



# HUMAN CAPITAL MANAGEMENT INSTITUTE

Presents:

## *Quality of Hire: How to Hire the Best People for Your Business*

November 13, 2014

# ***Presenter Information***

## **Grant Cooperstein, VP Analytics**

Grant Cooperstein has over 10 years of experience conducting advanced workforce analytics and planning projects. In his current role, Grant provides guidance to organizations across the globe, enabling rapid advancement in human capital management practices. Responsible for leading consulting engagements, deep content training and product development, he helps clients drive value and quantify the impact of workforce decisions.

Previously, Grant worked as a human capital consultant for the Infohrm Group, a global analytics and planning company. There he led clients from Fortune™ 500 companies and government agencies on their human capital journeys, delivering millions of dollars in cost savings and value creation.

In addition to his consulting background, Mr. Cooperstein has extensive experience as a Human Resources practitioner. Grant held a position of Workforce Analytics Manager at IndyMac Bank, a premier Financial Services company in North America. In addition to workforce analytics and planning, he has deep knowledge across multiple HR functions, with a particular focus in Compensation, Performance Management and Recruiting Analytics.

# ***About Human Capital Management Institute***



The Human Capital Management Institute (HCMI) was founded on the belief that organizations can and must, find better ways of measuring their investments in human capital. Our vision of the future is one in which human capital measurement and information is as integral to business decision making as financial information is today.

***We Bring Financial Discipline, Standards and Rigor to the HR Function***

## **HCMI Background:**

- Specialized in HR analysis & measurement
- Deep expertise in Workforce Analytics & Planning
- Board made up of CFOs and HR heads

## **What We Do:**

- Measure the immeasurable in human capital
- Transform workforce data into business intelligence
- Provide technology, consulting and training so HR can partner with Finance

***SOLVE Workforce Intelligence Software ♦ Strategic Consulting ♦ Training  
Best Practices ♦ Workforce Analytics and Planning ♦ Benchmarking***

# HCMI Products and Services



## SOLVE Workforce Intelligence Software

- Integrated Dashboard, Advanced Tools, Metrics, Data Blueprint and Predictive Modeling
- Automated Completion of HCFS



## HR Roadmap Design

- Step by Step Actionable Deliverables and Insights
- Map for, Systems, Data, Tools, Skills, Metrics + more



## Human Capital Financial Statements

- Human Capital Impact Statement
- Human Capital Asset Statement
- Human Capital Flow Statement



## Data Integration Blueprint

- Modular Talent Management Components
- Detailed Data Dictionary + Metric Formulas
- Key Analysis Segments and Dimensions



## Workforce Quantifier™ ROI Calculator

- ROI of Workforce Decisions
- Cost of Turnover, Workforce Cost, Cost per Hire
- Business Case for HR Interventions



## Workforce Capability Assessment

- Data and Systems Capability + Risk Analysis
- Human Capital Measurement Standards



## Job Framework Mapping

- Integrated Taxonomy 15,000+ jobs
- Map Critical Job Roles



## Human Capital Metrics Handbook

- Over 600 Metrics and Detailed Definitions
- More than 100 KPI and Best in Class Metrics
- Unique Metrics that Monetize Human Capital



## Workforce Planning

- Link Workforce and Financial Metrics
- Advanced Retirement Calculator
- Forecast Skills, Costs, Talent and Productivity



## Training and Advisory Support

- Expert, Guided, Standard and Customized
- Ongoing Advisory Support Services
- Beginning and Advanced Training



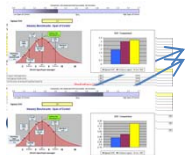
## Career Path Quantifier

- ROI of Career Path
- Build, Buy or Lease Talent Analysis



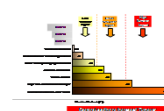
## Statistical Sales Predictor

- Predict Revenue by Economic/Workforce Factor
- Link to Economic Drivers to Workforce Metrics



## Span of Control Optimizer™ Tool

- Benchmark and Optimize Spans
- Optimize Management Layers



## Analytic Engagement Projects

- High Performer Profiles
- Engagement ROI and Sales Impact
- Turnover and Retention Driver Analysis

# *Background: Measuring Human Capital*

# The Challenge of Measuring Human Capital

## Complexity of Workforce Data

- Employee/Full-Time-Equivalent (FTE)
- Jobs/Roles/Skills
- Time - Tenure
- Compensation (\$ vs. Equity)

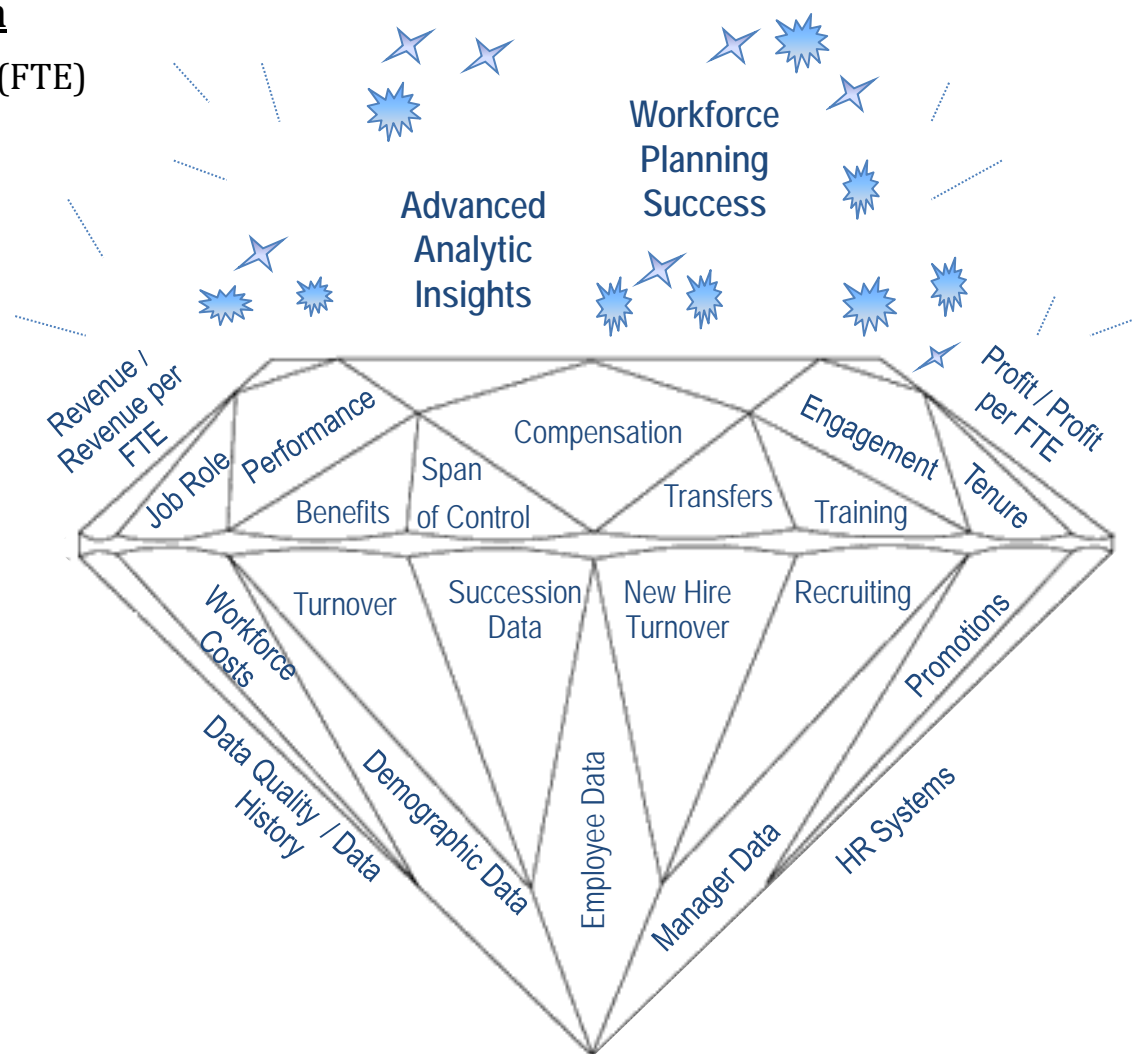
## Lack of Standards

## Frequency of Change

- Promotions, Transfers, Hires, Terminations
- Jobs/Roles/Skills
- Time - Tenure

## Lack of Analytic Skills

## Measuring the Intangible



## *Meeting the Need: What Does it Take?*

### Workforce Measures that “Link” to Business Results

- *“ A single point of data is not enough to make a story”*
- *“ We need context to show value and explain the linkage”*

### Historical data is important, predictive data is critical

- *“ What will our workforce look like in 5 years ?”*
- *“ Where are we going and do we need to change course ?”*

### Data is not enough, analytics must show stories and insights

- *“ What are our critical workforce issues ?”*
- *“ What are our critical workforce metrics ?”*

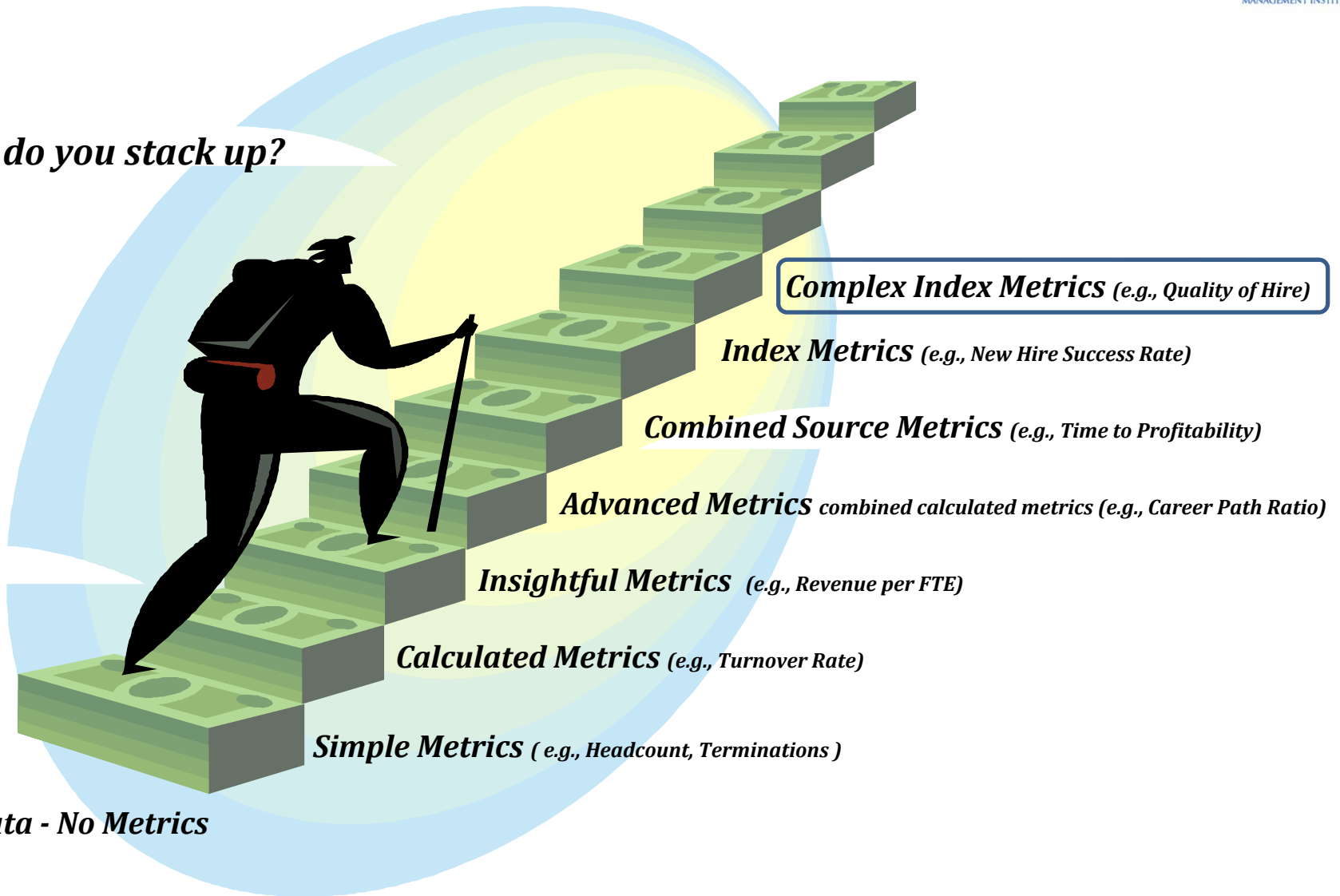
## Workforce Analytics Business Case ROI Examples

	15% Productivity Gain: Output Up, Costs Down ( <i>\$55.0 Billion Package Delivery Co.</i> )		<b>\$1.1 Billion Annual</b>
	5% Reduction in Cost of Workforce (TCOW) ( <i>Fortune™ 30 Technology Company</i> )		<b>\$650 Million Annual</b>
	Profile to Hire Sales Stars with Superior Predictive Metrics ( <i>\$1.0 Billion Bank</i> )		<b>\$264 Million Annual</b> \$1.1 million per Salesperson
	ROI of Sales Training ( <i>\$2.0 Billion Retail Co.</i> )		<b>\$250 Million Annual</b> \$250k per Salesperson
	Employee Engagement Service Level Revenue Impact ( <i>\$1.0 Billion Public Airline</i> )		<b>\$96 Million Annual</b> \$5 per flight premium
	40% Voluntary Turnover Reduction ( <i>Midsized Public Financial Services Co.</i> )		<b>\$12 Million Annual</b>
	ROI of Internal vs. External Hires ( <i>Public Bank</i> )		<b>\$6 Million Annual</b>



# The Metrics Journey

How do you stack up?



# *Answering the Right Questions*

*What if HR could answer the following:*

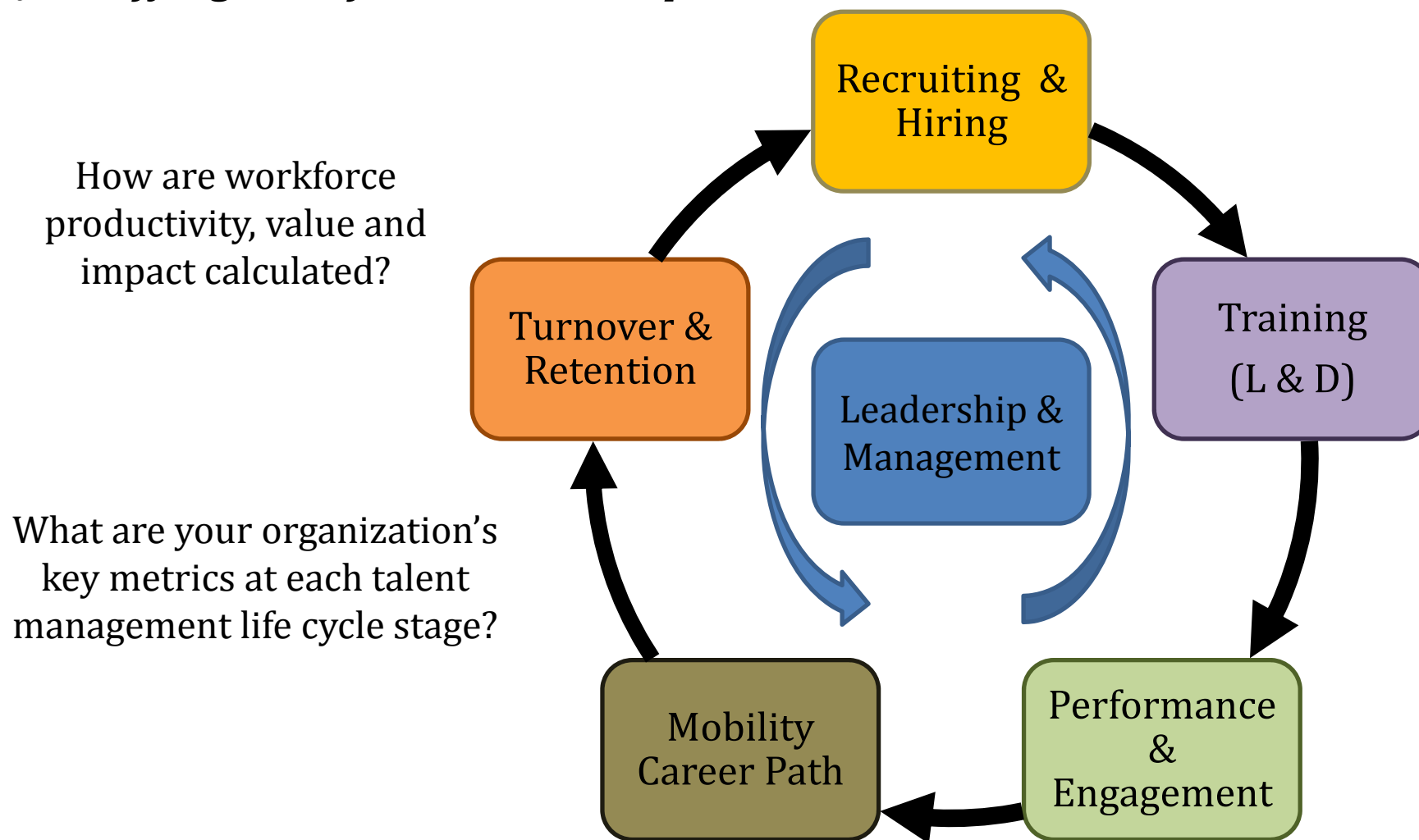
1. What is our new hire quality? Can we measure it?
2. What recruiting source yields the highest performers? What recruiting source yields the best cultural fit?
3. What is the average time-to-full-productivity for new hires? For new hires in critical roles?
4. Where does our best talent come from? Which managers are the best talent scouts and coaches?

***What workforce and business issues do you face?***

# *Quality of Hire*

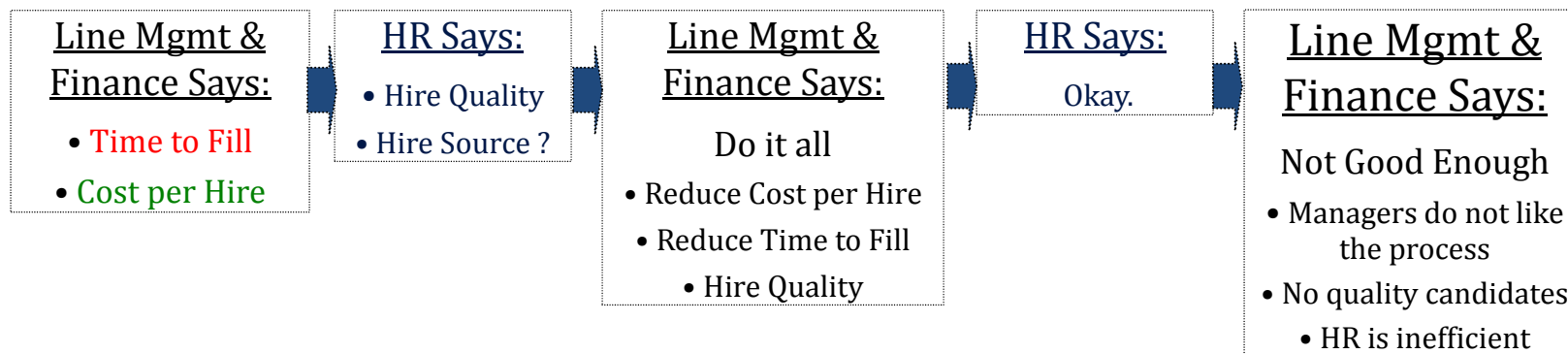
# *Metrics and the Talent Management Life Cycle*

## *Quantifying Workforce and HR Impact*

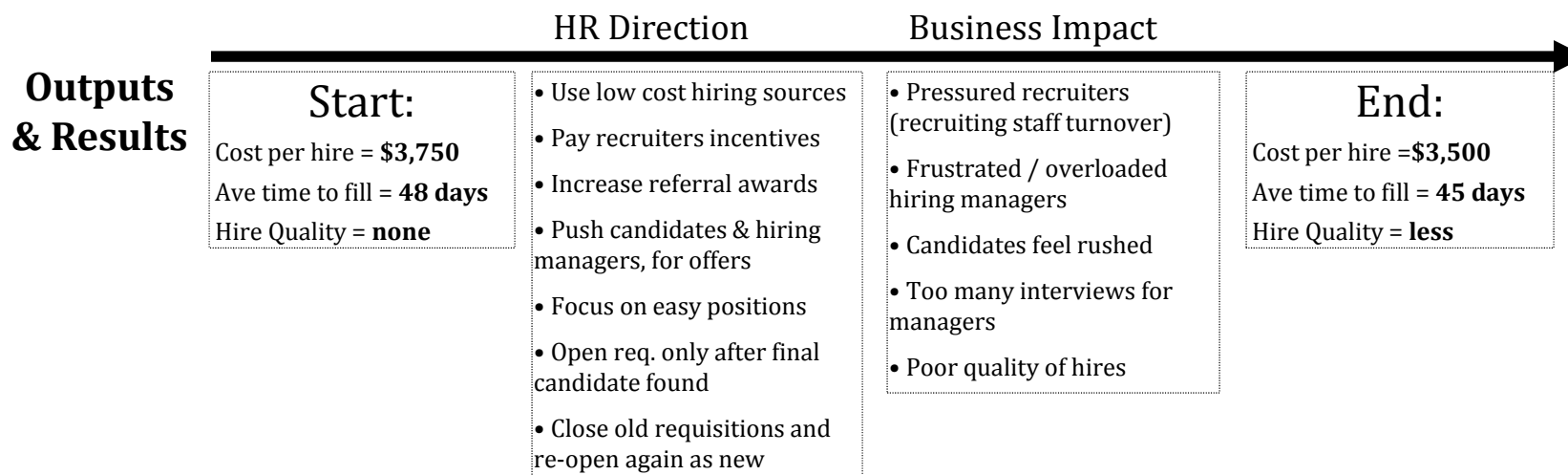


# Recruiting Process – Management Advice

## Goals / KPI's



## Typical Process



# Recruiting Process Key Metrics (KPIs)

## Recruiting and Hiring Metrics

### Line Mgmt Says:

- Time to Fill
- Cost Per Hire
- Fill Open Positions

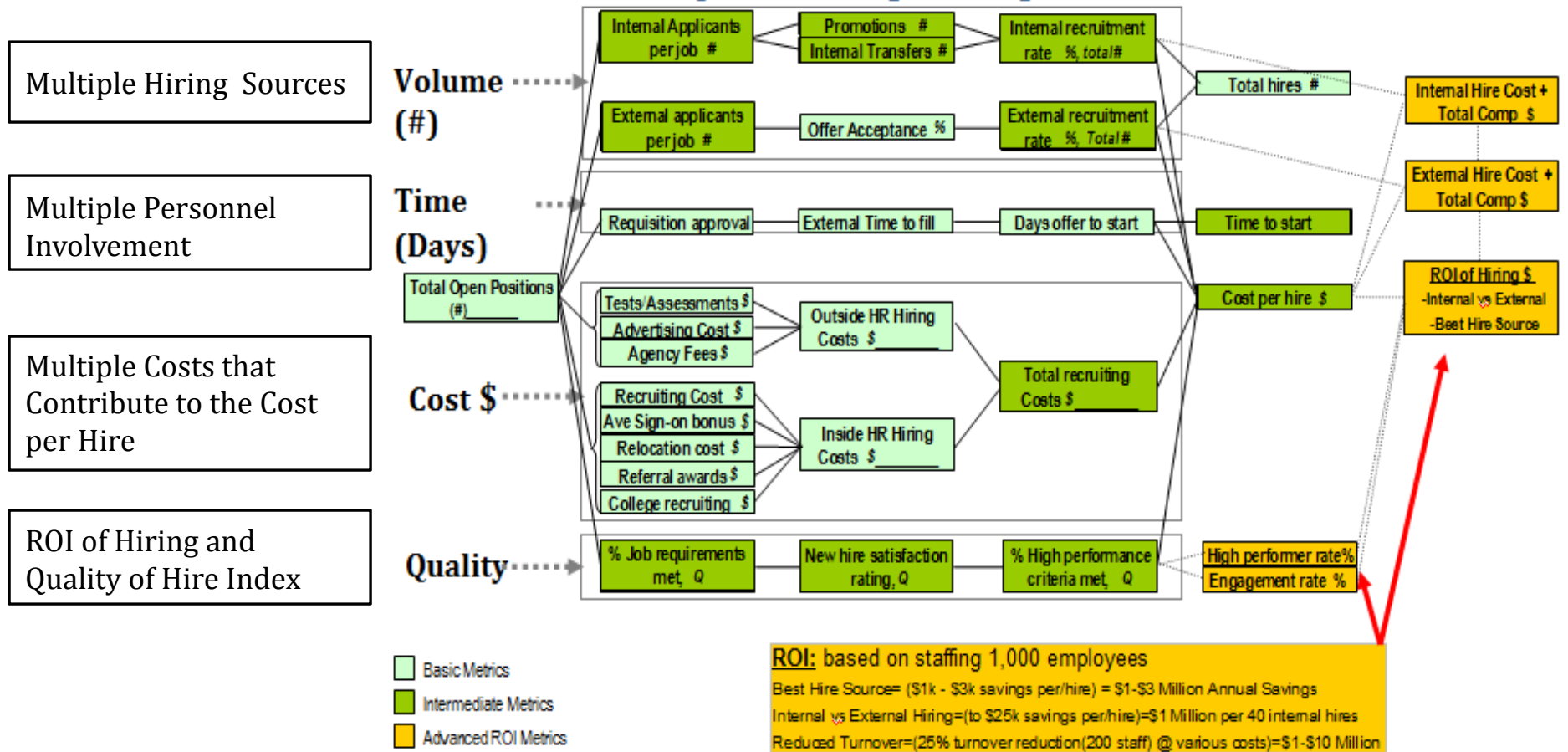
### HR Says:

- Hire Quality
- Hire Source

	Metric Name	Metric Name
Source	1 Percent of Hires Referred	19 Cost per Hire
	2 Recruiting Source Distribution	20 Total Cost of Recruiting
	3 External Recruitment Rate	21 Cost per Hire (Excluding Relocation)
	4 Internal Recruitment Rate	22 Recruiter Total Compensation Hired
	5 Internal vs. External Hires	23 Average Compensation Hired Externally
Time	6 Time to Fill	24 Open Position Lost Revenue or Productivity - Day
	7 Time to Start	25 Open Position Lost Revenue or Productivity - Annual
	8 External Time to Fill	26 Quality of Hire Index
	9 External Time to Start	27 Total Qualified Applicants
	10 Days from Offer to Start	28 Applicant Percent of Job Recommendations Met
Volume	11 External Hires Percent of Total Employees	29 Offers to Qualified Applicants
	12 Total Internal Hires	30 Qualified Applicants per Open Position
	13 Net Hire Ratio	31 New Hire Engagement Rate
	14 Offers to Qualified Applicants Ratio	32 New Hire High Performer Rate
	15 Total Qualified Applicants	33 Supervisor New Hire Satisfaction Rating
	16 Offer Acceptance Rate	34 New Hire Turnover Rate - 90 Days
	17 Average Interviews per Hire	35 New Hire Voluntary Turnover Rate - 90 Days
	18 Total Requisitions per Recruiter	

# Quantifying Value Across the Recruiting Process

## Example: Recruiting & Hiring Metrics



# Recruiting Process – COE Advice

Financial Analysis of Recruiting Process Options

	# Hired	Job Level /Type	Avg \$ Cost/Hire	Total \$ Cost of Hire	Average \$ Salary	Avg Total \$ Comp.	Total Comp. \$ Hired	Time to Fill (days)	Primary Hire Source(s)
<b>Current Process</b>	10	Executive	\$45,000	\$450,000	\$150,000	\$220,000	\$2,200,000	120	\$60k+ / \$7-10k / \$1-3k Agency/Direct/EE Ref
	40	Manager	\$11,250	\$450,000	\$90,000	\$120,000	\$4,800,000	90	\$3-5k / \$30k / \$1-3k Web/Agency/EE Ref
	200	Professional	\$6,000	\$1,200,000	\$70,000	\$75,000	\$15,000,000	80	" " / " " / \$20k Web/EE Ref/Agency
	400	Hourly	\$1,500	\$600,000	\$37,250	\$42,500	\$17,000,000	25	" " / " " / \$1k Web/EE Ref/Temp
	350	Sales	\$3,000	\$1,050,000	\$40,000	\$60,000	\$21,000,000	50	" " / " " / " " Web/EE Ref/Direct
	1,000	Total / Avg	\$3,750	\$3,750,000	\$48,000	\$60,000	\$60,000,000	48	
<b>Revised Process</b>	10	Executive	\$13,300	\$133,000	\$150,000	\$220,000	\$2,200,000	84	\$7-10k / \$1k / \$1-3k / \$70k Direct/Promote/EE Ref/Agency
	40	Manager	\$4,800	\$192,000	\$90,000	\$120,000	\$4,800,000	52	\$1k / \$1-3k / \$3-5k / " " Promote/EE Ref/Web/Direct
	200	Professional	\$2,700	\$540,000	\$70,000	\$75,000	\$15,000,000	44	\$1k / \$1-3k / \$3-5k / " " Promote/EE Ref/Temp/Web
	400	Hourly	\$1,100	\$440,000	\$37,250	\$42,500	\$17,000,000	20	\$1k / " " / " " / " " Temp/EE Ref/Promote/Web
	350	Sales	\$3,000	\$1,050,000	\$40,000	\$60,000	\$21,000,000	45	" " / " " / " " EE Ref/Web/Direct
	1,000	Total/Avg	\$2,355	\$2,355,000	\$48,000	\$60,000	\$60,000,000	35	



# *What is a Quality of Hire Index?*

## **Description:**

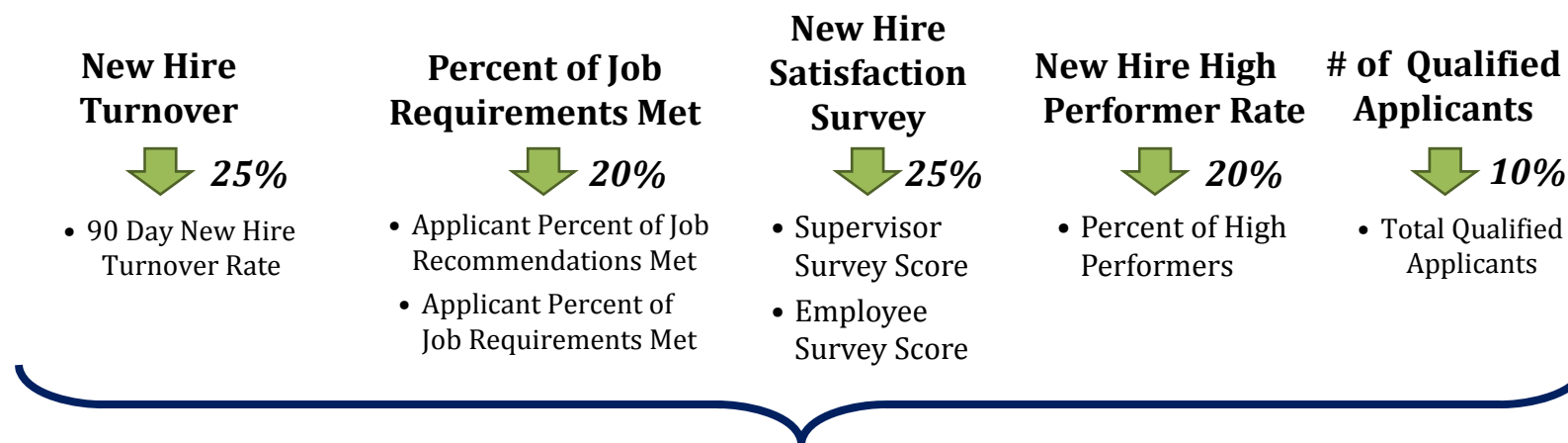
Quality of Hire Index is a custom index metric that is designed to measure the overall recruiting function, and hiring managers, on the quality of talent that is hired into the organization.

## **Formula:**

Quality of Hire Index should include metrics such as New Hire High Performer Rate, High Performer Turnover Rate, Employee New Hire Satisfaction Rating, Percent of Job Requirements Met, Total Qualified Applicants, New Hire Engagement Rate, and may include other metrics as well depending on organization goals and strategy.

# Quality of Hire Index

## Example Quality of Hire Index



## Quality of Hire Index

Internal + External  
Best Hire Source

**Best Use:** Quality of Hire Index is a custom index metric that combines and weights multiple new hire performance, turnover, job fit, satisfaction, education and skills measures. When analyzed by workforce category, critical job roles, business unit and manager, Quality of Hire Index can help organizations quantify and predict new hire, as well as overall performance, productivity, retention and engagement at the organization.

# *Case Studies*

# Case Study: Quality of Hire by Source

**ROI:** based on staffing 1,000 employees  
 Best Hire Source= (\$1k - \$3k savings per/hire) = \$1-\$3 Million Annual Savings  
 Internal vs External Hiring=(to \$25k savings per/hire)=\$1 Million per 40 internal hires  
 Reduced Turnover=(25% turnover reduction(200 staff) @ various costs)=\$1-\$10 Million








	Temp to Perm	Other Ref	Emp Ref	Agency	Direct Sourcing	Internet	Other	Ads
<b>Overall Ranking</b>	1	2	3	4	5	6	7	8
<b>Performance Ranking</b>	4	2	1	3	5	7	8	6
<b>% High Perf</b>	30.0%	33.9%	34.2%	33.7%	27.3%	25.9%	21.9%	26.0%
<b>Bad Hire Ranking</b>	1	3	2	4	5	5	7	8
<b>% Bad Hires</b>	7.6%	11.7%	10.8%	13.0%	14.3%	14.1%	15.9%	18.9%
<b>Turnover &lt; 1 Year Ranking</b>	1	2	4	5	7	6	3	8
<b>% Terms &lt; 1 Year</b>	18.5%	18.5%	23.0%	23.7%	26.9%	26.5%	22.0%	33.2%

- Analyzing Quality of Hire by recruitment source can maximize ROI of recruiting.
- Temp-to-Regular and Employee Referral - sourced employees rank higher in terms of new-hire performance.
- However, Employee Referral-sourced employees also rank higher in terms of turnover.
- So, what does this mean... Align best hiring sources with talent strategy

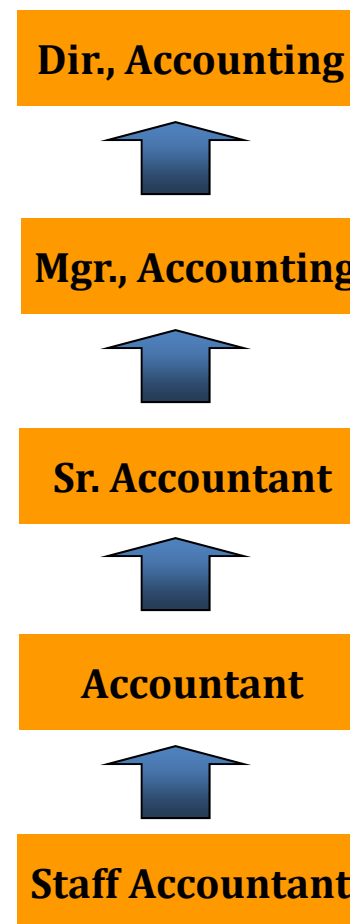
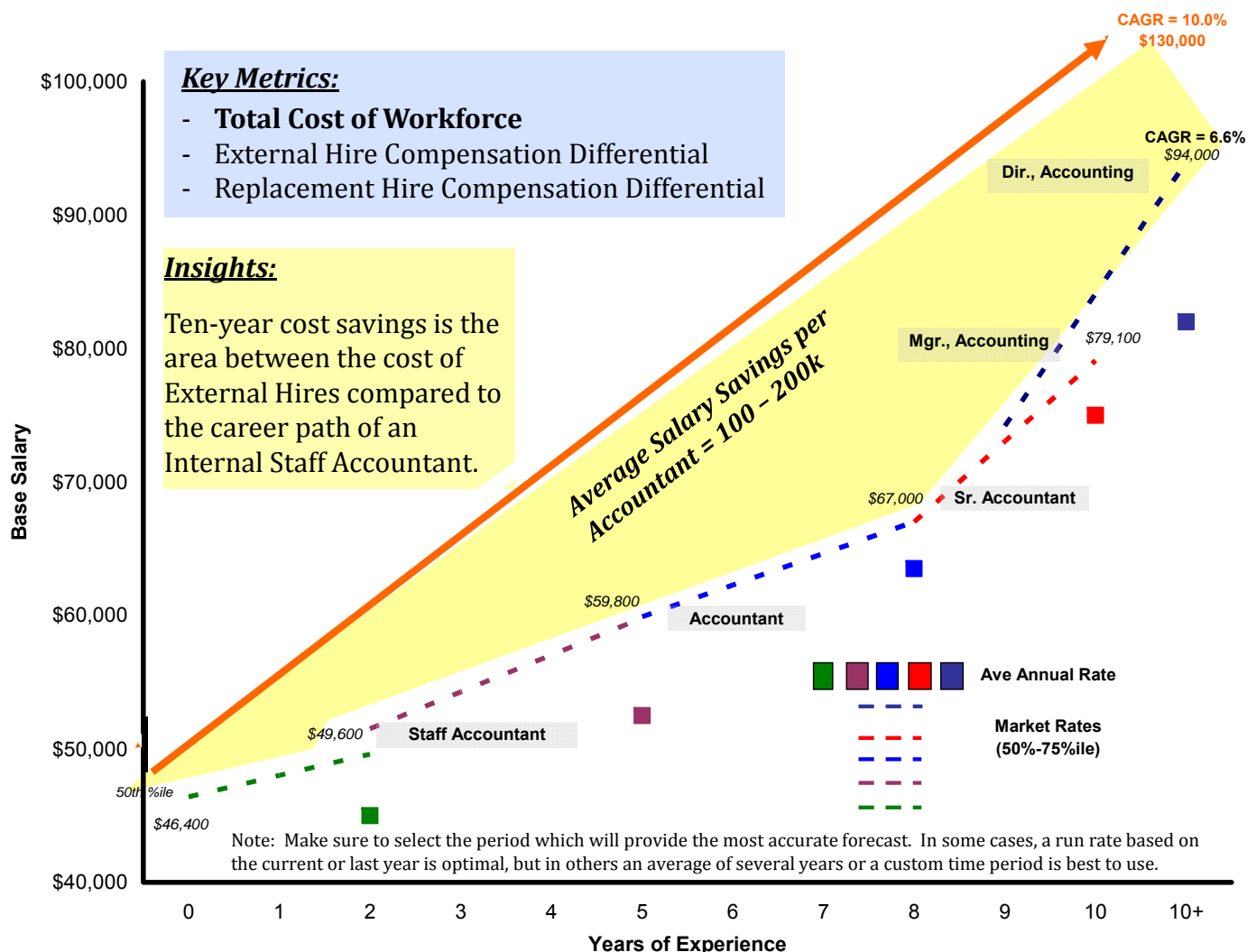
# Case Study: Targeted Hiring Profiles

## Sales Staff Positions

KEY CRITERIA	1st Job	1 Job	2 Jobs	3 Jobs	4 Jobs	5 Jobs	6 Jobs	7 Jobs	8+ Jobs	
	# of Jobs in 8 Yrs	Yellow	Yellow	Light Green	Green	Light Green	Yellow	Yellow	Red	Red
	0	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8+ Yrs	
Industry Experience & High Performer Probability	Green	Light Green	Light Green	Yellow	Yellow	Yellow	Red	Red	Red	
	Low Scores		Medium Scores			High Scores				
Math, Reading, Writing & Personality Testing	Little to no Predictive Value									
		High School	Some College	Associate's Degree	Bachelors Degree	Some Graduate	Masters Degree	> Masters		
Education & High Performer Probability	Red	Light Green	Green	Green	Yellow	Yellow	Red	Red		
	Low Cost \$			Medium Cost \$			High Cost \$			
Recruiting Source & High Performer Probability	Temp to Regular	Employee Referral	Internet	Other Referral	Newspaper Ads	Other Sources	Direct Sourcing	Placement Agency		
	Best ←		→					Worst		
					 = No Predictive Value					

# Case Study: Defining Career Paths

*Employees are Assets to be Developed*



CAGR: Compound Annual Growth Rate

# *Question and Answer*

# Contact Information and Upcoming Events

Grant Cooperstein, VP Analytics  
[grant.cooperstein@hcmInst.com](mailto:grant.cooperstein@hcmInst.com)  
[www.hcmInst.com](http://www.hcmInst.com)



**Pasadena, CA:** [www.hcmInst.com/training](http://www.hcmInst.com/training) (HC200K)

Workforce Analytics Training – Feb 3-4, 2015

Workforce Planning Training – Feb 5-6, 2015



## Announcing Solve Dashboards

Sign up for a demo: [solveworkforce.hcmInst.com](http://solveworkforce.hcmInst.com)



## Free Productivity Insights Report

Available for a limited time: [www.hcmInst.com/freereport](http://www.hcmInst.com/freereport)

<http://bit.ly/hcmidisc>

Workforce Intelligence  
Consortium Group

