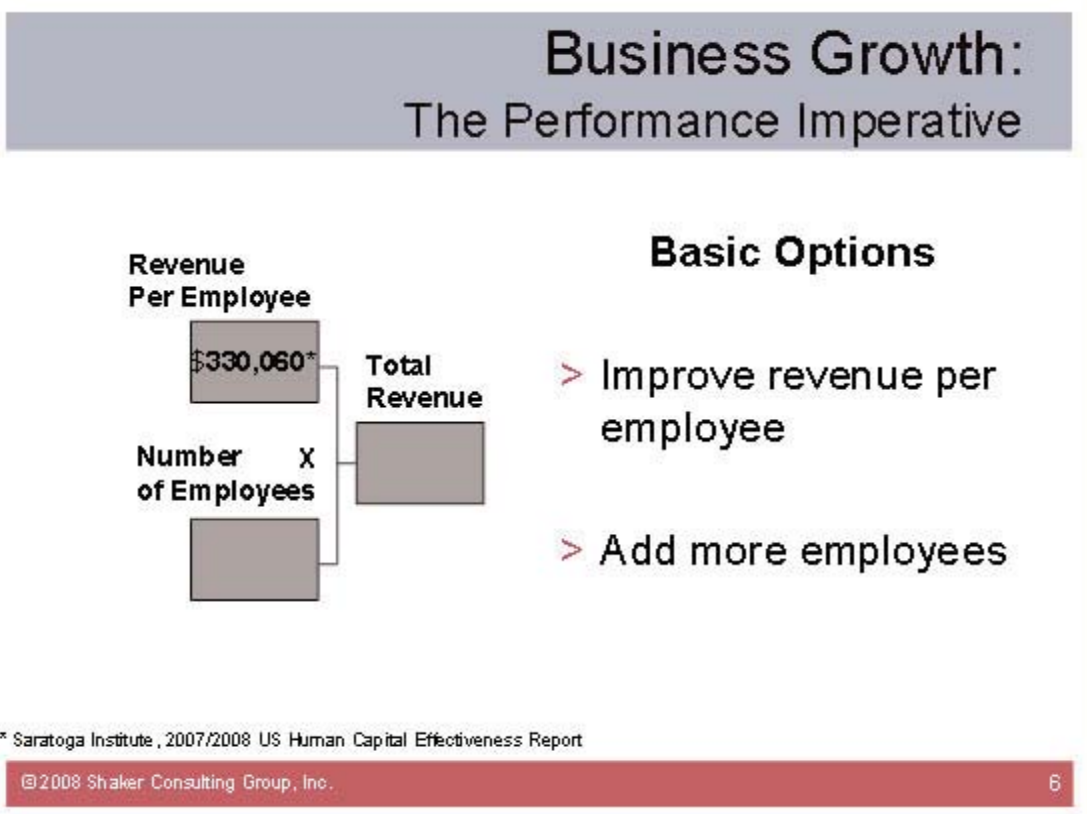


Figure 3



This pries open an even bigger talent to jobs gap.

BUSINESS GROWTH: THE PERFORMANCE IMPERATIVE

Businesses have several options to achieve profitability. A business can sell more products or services, reduce costs, or do a combination of both. This doesn't necessarily lead to growth. True business growth depends on the performance imperative, and that is tied to talent. Figure 3 outlines the basic options for growth.

The key to growth, Murphy notes, is to increase profitable revenue. On the macro level, a business is a fixed process with inputs and yields. Therefore one way to grow the business is to increase the productivity of the employees you already have, change the process. This can be done a number of ways - better tools, more attractive incentives, and good performance management. An alternative solution, however, is simply to add more employees - in this equation, more employees equals more revenue.

Simply adding more talent, while a solution, might not be the most effective way to increase revenue and encourage growth. Murphy believes there are four actions organizations should take to make sure that recruitment efforts link to a business and encourage growth.

- Workforce Planning

"Know your headcount and competency requirements. Have a plan on what it will take to fill your open requisitions."

- Staffing Process Improvement

"Use a rigorous and standardized process to drive operational excellence. Document and report the impact of employee performance and trends in workplace productivity."

- Measurement Infrastructure

"You've got to capture, analyze, and report the data that documents the inputs and yield of your staffing process, so that you can support your decisions with objective data."

- Evaluation and Action

"Learn from experience and make changes based on it."

With Murphy's four action steps in mind and the data associated with each in place, companies can approach the intricacies of talent pipelines and pools with more confidence, and the ability to discern what will be of value to them. Yet a surprising number of companies have no workforce planning in place, or if they do, the plan doesn't cover the entire company. In a poll conducted during the January 17 webcast on which this paper is based, 35% of respondents didn't know if their company had a workforce plan (an indication that one might not exist), and 23% said their workforce plan covered only 50% of the company. Murphy believes this is a strategic business mistake. He recalls a utility company with which he worked that suddenly realized that over half its linesmen were about to retire in the next couple of years. This company had

done minimal recruiting for linesman. "The recruiting and training challenge presented by this single job family was a wake up call. The utility had to scale up its recruiting and training departments to handle the increased workflow and demands of a new talent pipeline."

TALENT PIPELINES AND POOLS

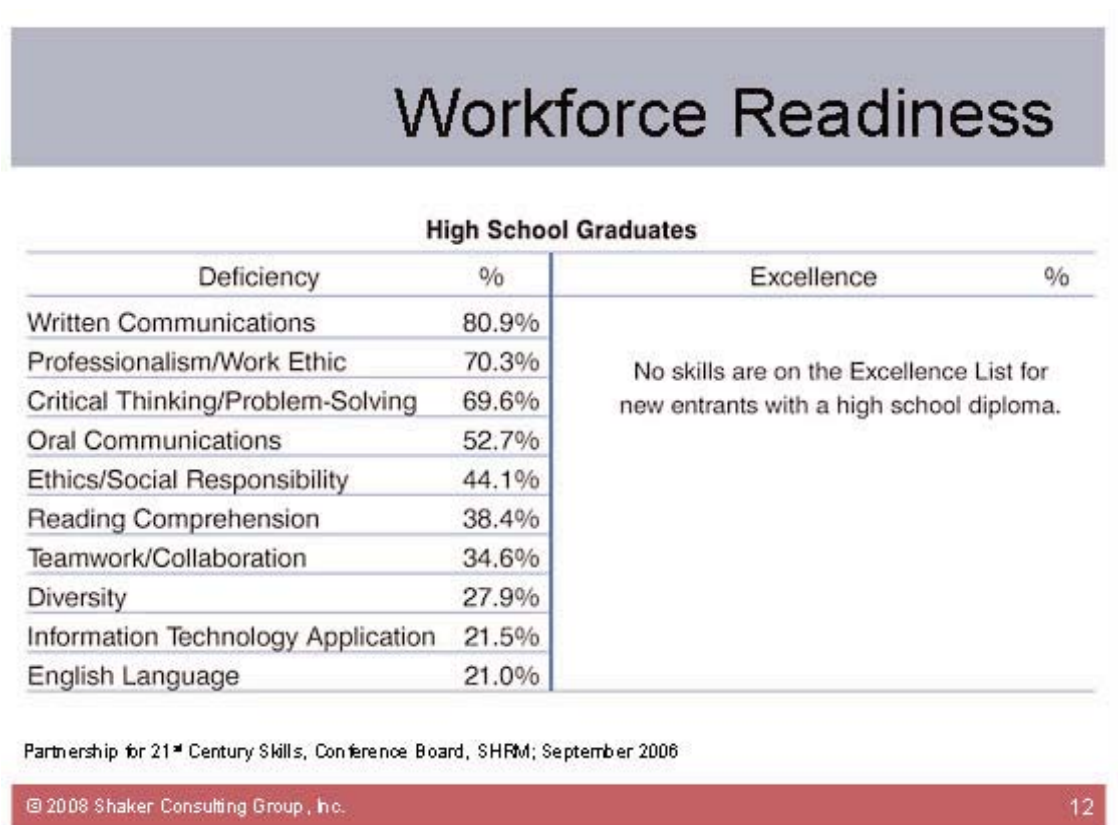
Murphy advocates asking some pertinent questions when you look at talent acquisition. Supply chain management is crucial to the success of the effort. Can some of your talent acquisition activities be outsourced? Can certain categories of talent be effectively managed by an outside firm, allowing you to concentrate on positions that require specific high-end skills? Can you develop, or do you have, internal resources to do some or all of your own recruiting? Murphy also suggests that companies look closely at the process they have in place and

whether they make the best use of technology. "Many companies seriously underutilize their applicant tracking systems. This technology must be used to effectively manage the recruitment process."

A company's own candidate (talent) pool is a valuable resource that requires relationship management skills and tools. Murphy notes that once candidates enter your system they require frequent touches, including exposure to the company brand. "More automation and technology applied to candidate engagement allows you to attract the best talent and manage them efficiently." The methodology and strategy most likely to engage qualified candidates can be refined over time by closed-loop analytics that derive learning from experience.

Another consideration is vertical integration. Whether outsourced or not, it is best practice to

Figure 4



make sure the recruiting effort encourages a direct line from business to recruiting sources such as colleges and universities and even secondary schools. In fact, Murphy describes business partnerships with high schools as a growing trend, in large part because the business community has expressed growing concern over the academic readiness of younger workers. Figure 4, from a 2006 study, demonstrates why.

"High school students are deficient in every area that businesses consider necessary skills," says Murphy, "and this has prompted an increasing number of companies to form partnerships with schools and become involved with re-shaping or re-directing curriculum in order to meet their future needs."

Murphy observes that more and more companies are taking a wider look at potential talent - not just their "corporate" path but their individual life paths. "Essentially, businesses are looking to build a better candidate, and this means reaching possible future job candidates while they're still in school."

ACTIONS TO TAKE

In order to get your recruiting effort to align with your business strategy and goals, Murphy recommends four actions to take right away:

- o Thoroughly audit your attrition and retirement data
- o Conduct market research to establish the extent of talent shortages in areas critical to your business plan

- o Identify your talent risks and assess your opportunities to counter them
- o Develop a staffing plan for your recruitment efforts to sustain the business plan for your company

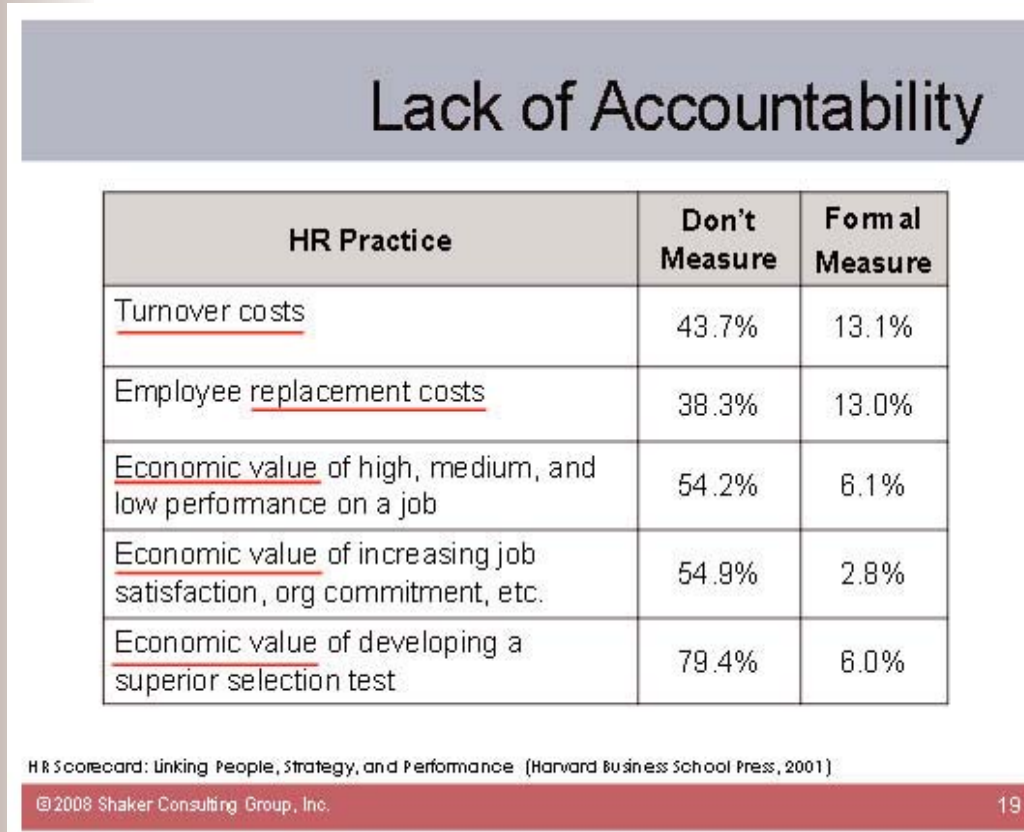
In the second poll conducted during the Jan 17 webcast, Murphy asked participants how many knew how much it cost their company to take a new hire and bring that hire to proficiency in the job. Fifty-five percent had no idea; another 38% combined thought the cost was \$5000, \$15,000, or \$50,000.

Part of the "disconnect" revealed in the answers is in the way companies collect data. Murphy has worked with businesses that expressed turnover in terms of a percentage. "You can't crunch percentages," he notes. If turnover (and attrition) are expressed as a percentage, it's essentially impossible to attach a dollar amount to the loss of an employee - and equally impossible to accurately determine the cost of a replacement, apart from salary and benefits. Murphy draws an analogy from the world of manufacturing. "If the manufacturer didn't know the cost of taking raw goods to a finished product, how could the company possibly compete?" So it is with talent, he argues, and if companies don't know the cost of replacing, onboarding, engaging, and retaining new hires they will be at every bit of a competitive disadvantage as a widget maker who doesn't know the cost of turning raw materials into a finished product.

Another reason for a lack of data is tied to the question: "Who owns the budget for staffing waste?" Murphy has found that it is most often the end user

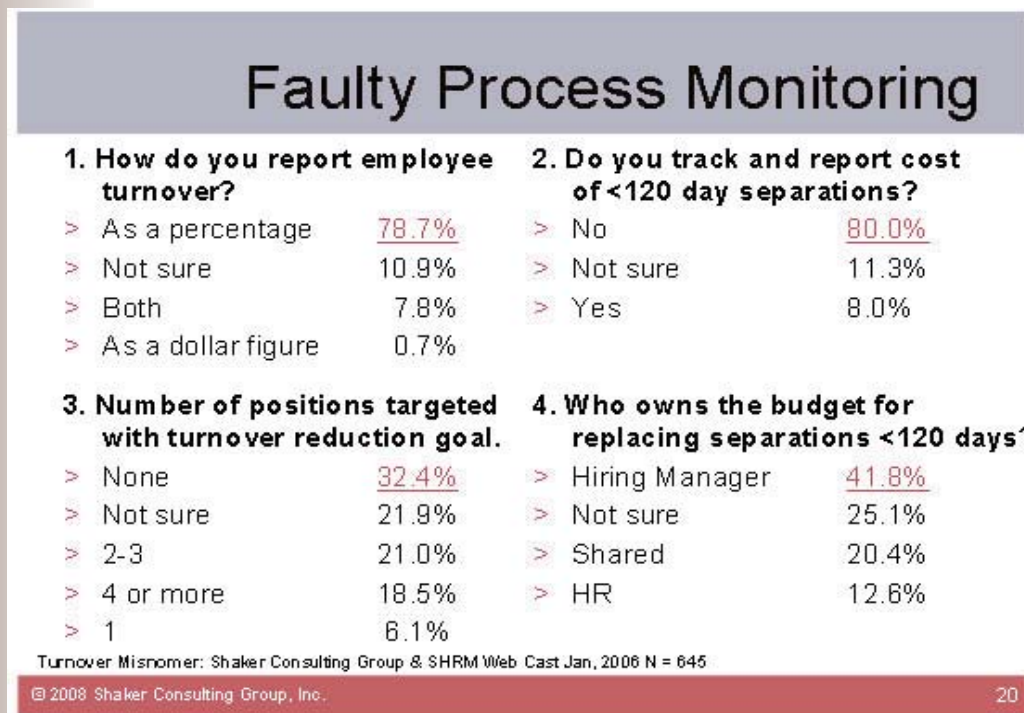
of the staffing process, (the hiring manager) absorbs the cost of waste and re-work. In organizations with a limited accounting focus on the dollars associated with on-boarding, staffing waste and re-work are often buried in the overall costs of doing business.

Figure 5



A study published in the landmark book the HR Scorecard, documents how widespread the lack of fundamental measurement discipline exists in organizations. This is where the CEO fails. The CEO does not require rigorous measurement and reporting and the CFO has not collaborated with the CHRO to develop a sound measurement infrastructure.

Figure 6



Murphy suggests a number of actions to address lack of accountability and poor monitoring practices. First, develop structure, rigor, and discipline in the process. By all means leverage technology to make data capture, tracking, and analysis easier. Second, implement objective candidate evaluation methods. This entails con-

ducting validation analysis on positions with the highest volume hiring requirement. Third, partner with the CFO to create process accounting methods for coding, capture, and analysis. This means reporting on the value and ROI of staffing initiatives, and reducing staffing waste and rework. Murphy remarks that gaining the support of the CFO is an important component - the CFO lends credibility to recruitment efforts and is also a bridge between recruiting and the business strategy it needs to support.

MEASURING VALUE

In the third and final poll conducted during the January 17 webcast, Murphy posed the question, Which best describes the type of reporting about staffing you present to the C-Suite today? Fully 76% of the participants said their company measures cost-of-hire, time to fill, and turnover as a percentage and these are the numbers reported to the C-Suite. Eleven percent measure and report cost of turnover and the cost of replacement hires. Even fewer, 5%, measure process-related new hire productivity levels and performance trends. And a mere 3% measure and report process initiatives ROI. "It's easy to capture costs, harder to capture ROI," Murphy observes, and therefore this absolutely vital measurement is seldom reported.

"If you report costs," Murphy continues, "the CEO says, 'make it smaller;' if you report value, the CEO says, 'make it bigger.'" That's because creating value in a company attracts resources. The solution is to report both in a balanced way. Tracking costs can lead to cost-reduction efforts that might benefit the company. However, reporting value results in more visibility and support.

There are three Value Needs, or Value Streams, identified by Murphy as important to every recruitment effort. They are:

- o Candidate Experience
- o Recruiter Resources
- o Business Results

Candidates are decision makers. If a candidate does not have a good initial experience, Murphy explains, there's little hope in getting him or her to the next step. The website needs to be informative, insightful, and engaging. "I was once reading a job description on a company's website. Somewhere about halfway through the third page I read, 'We hope you find this opportunity exciting.' No one, and certainly no young person, is going to be excited about a three-page job description! He or she will have dropped off long before the third page." Candidates need to feel that their on-line and personal experiences provide the information they need to make an informed career decision. Your web site must differentiate your company in the eyes of the candidate.

Recruiters are decision makers. The resources available to the recruitment staff must provide objective candidate evaluation data. The decision to hire someone will always be an act of personal judgment. However, the data used to support that decision should be grounded in research on how well it predicts job performance. The data used in hiring decisions should drive workforce differentiation. Most companies say they are different than their competitors. Few companies have the data to define and take advantage of that differentiation in the selection process.

In addition, the candidate experience should create attraction - word of mouth, or viral marketing can be one of the most valuable resources for a recruiter. An excellent indicator of a high value recruiting experience is the degree to which candidates talk to others in a favorable way about your company. This is the real equity of your employment brand - candidate attraction. A good employer brand generates word-of-mouth advertising and can improve the pipeline of high quality candidates.

Figure 7, Murphy says, is where a company wants to be - and can be - when the first two Value Needs are met.

The third Value Need is the bottom line. Better talent can give a company the competitive edge it

needs. Cost of hire is not a metric or a focus that contributes in a meaningful way to profit. Productivity, and the ability to attract the best talent, are.

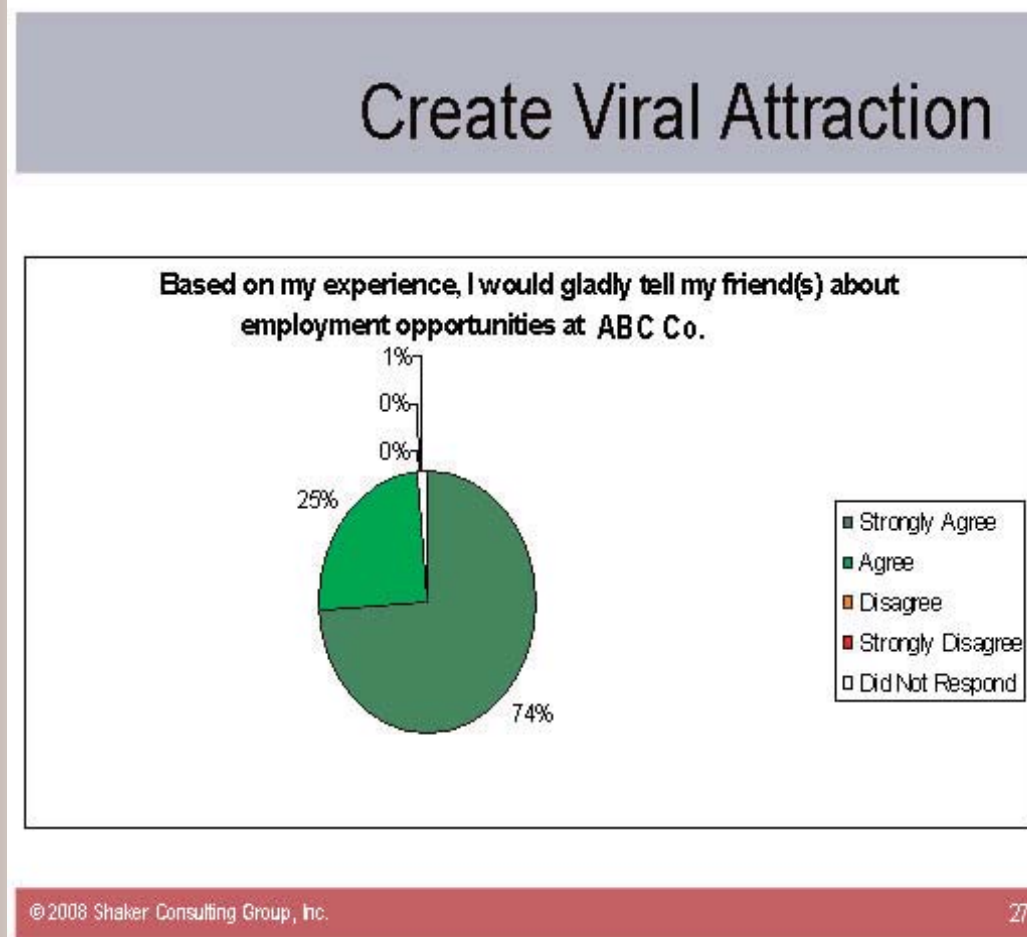
Where does one find the evidence of value initiatives? When a process delivers on its potential is one indicator. For one company with which Murphy worked, the evidence came when the VP of Operations in a world-wide retail company said to the head of Global Staffing, "I am so glad to see you have let go of chasing turnover and are now focusing on operational outcomes." What the head of Global Staffing did was conducted validation analysis that documented the relationship between candidate evaluation scores and the business outcomes of: store profit growth, store associate retention, and higher engagement scores on the company survey.

Staffing had evidence of how decision making in the hiring process would contribute to the business.

CONCLUSION

Recruiting operations have assumed strategic importance in the last few years, as company after company has seen the current and worsening talent shortage writing on the wall. Finding and keeping good talent is vital to a compa-

Figure 7



ny's growth and prosperity. While Joseph Murphy agrees with this he also argues that it's time for businesses to take the next step, and link their recruitment strategy directly to their business strategy with every hire. To do this will require a partnership with the C-Suite, meticulous measurement of all costs, and a focus on the long-term ROI of recruitment initiatives.

Based on the Human Capital Institute webcast, *From the CEO's Desk: When Recruiting Succeeds and When it Falls Short*, January 17, 2007

PRESENTER

Joseph Murphy

Vice President

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Joseph P. Murphy is a Principal and Vice President of Shaker Consulting Group, Inc. Shaker Consulting Group is a pioneer in on-line candidate evaluation and developers of the Virtual Job Tryout®. Mr. Murphy has over 25 years of experience in human resources. His work focuses on helping recruiting teams improve the objectivity and yield of their staffing process and documenting performance gains through better use of metrics.

Mr. Murphy currently serves on the board of the Northern Ohio Human Resource Planning Society (NOHRPS) as the Program Chair. Past roles in volunteer leadership have included: Content Expert for the Society for Human Resource Management (SHRM) as a member of the Workforce Staffing Panel; Regional Vice President and Board of Directors for the Employment Management

Association (EMA); Chair of the NorthCoast EMA Steering Committee; Co-Chair of the Cleveland SHRM Pinnacle Award winning HR Mentoring Program.

He has spoken on issues of Staffing Waste, Quality of Hire, Staffing Metrics, and Assessments to notable gatherings and events such as: HR.com/VIEW, Kennedy Information, ERE Expo, EMA National Conference, SHRM Metrics Forum webcasts, and numerous SHRM and EMA chapters. Mr. Murphy has published research on staffing practices with SHRM and Staffing.org. He has been published or featured in articles in media sources such as HR Magazine, The Chicago Tribune, The Washington Post, Staffing Management, ERE.net, HRTestsBlog, HR.com, and CBSMarketwatch.com

MODERATOR

Amy Lewis

Amy Lewis is the Director of the Talent Acquisition Community at the Human Capital Institute. Amy's work and passion involves researching and facilitating topics of the greatest interest to specialists and leaders devoted to hiring top talent at their organizations. Prior to joining the Human Capital Institute, Amy served in corporate recruiting roles at several large financial services companies, and had the opportunity to focus on recruitment-related technology, processes and best practices. She is also an articulate advocate for talent acquisition as an indispensable tool for competitive advantage in the global marketplace, and currently holds the AIRS designation of Advanced Certified Internet Recruiter.

ACKNOWLEDGEMENTS

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ABOUT VERITUDE

The logo for Veritude, featuring the word "Veritude" in a blue, serif font. The letter "V" is significantly larger and more prominent than the other letters.

Veritude® helps you achieve your business goals by enabling you to assess, plan and staff your workforce for competitive advantage. We offer a variety of services and products that deliver results, including: Recruitment Process Outsourcing Staffing Services Managed Services Consulting Services

ABOUT THE HUMAN CAPITAL INSTITUTE

The Human Capital Institute is a catalyst for innovative new thinking in talent acquisition, development and deployment. Through research and collaboration, our programs collect original, creative ideas from a field of top executives and the brightest thought leaders in strategic HR and talent management. Those ideas are then transformed into measurable, real-world strategies that help our members attract and retain the best talent, build a diverse, inclusive workplace, and leverage individual and team performance throughout the enterprise.