



Recruiting Metrics - The Rules Have Changed

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There is much talk today about how the recruiting industry continues to change due to economic and demographic conditions. Qualified candidates are becoming scarce as the Baby Boomer generation begins to retire at an alarming rate and the subsequent generations do not have the numbers to replace them. In addition, the department of labor estimates that more than 19 million new jobs will be created by 2014, increasing the void between available candidates and open positions.

This shortage of available talent has caused recruiting organizations to re-evaluate their processes, people, and performance metrics. This is a topic I have been requested to address at a recent recruiting conference. The big question seems to be; "How do we measure the success of our recruiting teams?"

Let's put things into perspective. The recruitment department within each organization is responsible for recruiting the primary assets of the company – its workforce. For a company to make sure that their recruiting department is effective and efficient, proper performance metrics must be employed.

Before metrics are implemented within any recruiting organization, it is imperative that we understand the following three concepts and how the changes in economics and demographics affect the way we view the role of today's recruiter.

We must understand what recruiting metrics are and what their real purpose is.

We must understand the role of traditional recruiters and the pitfall of their associated metrics.

We must understand the role of today's recruiter and create metrics that encourage necessary recruiting behaviors.

Recruiting Metrics – What are they?

Recruiting Metrics should be defined as: "A quantifiable measurement that can be compared to established benchmarks AND encourages behaviors focused on candidate quality and client experience." Most often, metrics are designed to measure only the outcome or production of a recruiter regardless of the manner in which those specific metrics are attained. In other words, focusing only on a production based outcome will most often encourage recruiting behaviors that never really address the candidate or client need. In order to be affective, metrics must measure the correct results and drive the right recruiting behaviors.

Appropriate recruiting metrics require a number of characteristics to be considered effective and reliable:

Metrics must be predictive and actionable. Statistics need to provide information that can be acted upon by providing data to indicate trends.

Metrics must be tracked over time in order to generate internal benchmarks and analyze internal performance. A metric is not simply a moment in time – it must be maintained over time by tracking data to present relevant trends.

Recruitment metrics should include both quantitative and qualitative aspects.

Recruitment metrics are most often focused on factors that involve only time and cost. Yes, these factors are still included in the typical framework of recruitment metrics, however there are a number of additional factors that need to be used in today's framework. Time and cost obviously comprise the quantitative aspects of recruitment metrics while productivity, retention, efficiency and candidate performance comprise the qualitative aspects.

Metrics of the Past – Are they effective?

In order to understand how metrics drive specific behaviors, it is imperative that we understand the role of a traditional recruiter as well as the metrics most associated with their success. Ten years ago recruiting was often seen as a stepping stone to an HR Generalist role. Recruiters were trained to “screen out” applicants, thus making their positions transactionally focused.

Measuring the number of transactions a recruiter could perform in a specific amount of time led to the creation of the two most commonly used metrics: Cost-Per-Hire and Time-to-Fill. Many organizations continue to employ these same metrics on today's recruiter with poor results and low client satisfaction.

Cost-Per-Hire, the most common measurement applied to recruiting, only looks at the initial cost and not the long-term cost associated with hiring the wrong candidate. Focusing purely on initial cost will drive recruiters to place a ‘butt in a seat’ without regard to the quality of hire or the long-term production the candidate will or will not deliver. This metric can inadvertently create conflicts between recruiting and hiring managers by driving the recruiter to ‘sell’ candidates internally that may not be appropriate but come at a low cost.

Time-to-Fill measurements are often popular due to the cost associated with positions remaining unfilled. Although this cost can be significant, this metric does not take into consideration the long-term cost associated with greater turnover percentages and additional recruitment costs for hiring the wrong candidates. Recruiters will focus on candidates considered the ‘lowest hanging fruit’ in order to fill positions faster. I have seen many recruiters even manipulate their Applicant Tracking System in order to pad their Time-to-Fill numbers – Is this the behavior we want to create?

Although both of these traditional metrics are important statistics to track and understand, using them as the primary measure of a recruiter's effectiveness will continue to place the recruiter at odds with the clients and candidates they come in contact with.

To put this idea into perspective, let's take, for example, the automotive industry today. For the majority of the last decade, CEO's of many of our largest automobile manufacturers have focused their efforts on "creating superior shareholder value" by reducing costs and increasing sales volumes. As we have seen in recent years, this focus on shareholder value has resulted in slower sales and the largest quarterly loss by an automotive manufacturer in history (General Motors - \$38 Billion in losses). In contrast, soon after being named the largest auto manufacture in the world, Toyota President Katsuaki Watanabe stated, "To me, becoming number one isn't about being the world leader in terms of how many automobiles we manufacture or sell in a year or about generating the most sales revenues or profits. Being number one is about being the best in the world in terms of quality on a sustained basis. I attach the greatest value and importance to quality; that lies at the root of my management style. It's critical for Toyota to keep making the highest quality vehicles in the world – the best products in every way, manufactured without defects. Unless we enhance quality today, we can't hope for growth in the future. That is why we are investing in the development of new technologies, new processes, and human resources."

Watanabe understands that focusing on the qualitative aspects of the products his company provides will result in greater client satisfaction. Tracking the success of his focus is done by quantitative metrics that obviously include cost-per-car, cars sold, etc. In similar fashion, the age old recruiting metrics of Cost-Per-Hire and Time-to-Fill may tell you there is a problem however they are unable to provide you with an actionable roadmap of how to fix the issue.

Metrics of Today – Keeping our eye on the prize!

As I speak with staffing and talent acquisition executives from around the country, they all express frustration in creating a measurable that drives one main objective – getting the right candidate for the job. In order to achieve this objective we must first look at how the recruiter of today differs from the traditional recruiter of the past. Once we have the right recruiter, we can then focus on defining metrics that drive the right behaviors.

As mentioned earlier, recruiters of the past were transactionally driven – place a print ad or web posting and then 'screen out' the applicants. Focusing on the number of transactions an individual could fill in a specific period of time was the appropriate driving metric.

The recruiter of today has to move from being transactionally driven to relationship driven. Candidates are not flocking to the doorsteps of prospective employers and recruiters are now sales professionals responsible for prospecting, building relationships, and advancing the sale. With this change in function it only makes sense that the metrics associated with success of today's recruiter must change as well.

Although the following is not an all inclusive list, the following six metrics are examples of measurables that drive the right results and create the necessary behaviors needed to achieve these results.

Performance/Quality of Hire – Data is driven by performance appraisal ratings and/or production 6 to 12 months into the new employee’s job as compared to their peers. Quality should be the first and most important recruiting metric. Since there is no formula for determining quality, recruiters and the hiring managers should define the standards for quality before recruiting. Quality of hire can be assessed through a simple survey that lists each agreed-upon criterion separately and asks the manager how the employee meets each standard on a scale of 1 to 5. New hire quality can also be tracked through formal performance evaluations, production reports, etc. A survey reported in Staffing.org’s *Recruitment Metrics and Performance Benchmark Report* found that the more regularly recruiting professionals measure new hire quality in an organization, the more satisfied the hiring managers are with new hire quality.

Manager Satisfaction – Data is driven by the percentage of managers who are satisfied with the hiring process and the candidates through a manager survey. Greater focus on quality of service to those you support. This metric provides important, easily tracked data to determine a hiring manager’s preferences before recruiting begins, and then to evaluate staffing performance post-hire. Effective recruiting organizations rely on customer feedback to be successful. However, customer satisfaction should never be viewed as a stand alone metric because it can be misleading. The goal of creating “satisfied” customers can wrongly replace legitimate recruiting functions as the department’s primary focus.

Source of Hire – Data is driven by the percentage of new hires from each defined candidate source. Data also driven by percentage of hires per source, with highest on the job performance and tenure rates. Greater focus on Quality of Hire, Quality of Sourcing Strategy, Cost -Per-Hire, and Time-to-Fill. This metric also helps recruiting managers see sourcing channels in terms of outcomes, not just sheer numbers.

Referral Rates – Data is driven by the percentage of hires from employee referrals generated by the recruiter. Greater focus on Quality of Hire, Cost -Per-Hire, and Time-to-Fill.

Candidate Satisfaction - Data is driven by the percentage of new hires who are satisfied with the hiring process through a candidate survey. Greater focus on Quality of Service and Brand Positioning. Additional candidate metrics may also be valuable from candidates who were not selected, and candidates who declined offers. These last two groups are often overlooked, but they can provide valuable information about your recruiting operations.

Pipeline Development – Data is driven by the number of potential candidates the recruiter has developed relationships with for key strategic positions. Data is managed

through an effective CRM system. Greater focus on Time-to-Fill, Cost-Per-Hire, and Quality of Hire.

Companies can decrease their Time-to-Fill and decrease their Cost-Per-Hire, but if they can increase their Quality of Hire and their Quality of Service, the entire game changes. Better employees translate into higher performance, more revenue and higher profits. By utilizing the right metrics you will encourage recruiters to focus their behaviors on the causes and not the symptoms of recruitment success. The combination of having the right recruiter with the right measurements will lead them to focus on finding the right candidate.

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