



VeriHire: Review of Selection Process for Predicting Future Performance

Consultant Guide

- Given the costs of mis-hires the cost of doing nothing can quickly be determine through a Veri-Hire Audit.
- This deck is intended to orient consultants to the Veri-Hire Process.
- The Veri-Hire Process is a fast process to assess how effectively an organizations is currently selecting it talent. This audit is done at the position level.
- The Veri-Hire Process uses applied research that quickly determines strength and risks for a selection process for a defined position (e.g., tire builders, customer service representatives, municipal workers, sales, service professionals, etc)

Reading List re Cost of MisHires

- *More Than Half of Companies in the Top Ten World Economies Have Been Affected By a Bad Hire*, according to CareerBuilder Survey:
<http://www.careerbuilder.ca/share/aboutus/pressreleasesdetail.aspx?sd=5%2F8%2F2013&id=pr757&ed=12%2F31%2F2013>
- The Future Foundation Study, cited by Laurence Karsh, “The Hidden Costs of Poor People Management”, www.inc.com, December 1, 2004
- Robert Half International, “One Bad Apple”. <http://rhfa/mediaroom.com/bad-hire>
- Jorgen Sundberg “What is the True Cost of Hiring a Bad Employee?”
www.TheUnderCoverRecruiter.com
- *The Incredible Cost of a Bad Hire* by Dr. Wendell Williams Oct 11, 2001 blog, discussing results from *The validity and utility of selection methods in personnel psychology: Practical and theoretical implications of 85 years of research findings*. Psychological Bulletin, Sept 1998, Vol. 124, No. 2, pp 262-274.

Introduction to Veri-Hire

Purpose: To quickly verify whether the current hiring process is predicting future performance in a particular position.

Value proposition: to save money through improved hiring efficacy

- quantify success rate
- identify opportunities to improve hiring efficacy.

Application: An ideal strategy for any position that annually hires at least 5 into a particular position.

Outcome:

- a benchmark on selection effectiveness
 - a report providing insight re current process risks
 - recommendations for improving selection process if appropriate
-

Typical Hiring Practices



Only about 1/3 of employees hired through career sites and 22% of hires through job boards remain in the job a year later.

Jobvite 2013

With replacement costs for many positions averaging close to the annual salary of the position – this is an expensive and inefficient means of making hiring decisions.

Many organizations don't verify whether their selection process is valid. Veri-Hire is a low barrier to action offering for validating the hiring process.

Typical Hiring Metrics



- Number of hires per year
- Average time to fill a role
- Percentage of diverse candidates
- Percentage of diverse hires
- Interview-to-offer ratio
- Offer-to-acceptance rate

Typical Practices Are Often Disappointing



- More than half of companies in major economies have been affected by a bad hire (66% in the US).¹
- US Department of Labor estimates that the hard replacement costs of a new hire is 33% of the position's salary
- In 2004, American employers were devoting \$105 billion per year to correct problems associated with poor hiring and people management practices.²
- 23% of American workers believe their colleagues are incompetent.²
- Managers in larger organizations are spending 8 weeks per year managing poor performers.²
- For a mis-hire earning \$100,000 per year, the organization spends about 150 hours attempting to fix, train, or do some type of damage control.³

Typical Practices Miss The Mark

- Poor hiring decisions cost more than just replacement costs
 - Higher turnover rates
 - Higher need for intensive supervision¹
 - Erosion of employee confidence in organization
 - Longer learning curves
 - Undermining of workplace culture
 - Lower productivity and effectiveness
 - Negative impact on client relations

Action: Measure the output, not only the process

Typical Replacement Variables That Are Costed



Advertising, job postings

Recruiter fees

Interview expenses

Bonus signing

Travel expenses

Relocation pay

Company marketing materials

Pre-employment assessments

Background checks,

Medical exams and drug tests

Interim employee costs

Overtime costs

Learning curve

Resume screening

Interviews: first, second, third

On-boarding

Training

Mentoring

Case Study Example: Cost of Hiring Wrong



How costly? The answer depends on the level of the employee in organization, and just how bad a decision it was... but it is a lot

Position	Est. Average Compensation	Standard Deviation	Number of Jobholders	Over One Year	Over Five Years
Unskilled/ Semi-Skilled	\$40,000	19%	100	\$760,000	\$3,800,000
Skilled	\$50,000	32%	50	\$800,000	\$4,000,000
Manager/ Professional	\$60,000	48%	25	\$720,000	\$3,600,000
Totals				\$2,280,000	\$11,400,000

The Incredible Cost of a Bad Hire by Dr. Wendell Williams Oct 11, 2001 blog, discussing results from *The validity and utility of selection methods in personnel psychology: Practical and theoretical implications of 85 years of research findings*. Psychological Bulletin, Sept 1998, Vol. 124, No. 2, pp 262-274.

Veri-Hire Process



- Typically, no face-to-face time is needed.
 - This solution can be administered via phone and email.
- \$3900 for one Position; \$3400 per position if multiple positions.
(Estimating one day of consulting time.)
- **Client Actions**
- Pick the position that will be reviewed (recommend a high value position they will care about, and where \$\$ will add up quickly)
- Complete Tool 1 on-line. (If doing more than one position, this only has to be done once)
- Determine if client is clear on their replacement costs (if not, provide them with calculator tool)
- Get average sick day, number of discipline, WCB and other insurance claims for workforce or for positions?
- Pick 15 employees: Five low performers, five average, five top performers.
- Complete one Predictive 2 On-line Survey.
 - Note: the employer will be coached to prior to starting to review the predictive 2 PDF to determine what information they can access at the employee level

Veri-Hire Right Model



1. Select position for hiring verification

Client selects the position they want to veri-hire audit. For the highest efficacy it is important to compare one profile. Request client to send the job profile/description for position being audited

2. Conduct Discovery

Client completes on-line Recruiting Discovery (predictive tool 1) that provides a snapshot of structure and maturity of the current recruiting and selection process

3. Calculator (optional)

Client is asked if they are aware of the replacement cost of the position being audited. If they do not know there is a value-add offering that is free and optional to client

4. Veri-Hire verification

Veri-Hire Analysis –Consultant contacts client to obtain what internal data client has on the 15 employees are selected. Client is informed it will take about 5 min per employee to complete on-line tool provided they have the data at hand (Tool 2)

5. Report

Report –provides a summary of predictive tool 1 and finding of the position audit

6. Validation & Monitoring

Based on the finding of the report - there may be recommendations and suggestions for validating recruiting process and for measuring and monitoring

Step 1 –Position Selection



- Client's choice of position(s)
 - High hire frequency (5+ times per year)
 - High value to organization (reflected in wages and in client assessment of criticality to success)
 - Minimum of 15 people in the position

Step 2 –Global Snap Shot



- Sector
- Size (FTEs and actual numbers)
- Hiring activity level (annual) (all positions)
- Reasons for hiring (replacement of vacated positions or growth)
- Centralized or decentralized hiring
- Existence of
 - a defined hiring strategy?
 - a defined annual hiring plan?
- Tracking new hires against the business plan?
- Reporting on the number of positions opened and filled each month?
- Tracking of workplace diversity?
- Status of recruitment/selection/performance management tools
- How recently were job profiles or descriptions audited for accuracy?
- Employee Value Proposition: Why Do They Come? Why Do They Stay?
- Sourcing candidates from where?
- How do you choose successful applicants?
- Hiring Costs
- Selection & Performance
- Selection methods
 - Case Studies, Demographic/Diversity considerations
 - Drawer tests, Manual review for job profile match
 - Outsourced HR service to review for job profile match
 - Psychometric /personality profiling for likely success
 - Role-play interviews, Seniority of internal candidates
 - Situational Interviews, Skills test result
 - Structured Behavior Descriptive Interviews (BDI)
 - Two-person interviews
- References check methodology
- Metrics and Benchmarks
 - % of applicants hired
 - % of vacancies filled within 1 month
 - % of hires from internal sources
 - % of revenue budgeted for recruiting
 - % of hires completing probation period
 - % of hires receiving satisfactory evaluations at 2 year anniversary

Step 3 – Costs of Mis-hires

Do you know the replacement costs of this position?

Turnover + Mis-hire costs

Client will have option of completing an intuitive survey that will help them flesh out the estimate cost to replace one FTE.

For Example:

Turnover

Estimated Cost to replace one manager: 4-6 times salary

_____ x 4 = _____ TOTAL

Mis-hire

Poorly performing employees

_____ x 2 x _____ = _____ TOTAL

Average Employee Salary # of Marginal Employees

Estimated Cost: 4-6 times salary

_____ x 4 x _____ = _____ TOTAL

Average Manager Salary # of Poor Managers

Estimated Cost: 6-8 times Salary

_____ x 6 x _____ = _____ TOTAL

Average Salary of High-Level Performers # of Lost High-Level Performers

Step 4 – Position Specific Predictive Tool 2 Data Analysis



Performance Scale:

3 - 9 items – scale of measure 1 (low confidence) – 5 (high confidence) – range 9- 45

#5---marginal performer = 1, **Average performer =3, above average =5, Top performer =7 – range 1-7 (update survey to align)**

#6 - take employee score compare against highest possible score to convert into a percent score.

Convert to percent to raw score (55-60%=1, 60% -65% =2, 65-70% =3, 70-75%=4, 80-85%=5, 85-90%=6, 90-95%=7, 95-100%=8 –range 1-8

Total Range 11- 60

#7 – **For each of the four indicators** – sum the four scores and minus from the # 3, 7, 8 score to get total performance score – *the higher the score the more likely the employee is a top performer*

Selection Scale:

#4 For each of the five items scored – total score: Met Min Standard =2, Strong =4 and Outstanding =6.

Total Range – 9- 36 the higher the score the more confidence in the hire

Key Analysis: Pearson r correlation stat for Performance vs. Selection scale

Step 5: Veri-Hire Position-Specific Report

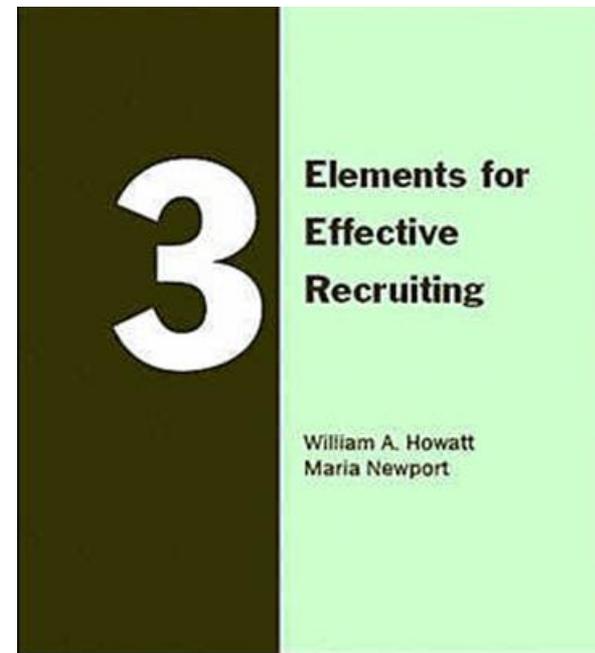


- Position Title
 - Global Summary predictive tool 1,
 - Cost of replacement
 - Correlations in Predictive 2
 - Strengths
 - Risks
 - Recommendations
-
- **Lets design a sample report – good point – (see attached in email for a start)**

Consultant Background Resource



If a key to an organization's success is its talent, does it make sense to position the activity for replacing talent as a simple action of interviewing new candidates? How can a company find the right talent without knowing clearly what it needs; without having a clearly defined job description that spells out the specific core competences for the function; without a strategic recruiting process for hiring the right person the first time? The reality is too many organizations fail to make recruiting a priority and waste resources on ineffective hires. There's a tendency for some companies to assume that the job descriptions stored in their HR databases and trundled out whenever someone leaves or when senior management decides to expand a business are gospel, despite the lack of any current organizational or job analysis. Is it conceivable, then, that the recruitment process in many organizations is invalid or unreliable for both measuring employee effectiveness and finding the right talent the first time?



Talent Management Volume 8





For more information or to book audit contact

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