

Recruiting Strategy Case Study

Reduce Your Recruiting Iceberg's Costs

Market Situation

The news headlines tout that the employment market is at full employment since the Great Financial Crisis. Job search groups flourish with individuals who can't find employment. There is a big disconnect between hiring manager needs and the Talent Acquisition teams. Expensive and complicated Application Tracking Systems are populated with outdated cookie-cutter job descriptions that filter out potential candidates and pass on candidates who fall short of hiring manager expectations. Talent Acquisition personnel continue to drown in a sea of resumes flooding their inbox, as they try select which candidates to short list candidates from phone screens. Too much time is wasted hiring average performers, with big risks on the table. Executive search firms still reap big compensation figures for senior executive placements. Succession planning outside the C suite has lots of room for improvement. Most organizations are ill prepared for the massive demographic shifts that are impacting all levels within. Due to this lack of awareness, grooming successors for all mission critical roles is rare or at best poorly implemented.

Believe it or not this condition has not really changed in over 30 years. Companies of all sizes haven't solved this dilemma because they really don't get under water to examine all the components of their recruiting costs. The case study you are about to read is real, and businesses that don't adapt their recruiting practices will have a 'total cost of workforce' (TCOW) higher than needed. Even if they install AI recruiting tools like Watson, the results will be the same. Watson won't be interviewing the candidates, and the risks will remain the same. The name of the company in this case is being left out for confidential purposes.



Business Situation

Employee retention and recruiting issues could not be hidden within the corporate Headquarters. The noise level from the C-suite was deafening. Headcount turnover had increased from a low of 11.25% in 1996 to a high of 20% in 2000. Every 1% increase in turnover cost over **\$4,500,000**. HR was puzzled as to why new hires were leaving around the 18th month mark, just at the point of being productive and providing ROI on their recruiting costs. The company research did not see any serious competitors in the region, compensation packages were at the high end of the market, and they felt the company brand and culture were above average as well. Yet managers were leaving and after a few months their whole teams were submitting their resignations to head off to join them. HR was wondering ‘where are our employees going?’ The local market of candidate supply was tight, the company was growing, and could not fill open positions. Work was not being completed and people were getting upset.

It was on the radar of the C-suite, and the new leadership was going to do something about it. They wanted HR to first resolve the US territory and do it fast, and then get the rest of this global company in line.

Bringing in Fresh Ideas

One of the first things senior management did was to recruit a new Director of Global Recruiting. They wanted someone with experience, who would take a good, quick look at what was happening, be able to do things differently and align with their consultants who were helping them install “The Deming ‘Systems Thinking change methodology’ practices”. Management agreed to let this individual build a “World Class Recruiting & Staffing Organization”. After the Director of Global Recruiting came on board he gathered as much information as possible and had a list of over 100 things to change and initiatives to implement. His up senior manager said let’s focus on the top 3.

As the Director of Recruiting dug deep, he soon realized that the issue was bigger than they thought. To get his head around the problem the new Director of Global Recruiting needed to have an anchor problem that showed real value to senior management for the leadership to get behind this project as a priority. After six months his team reached the conclusion that their core focus be anchored to this question:

“What was it costing the company to get productivity out of new hires?”

Shortly after starting to collect information the Director of Global Recruiting had the following information related to the company’s recruiting methods, in summary the company had no consistent approach or standard practice, which resulted in:

1. *Sixty percent of the employees who joined over the previous two years, had already left the company*
2. *Managers received only 6 hours of interview training – which was not mandatory*
3. *Managers didn’t know or didn’t follow standard hiring processes*
4. *Many managers failed to interview for fit, just focused on technical skills*
5. *Hiring decisions, which were not legally defensible, had increased the company’s risk to litigation*

He quickly decided he needed to measure as much information as his team could gather. They measured everything they could, and when they were finished they learned:

- *Turnover at its peak of 20% had cost the company \$90Million USD.*
- *Managers devoted approximately 15% of their time to the hiring process. This was costing the company \$11,250,000 per year*
- *Turnover had increased by 8.75% over 4 years, to a high of 20% from a low of 11.25%*
- *Every 1% increase in turnover cost approximately \$4,500,000*

Needless to say these costs were astounding.

Turning the Tables –creating the Target Select Methodology

The Director of HR of Recruiting now knew what was floating under his iceberg and set out to melt it fast. The team's project was to put in place procedures and methodologies to decrease the time to productivity, which was aligned with his anchor question. To do this the director set out to cut the organizations **cost per hire and time to fill**. To meet this objective, his team had to create a solution with the following goals:

- *Decrease turnover rate*
- *Decrease cost per hire and time to fill*
- *Hire people with better skill sets to match positions*
- *Consistent selection methodology to select internal and external candidates*

The initiative also had these key deliverables:

- *Profiles for all positions in the company within 18 months, and the company total headcount was 5000*
- *Training for all people managers within 18 months*
- *Interview guides for managers*
- *Selection decision matrix for managers*

His team also identified 5 key metrics that the system needed to track to meet these goals. These metrics were:

1. Customer Satisfaction, and the customers were
 - a. Hiring Managers
 - b. Candidates
2. Manage the recruiting funnel
 - a. How were they attracting people?
 - b. Was the screening process effective?
 - c. The interview process
 - d. Offer process
 - e. Getting the candidates on board
3. Costs throughout the system
4. Quality of hires
5. Volume of candidates in the system

Impact on the business

After the heavy lifting of identifying the necessary changes, and implementing new procedures and systems the results were amazing.

Recruiting System Improvements

1. **Recruiting costs were reduced by 15% in under 3 years**
2. **Targeted Selection became the global hiring standard for the company**
3. **670 managers and 218 non-managers had been trained in the Targeted Selection methodology.**
4. **Dedicated time to the hiring process was reduced by 70% for hiring managers after Targeted Selection was implemented**
5. **Resume processing time was reduced by 84% by improving non ATS automated features**

Targeted Recruiting Channel Strategy Improvements

1. **Overall agency costs were reduced by \$312,000 by implementing an agency management program.**
2. **Agency hires were reduced by over 66%**
3. **Reduced high cost-channels e.g. agency placements (56% of total cost, 10% of hires)**
4. **Increased use of low –cost channels, e.g. employee referrals (6% of total cost, 26% of all hires)**
5. **The number of approved agencies dropped from 130 to 25.**

Exceeding Industry Standards

Saratoga Institute Report during the program implementation period Cost Per Hire, (CPH) components include: advertising costs, agency fees, travel costs, relocation costs, referral fees, recruiter salaries and benefits

1. Time To Fill improved:
 - a. Saratoga Institute Report, Mean TTF was 63 days, Top 25th Percentile TTF was 45 days
 - b. At the start of the change TTF was 50 days
 - c. One year later TTF was 38 days
2. Cost Per Hire improved from a high of \$6,506 at the start to a low of \$3,926

Case Study Conclusion

With his team's criteria and objective set, they got down to do the hard work ahead and change the system to shrink the iceberg down to a manageable size. They put in place a way to get the hiring managers more involved. The recruiting team became coaches to the hiring managers to help them identify key skills and behaviors for each job description. Managers were trained on how to interview for STAR and Behavioral questions so they could make better hiring decisions.

By the time they completed the project, not only did they meet their goals and numbers, but their headcount turnover and recruiting cost were beating industry standards and delivering bottom and top line results to the company.

Future Proof Success. Now.

YOUR KEY DIFFERENTIATOR IS HUMAN POTENTIAL: REALIZE IT.

Our “Realizing Human Potential Methodology”™



Exploring: Situational awareness interviews with key client stakeholders



Targeting: Intentionally design solutions to align intangibles to program goals and P&L



Activating: Launch project, promote objectives, establish participant viewpoints



Experiential Training: Deliver blended learning via 1:1 coaching and group workshops



Reporting: Participants present their learning & improved outcomes to key stakeholders

Other business programs for the market

We will be happy to schedule a meeting to learn more about your business situation and ways that we can move the needle in the right direction. Reply to either the email or phone number below and we can schedule time to meet.

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