

Performance

Performance

Productivity

Productivity

Error Rates

Error Rates

Manager Satisfaction

Manager Satisfaction

Employee Satisfaction

Employee Satisfaction

Employee Retention

Employee Retention

Cost of Hire

Cost of Hire

Quality of Hire

White Paper

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"I am convinced that nothing we do is more important than hiring and developing people. At the end of the day you bet on people, not on strategies."

Lawrence Bossidy, Former CEO, General Electric

Measuring Quality of Hire: You Can't Improve What You Can't Measure

Perhaps one of the most controversial and misunderstood terms in the world of HR is “Quality of Hire” or “QoH.” This isn’t surprising, since the term means different things to different people and different companies. It’s an approach that puts numbers to the often hard-to-quantify factors that add up to a good hire versus a bad hire. The dilemma that inevitably occurs when discussing quality of hire is whether it refers to metrics that predict whether a candidate will become a successful employee, versus metrics that summarize how well an employee performs once he or she’s been hired.



Whatever the definition, there’s merit and a definite advantage to exploring what quality of hire can mean to your organization, how it can be harnessed, and how it can ultimately yield positive results like increased productivity and decreased turnover rates. Understanding how quality of hire can work for a company—when it’s defined in a way that makes sense to the company’s specific set of circumstances—can help yield unique results.



This white paper examines just that, starting with working definitions of quality of hire, why it's important to understand and utilize its power, how best to measure it through metrics and best practices, and what recruiting tools can be applied to maximize it.

What is Quality of Hire?

As mentioned above, the focus of applying quality of hire metrics is usually divided into two camps that can be simplified into “before hiring” and “after hiring.”

BEFORE HIRING

The “before hiring” camp defines quality of hire as a series of metrics that can help employers predict which candidates will be successful on the job. The “before” definition also often includes metrics that can help improve the actual hiring process, from time to fill a position to cost per hire. These metrics focus on the recruiting process itself, not what happens after the candidate has been hired.

Whether from the hiring manager's perspective of finding higher quality candidates, or the recruiter's perspective of speeding up the hiring process, quality of hire “before hiring” can have a significant impact on a company's performance. The key is to break down the hiring process into steps that can be measured

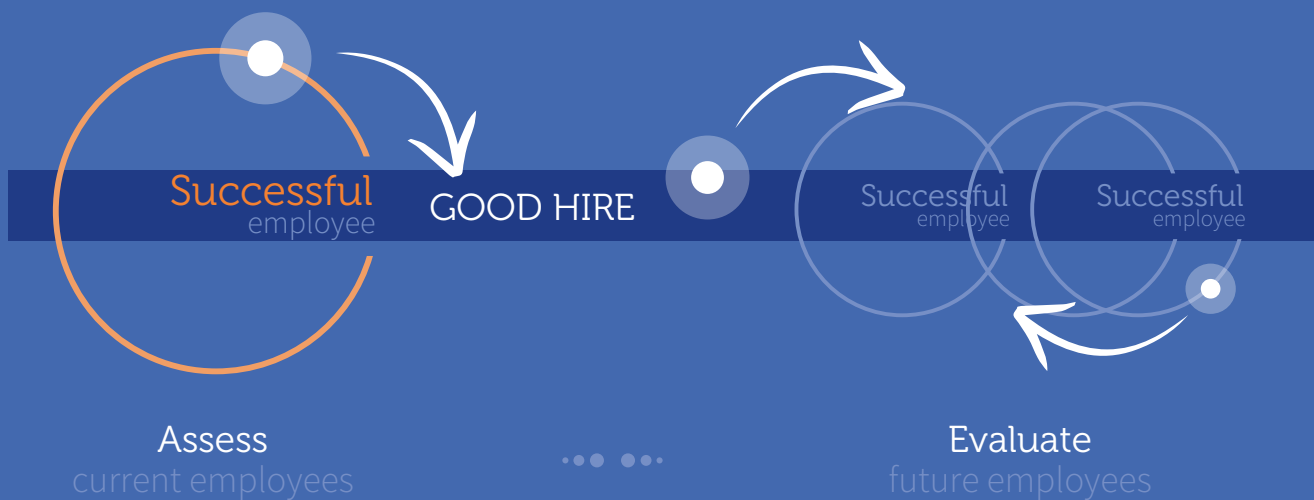
AFTER HIRING

The “after hiring” camp argues that quality of hire is determined by employee performance. Once a candidate has been hired, metrics can be used to find out whether he or she has been excelling on the job, meeting demands, and reaching peak productivity. This can be seen as a parallel definition to product quality, whereby a company gathers information about the quality of its products, like the error rate during production or the number of defective products, within a given time period.

This type of approach assesses the value of new employees based on how they are contributing to the company's future success. Are they meeting industry standards for productivity? Are they excelling in their departments? Do they

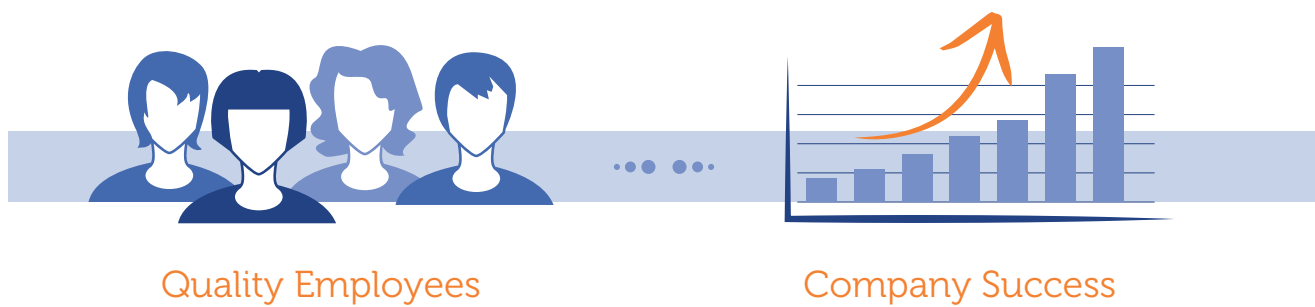
objectively in terms of time and monetary costs. Then, the different approaches your company takes—whether posting to online job boards or reaching out through LinkedIn, for example—can be quantified and compared.

show advancement potential? Quality of hire “after hiring” can help companies keep track of the quality of their staff as it relates to productivity, performance, retention, and advancement. Again, putting percentages on your employees’ performance as compared to industry standards can show you the bigger picture and whether your expectations are in line with reality.



There is an additional consideration that combines the “before hiring” and “after hiring” approaches. Many companies assess their current employees, both those considered successful and those considered not successful. From the results, the company can produce a profile of what a “successful” employee looks like, to determine the skills and abilities needed. They can then create assessments to give to candidates in the “before hiring” stage, in order to better evaluate whether candidates “fit” with the company and the position. Many insurance companies, including Met Life, have used these kinds of assessments for years to identify successful sales candidates.

Why is Quality of Hire Important?



Whatever the definition, there can be no doubt that evaluating and perfecting the ways in which a company hires quality employees is paramount to its success. As quality of hire has become a hotter topic in recruitment and HR, more employers and managers have begun to look for ways to ensure they're getting the best talent out there. They understand that hiring top candidates can directly influence productivity and profitability, and they are acutely aware of how much poor performers can cost the company in time and money.



Without solid measures in place, the quality of hire for a given company can easily fall through the cracks. Sure, the positions will keep getting filled, but maybe not in the most effective and efficient way, or by the best possible candidates who will advance the company's goals.



"The secret of my success is that we have gone to exceptional lengths to hire the best people in the world."

Steve Jobs, Co-Founder and Former CEO, Apple Inc.

Measuring Quality of Hire: Metrics

Understanding how quality of hire can be applied within a company is the first step in determining what metrics to use in order to measure it. Here are some of the basic metrics widely used to measure quality of hire.



Pre-Employment Skills Assessments:

If the goal is to hire quality candidates who will excel in their jobs, you should consider using [testing and assessment tools](#) that narrow down the candidate pool as part of your recruitment process. These tools can help determine the likelihood of a candidate being successful, based on his or her specific skills and experience. When using assessments, however, it's important to first have a benchmark of what a "successful" employee looks like. Understanding the people who've already proven to be "quality hires" is a critical step in determining who will be a "quality hire" in the future.



Employee Performance:

Determining how new hires are performing after a specific amount of time on the job is a key metric to evaluate whether they are doing as well as expected. Average job performance outputs can include individual sales, goal completion, revenue generated, etc. In reality, performance is the ultimate test of a quality hire. Does the person do what he or she was hired to do, in the manner it's supposed to be done, to produce the expected results?

Measures of employee performance include the following:

••• EMPLOYEE PRODUCTIVITY

Once an employee is hired, companies can look at the time it takes him or her to reach optimal productivity level. Failure to reach the pre-determined desired level of productivity by a certain time can indicate a poor hiring choice.

••• EMPLOYEE ERROR RATES

Every job comes with a learning curve and new hires should adapt to that curve within a certain time period, at which point the number of errors they make should drop significantly.

••• MANAGER SATISFACTION

Hand-in-hand with performance is the manager's evaluation of that performance. Making sure that managers conduct timely employee performance reviews is critically important to helping your new hire get on track and stay on track. Managers should not let new hires go too long without conducting some form of performance evaluation. HR needs to request managerial feedback early, and then on an ongoing basis. Sending out surveys can help determine a manager's satisfaction with a new hire and give HR an early warning if a new hire is not living up to his or her potential. These can be some of the most useful tools in identifying whether new employees are succeeding or not. A quality hire is not a "once and done" operation.

••• EMPLOYEE SATISFACTION

Feedback from new hires is critically important as well. When it comes to measuring quality of hire through an effective recruitment process, new hire satisfaction is invaluable. From how they were treated by the recruiter to the ease or difficulty of the recruitment process itself, employees can help you determine if your company is recruiting the right way or wrong way. Feedback on the orientation process and the ongoing "onboarding" efforts all contribute to employee satisfaction. An employee who feels that he or she "belongs" is going to do better work and thus be considered a higher quality hire.

••• EMPLOYEE RETENTION

Quality of hire can also be measured by the voluntary turnover rate. The less voluntary turnover, the better the company is doing at hiring the right candidates. Determine the percentage of new hires that stay with the company for one year, for two to four years, and for more than five years. Involuntary turnover rates are important as well. Terminations are an indication that something is broken in the hiring process or in the ongoing management effort. Either way, these are important numbers to look at consistently.

••• COST OF HIRE

Finally, a metric that cannot be ignored is the actual cost of hiring new employees. Consider the overall cost—including time, since time is money—required to hire a new employee. The starting salary is also a factor, as is whether salary offers are being accepted immediately (Is the company offering higher salaries than are standard for the position to get candidates?) or rejected more often (Are the starting offers too low?). A number of additional things go into cost per hire, such as travel expenses, advertising expenses, employment fees, relocation costs, and more. Hiring is not cheap, even for hourly workers. It is best to analyze where your dollars are being spent in order to more effectively manage your budget to get the high quality hires you desire.

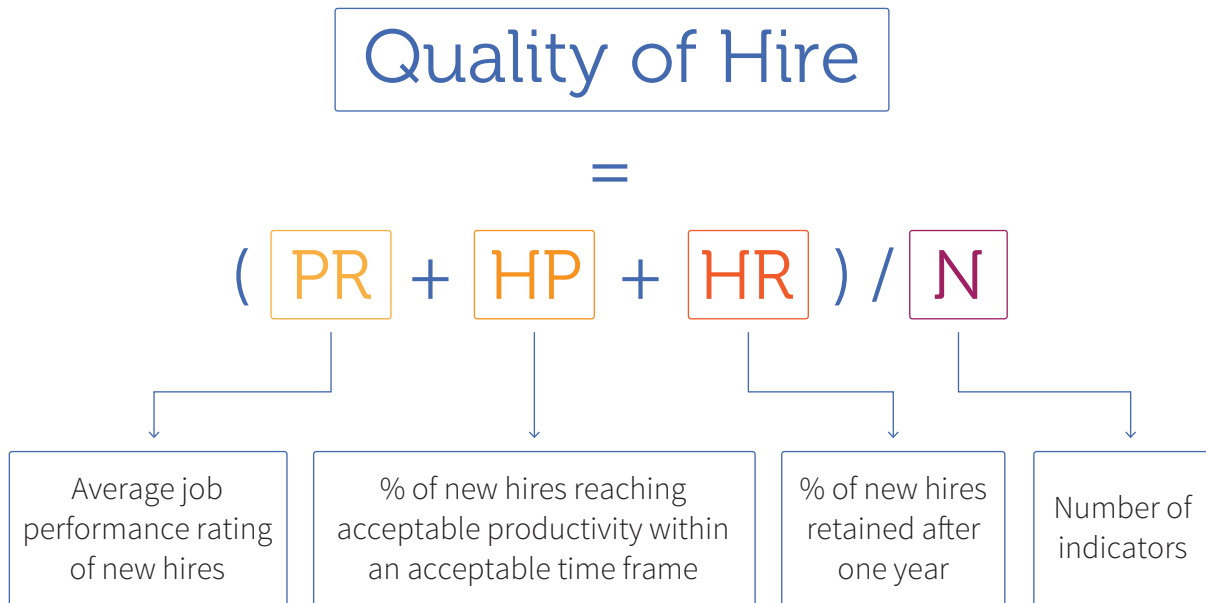


"Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it."

H. James Harrington, Management Mentor and Author of Business Process Improvement

Calculating Quality of Hire:

Calculating Quality of Hire is not just an exercise in judgement. There is an accepted formula for making this calculation. The most common formula is the following:



For example:



You can adjust this formula to accommodate different time frames. In this example, we measured over one year, but you can just as easily measure over a business quarter or a 5-year time frame, depending on the financial period you want to tie the metric to.

Obviously, this metric is a lagging indicator of quality of hire, since you are making this measure after the fact. The first time you do this for your workforce will provide a baseline measure from which all future calculations can be based. Combined with the leading indicators of quality of hire, such as assessments and candidate profiles, you should be able to hone your company's hiring practices to increase the quality of talent within the organization.

The key is tying your talent management strategy and measurements to your organization's business objectives and results. Tie revenue per hire to dollar impact across your organization whenever possible, in order to demonstrate the value of high-quality performers.

Measuring Quality of Hire: Best Practices

Evaluating a company's quality of hire can be a long and arduous process. Overcomplicating things with unnecessary processes or relying on conventional measures of applicant quality can do more harm than good. When it comes to measuring quality of hire, look to some of your industry's best practices.

- What is the average retention rate in your industry?
- How do the candidates you're attracting compare to the talent in other companies, in terms of numbers of sales per staff member, for example, or customer satisfaction ratings?
- How do similar companies use pre-employment skills assessments?

Also, look inside your own company to determine what will work best.

- What processes do you already have in place that can help determine employee and manager satisfaction (performance reviews, surveys)?
- What does optimal productivity look like in your company, and how long does it take the average employee to reach it?

Figuring out some ways to make measuring quality of hire easier will help convince senior staff and employees that it is something worth doing and is actually doable. Here are a few **dos** and **don'ts** when it comes to measuring quality of hire.



Do...

- Look for existing data to measure quality of hire.

Instead of creating a whole new set of processes to obtain the metrics you need, try using the data that's already available. Identify ways to collect existing information for the purpose of measuring quality of hire, both internally and externally, such as industry reports, financial reports, performance reviews, surveys, etc.

- Utilize recruitment tools to assess top talent.

Right off the bat, quality of hire has everything to do with recruiting the best candidates for the job. Pre-employment skills assessments and other recruitment tools can be immensely helpful for recruiters to help identify which candidates have the necessary experience, skills, personality, and leadership potential. Have current top performers in your company take assessment tests as well, so that you have benchmarks to measure new hires against. However, a word of warning: use tests or assessments that are both valid and reliable indicators of success. Reputable vendors will be able to produce the verification of their products.

•• Measure quality of hire at every turn.

To effectively measure quality of hire, you have to do it more than once. In fact, it should be something that's done consistently and throughout the hiring process and the life of the company. Begin collecting data from new employees within their first week (through pre-employment assessment scores, feedback on their experience during the recruiting process) and continue collecting throughout their tenure (through performance evaluations, manager satisfaction surveys, time to reach peak productivity). Also consider assessing the company's overall quality of hire at least once a year to get the big picture.

•• Get to the point of being prescriptive in your practices.

You want to be able to predict which candidates will be successful. Understanding the backgrounds, education, experience, and attitudes that have made for successful quality hires in the past can help you identify and recruit similar candidates in the future.

Don't...

•• Trust conventional measures of applicant quality.

One of the easiest mistakes recruiters can make is deciding whether a candidate will succeed simply by looking at his or her resume, the type of schools attended and GPA, or years of experience. Remember, top talent comes in many different shapes and sizes. Narrowing down candidates with skills assessment tests provides a much more accurate measure.

•• Overcomplicate the process.

Although it seems like a daunting task, don't make measuring quality of hire even more challenging by overcomplicating it with too many metrics, or by trying to reinvent the wheel. Focus your efforts and start small, by only collecting data on a few critical roles instead of across the entire company. Look to other departments, such as finance and marketing, for tips on metrics. Measuring quality is a standard practice for them, so take advantage of their experience.

•• Underestimate the benefits of measuring quality of hire.

This is as bad as ignoring the simple fact that top talent is at the crux of a company's success. Measuring quality of hire can provide a number of benefits to the entire company, from recruiting and HR to managers and employees, to the bottom line.



“If you have the wrong people, it doesn't matter whether you discover the right direction; you still won't have a great company. Great vision without great people is irrelevant.”

James C. Collins, Author of Good to Great

Conclusion



Quality of hire starts with...

hiring top candidates with the right skills and experience, who fit in with your company culture and will succeed in the job. It continues with assessing employee performance, productivity, and turnover rates. It encompasses all aspects of the recruitment process and follows through to ensure the satisfaction of both managers and employees.



There's no doubt that...

measuring quality of hire—both before and after employees are hired—is a valuable tool for companies. And it's not as daunting as it seems. Looking for existing metrics, best practices, and advice, from both inside and outside your company, can help you get a measurement process started without overcomplicating things or overburdening staff.



You can't improve if you don't know what needs to change...

and when it comes to hiring and retaining the best candidates, you need to examine your current practices in order to know how you can make them better. Measuring quality of hire can result not only in better hires, but it can also provide the kind of internal structure which can improve the performance of all staff members and overall productivity.

About eSkill

- Founded in 2000 with the aim of providing easily customizable online tests, eSkill Corporation has developed into a global leader in employment-related skills testing.
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eSkill provides organizations with a Web-based skills testing service. Rather than relying solely on interviews and personal impressions of an applicant's resume, companies can more effectively place qualified and talented individuals into critical jobs using relevant assessments of the required knowledge and skills. Specifically, the eSkill application lets hiring and training managers configure tests from our extensive subject library to match their hiring and training needs, and reduce the risk of hiring failures and discrimination litigation.

eSkill's skills assessments encompass many different industries, including IT, Retail, Call Centers, Sales, Marketing, Healthcare, and many more. While standard tests may be enough to assess the skills required for most of the jobs out there, some positions require special specialized task-based testing. That's why we've created simulations to test important qualities, like reaction times and the ability to make decisions in stressful situations, for a comprehensive assessment.

- **Contact us** to learn why thousands of employers worldwide have picked eSkill to make their hiring process more accurate and efficient.