



THE CRITICAL ROLE OF DATA IN TALENT ACQUISITION

Influence your CEO with **WOW** and **OW!** data

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6 goals for today



1. To **stimulate your thinking...** with at least 5 takeaways
2. Offer a glimpse of **how CEO's view most HR data** (CEO's perspective)
3. To emphasize the importance of **converting TA results into \$'s**
4. To highlight **the difference between what I call "WOW or OW metrics"...** and the boring "so what metrics"
5. To highlight the **top TA measures to consider adding**
6. To have a little fun... while **answering any questions**

Are we there yet? – The road to data heaven

You've checked the box on analytics, on data & on predictive



ANALYTICS



DATA



PREDICTIVE



And finally you learned that
reports don't change behavior

OW!

So what's next?



The next step is... adopting “the CEO perspective”

**PLEASE SHIFT YOUR THINKING FOR
THE NEXT HOUR AND PRETEND...**

YOU'RE A... CEO

Starting now, please adopt the unique perspective of a CEO

Now that you are a CEO... what are your top challenges?

What is the #1 global business challenge facing CEO's...

➡ **1. Human Capital ... for the fourth year in a row... Ow!**

2. Customer Relationships (tie)

3. *Corporate Brand and Reputation* (tie)

4 of the 5

4. Operational Excellence

**top challenges require
outstanding employees**

5. Innovation and Digitalization

6. Regulation and Risk

7. Sustainability

**Because HR is still the *top challenge* after 4 years...
would you agree... it's time for *bold changes*?**

Next - Educate your CEO... to expect more out of HR

Learn from my encounter with the CEO of General Mills

I was happy with our HR approach,
but now... **“I want that one”**

CEO of General Mills

If you want to **WOW** them... learn to think like a CEO

Understanding what CEO's care about!

(8 CEO strategic preferences)

1. **Dollars...** over numbers and words
2. **Revenue...** over cost-cutting
3. **Innovation...** plus productivity
4. **Strategic business impacts...** over functional impacts
5. **Predictive analytics...** over historical metrics
6. **“WOW” actionable metrics...** over “so what metrics”
7. **Results & outputs...** over process efficiency
8. **Prompts** covering the needed actions... over silence



Do CEO's have confidence in HR metrics?

CEO
12%

AICPA survey



Source: Economist Intelligence Unit study: Rethinking Human Resources in a Changing World, 2012

BTW... C- Level exec's once selected **the most important performance metric...**
which was... **“new hire quality”** (Source: Survey by staffing.org)

The next step is to...

Adopt “the CEO perspective” when it comes to data

Which means your analytics and reports meet these 6 criteria

1. They only cover the **issues executives care most about** (max 5)
2. They are **anticipated** and **read by executives**
3. They get an **immediate WOW or OW!** reaction
4. They **repeat the metric / number for days**
5. They **drive immediate action** (This can't wait)
6. They measurably **improve business results** \$\$\$

Here is an emerging expectation from CEO's

**CEO'S NO LONGER CONSIDER OVERHEAD
FUNCTIONS TO BE EXEMPT FROM...
STANDARD BUSINESS MEASUREMENT
PRACTICES**

**SO TA MUST BECOME MORE BUSINESSLIKE
AND TO BEGIN TO CALCULATE
ALL STANDARD BUSINESS ANALYTICS (ROI)**

Google illustrates this businesslike approach

“All people decisions are based on data and analytics”

“We apply the same level of rigor, analysis and experimentation on people... as we do the tech side” (Eric Schmidt)





Examples of areas where businesslike metrics are needed in TA

**Every business function gathers data on their...
successes and failures (Six Sigma)**

Do you measure your **new-hire** and **application failure rates**?

Do hiring managers or TA excel at hiring?
If so... what would be an acceptable new-hire failure % rate?

What % of all new-hires fail within 18 months?

“46%” (Source: Leadership IQ)

What % of all hourly employees quit/fired within their first 6 mths?

“50%” (Source: Humetrics)

What % of management new-hires fail within 18 mths?

“Between 40 and 60%” (Source: Harvard Business Review)

What % of firms miss the mark on high managerial talent?

“In 82% of their hiring decisions” (Source: Gallup)

What % of executive new-hires fail within 18 mths?

“Nearly 50%” (Source: The Corporate Leadership Council)

Do you measure your hiring success rate?

What % of new-hires are an unequivocal success?

"19%"

Does hiring meet business 6 sigma standards?



OW!

When you have a hiring failure... do you calculate the cost?

- **A weak employee** causes errors and disruptions each year **up to 2 1/4 times their annual salary** (Source: O'Boyle and Aguinis, U of Indiana)
- Weak employees take up **what % of a manager's time?**
1 day a week (17%) (Source: Robert Half)
- Replacing **a weak manager** equals the impact of...
adding 1 teammate... to a team Source: National Bureau of Economic Research
- **Bad ones stay forever...** unfortunately, weak hires **may stay 20 years**, multiplying their negative impacts

Predicting toxic new-hires



Hiring toxic candidates can be even more damaging

➤ Toxic employees make teammates how much more likely to quit?

54% more likely to quit (Source: Cornerstone Selection survey)

➤ One high-tech firm developed a **data science model** that **accurately predicted job candidates who were likely to become “toxic employees”** (i.e. those who disrupt, lie, cheat, or commit crimes)

➤ **They dramatically reduced toxic new-hires** by modifying parts of the interview process (Source: Deloitte)

You should be measuring application drop-off rates because...

You can't hire top talent unless they complete your tedious application

- Who are more **likely to drop off**? **Top talent** or the desperate?
- So what is an acceptable **applicant drop off %** (Customer drop-off rate?)
As many as **9 out of 10** of your qualified applicants (Indeed.com) **OW!**
- What % would be deterred “if they encountered **tech hurdles**” (**60%**)
- “If they couldn't **upload their résumé**” (**55%**)
- “If they couldn't **follow up on the status of their application**” (**44%**)
- If they “couldn't complete the application **on a mobile device**” (**20%**)
(Source: Jibe)

Your target should be **under 5 minutes** & no more than 25 questions

CEO's focus on long-term business impacts... not minor costs But TA is obsessed with costs

Almost all report cost per hire... but it's a “so what metric”

But who measures **the \$ impact of great hiring?**



\$4,129

Because hiring's
+ or - impacts
will last for many years

LeBron or Homer Simpson



Example

Identifying the “real business impacts” of an over focus on cost cutting

Discover and reveal the unintended business consequences that occur in other departments... as a result of TA cuts

Pocket #1 – They cut the barista referral program (Saved \$3,500 per store)

But that **lowered Q of H & customer service capabilities** by 14%

Unfortunately, those reduced capabilities resulted in “other pocket” **hidden business impacts** after 1 year... they included:

Customer loyalty dropped (return visits down by 19%) - **\$74,000**

Amount spent per visit (down by 9%) - **\$97,000**

High margin drink sales (down 49.3%) - **\$203,500**

These other not obvious business impacts totaled - **\$374,500 ow!**



ANY QUESTIONS AT THIS POINT?

**WHAT SHOULD BE THE TOP TA
ANALYTICS GOAL ?**

**MAKING EXECUTIVES AWARE OF THE
HUGE \$ IMPACTS OF INNOVATORS**

Top performers have a huge impact – But have you quantified it?

The value of hiring a top performer is...

- The top **1%** of your workforce produce what % of your total output? **10%** (or 10 times their expected value)
- The top **5%** produce **26%** (over 5 times their expected value)

(U of Indiana study by O'Boyle and Aguinis)

Google has done its own top performer calculations 

The **top 10%** on their teams produce... what % of the value?

(10%, 15%, 20%, 50% or 90%?)

- “90% or more of the value on your teams comes from the top 10%” (i.e. there is a **90 / 10 rule** or 9 times) (Source: Lazlo Bock) 23

Top performers are valuable...

But how much more economic value do innovators create?

An innovator new-hire produces what “multiple” more?

(i.e. how many times more than the average employee in the same job?)

(2X, 10X, 15X, 25X or 300X?)

Apple - **25 times** more than average employee

Google - **300 times** more than the average employee

WOW!

DO YOU SEE WHY HIRING INNOVATORS IS SO IMPORTANT?



**SO HOW MUCH ECONOMIC IMPACT
DOES THE HIRING OF INNOVATORS
HAVE ON A FIRM?**

If your CEO saw this chart... what would their reaction be?

What do these firms have in common? (size, age, location?)

These are the top 100 companies ranked by Current Market Capitalization (U.S.\$ millions)

Rank	Company	Market Cap	Country
1	<u>Apple Inc.</u>	\$740,024	UNITED STATES
2	<u>Alphabet Inc</u>	\$580,811	UNITED STATES
3	<u>Microsoft Corporation</u>	\$501,903	UNITED STATES
4	<u>Amazon.com, Inc.</u>	\$422,139	UNITED STATES
5	<u>Facebook Incorporation</u>	\$403,116	UNITED STATES

Source: Corporateinformation 4/21/17

Serial innovation – which is the key to market domination... \$\$\$

Who are the benchmark firms for recruiting innovators?

Which are the 2 best / 2 least effective firms at hiring innovators?

IBM

HP-E

Amazon

Microsoft

Google

Facebook

Apple

Output per employee expectation:

What % higher workforce outputs should t
hiring innovators produce ? (20%, 50%, 75%)

Average	in this industry	\$211,000	
IBM		\$192,000	(Below average)
HP-E		\$250,000	(20% above Average)
Amazon		\$417,000	(Nearly 2 times the average)
Microsoft		\$762,000	(Nearly 3½ times the average)
Google		\$1,310,000	(Nearly 6 times the average)
Facebook		\$1,620,000	(Nearly 7 ¾ times the average)
Apple		\$1,870,000	(Nearly 8 ¾ times the average)

Obviously, recruiting innovators has a high impact... but what other HR functions have high business impact?

Apple can produce the same revenue as IBM with **8.7 X fewer workers**

Which HR functions have the highest rev & profit impacts?

HR function or process

Firms that excelled at this function performed _ times better

➔ **Revenue
Growth**

➔ **Profit
Margin**

1. Recruiting ←	3.5 times	2.0 times
2. On boarding and retention	2.5x	1.9x
3. Managing talent (Workforce productivity)	2.2x	2.1x
4. Employer branding	2.4x	1.8x
5. Performance management and rewards	2.1x	2.0x
6. Developing leadership	2.1x	1.8x
7. Mastering HR processes	1.8	1.8
8. Global people management/ global expansion	1.8	1.7
9. Enhancing employee engagement	1.8	1.6
10. Providing shared services and outsourcing	1.6	1.7



ANY QUESTIONS AT THIS POINT?

Part II – Consider new high-impact TA measures

**WHAT ARE THE TOP 6 HIGHEST
IMPACT TA DATA ACTIONS
THAT MOST OMIT ?**

HIRING INNOVATORS & TOP PERFORMERS IS #1

The highest business impact TA factors to measure

**#2 - Prioritizing jobs and hiring top talent
into revenue impact jobs**

What jobs have the highest business impact... when filled with top talent?

Use data to identify the highest business impact jobs

1. Hire top people into **innovation jobs**
2. Hire top performers & managers in **revenue generating jobs**
3. Hire the best into **product development positions**
4. Hire great **executives, leaders** & managers
5. Hire **diversity** into customer / product impact jobs
6. Hire the **top recruiters** for sales and revenue jobs

Also focus on hiring these individuals:

- Hire the best directly **from your competitors**
- Hire top people that **stay longer**
- Hire adaptable **rapid learners** and strategic thinkers

The highest business impact TA factors to measure

3 - Calculating the \$ impact of quality hires

Quality of hire = the % increase in on-the-job performance of one year's new-hires...compared to a previous year

Example — last year's golf team's new-hires scored an average of 70... while this year's hires improved by 10% and scored 63

Quality of hire – Sample calculation

Start with sales jobs (because their output is measured in dollars)

1. \$43,000 = **average monthly sales of hires from two years ago**

2. \$47,300 = average monthly sales **of last year's hires**

3. There was a **\$4,300 monthly improvement in sales** (up 11%)

4. \$4,300 X 12 months X 21 hires **amounted to...**

A **\$1,084,000** increase in corporate revenue (that TA can take credit for)

Data reveals that... on-line assessment improves quality of hire

Footlocker improved its new hire performance

- They added **on-line skills assessment** to more accurately select interview slates

They used a pilot to reveal its results, which were

- A double digit increase in **sales-per-hour**
- A double-digit reduction in **staff turnover**
- Managers also **reviewed fewer applicants**, (From as many as 300 down to as few as 3 per opening)



The highest business impact TA factors to measure

#4 – Calculating the \$ impact of hiring top diversity talent into “customer and product impact jobs”

How much does diversity increase sales revenue?

Which has a bigger impact on company sales... **gender or racial diversity?**

- Every 1% increase in **gender diversity** is correlated with...
a **3% increase in sales revenue (3 times)**
- Every 1% increase in **racial diversity** is correlated with
a **9% increase in sales revenue (9 times)** Source: Dr. Herring at the University of Illinois
- **The #1 predictive strategy** for global financial performance is... “building an inclusive culture” (Source: Bersin by Deloitte)

Data reveals that Unconscious Bias reduces diversity hiring

Example – What's in a name?

5000 identical medical resumes were sent out

- The name on the baseline resume was **Kristen**
- The same resume was sent out with the name **Aisha**
- **Aisha's** response rate was...
5 times lower (13% down to 2.2%) (University of Chicago/MIT study)

100 identical sales resumes were sent out

- The name on the baseline resume was **Adam**
 - The same resume was sent with the name **Mohamed**
 - **Mohamed landed 3 times fewer interviewers...** only 4 compared to 12 for Adam (BBC's *Inside Out*)
-
- **Foreign names** negatively impacted a job search in 17 of 17 countries

The highest business impact TA factors to measure

**#5 - Calculating the cost of “excess vacancy days”
for revenue and high-impact jobs**

The highest business impact TA factors to measure

Calculate the \$'s of revenue lost due to position vacancy days

- **Focus on revenue-generating positions** – the highest impact from vacancy days occurs in revenue jobs
- **No revenue is generated when a position is vacant** – there is a loss of revenue until the vacant position is filled... **and with slow hiring... those “vacancy days” increase**
- **Customers suffer when a position is vacant** – so consider **including customer loss** and damage in your calculations
- **Calculate the \$ loss from vacancy days** – **An example >**

Calculating the cost of vacancy days

Example – The cost of vacancy days for a loan officer position

- The CFO found that when a loan officer position is vacant...
\$5,000 is the lost revenue **each vacant day**
- The position was prioritized and a second recruiter was added
- The added recruiter reduced vacancy days by 100 (20 days each for five vacant positions)
- **\$5,000 multiplied by the reduced 100 excess vacancy days**
equals **a \$500,000 revenue increase per year** (not including customer loss)
- The recruiter cost was only \$100,000 **WOW**

The highest business impact TA factors to measure

#6 – Shifting to a “WOW the CEO” metric model

In TA that is designed to influence executives

Without data... wild sourcing ideas are quickly shot down

A free 4 day NZ stay for interviewing for tech jobs



12,000 apps

Source: SF Chronicle

What's the Matter with Owen? – "Big News" – GE

8x apps

The digital company. That's also an industrial company.

Get yourself a world-changing job



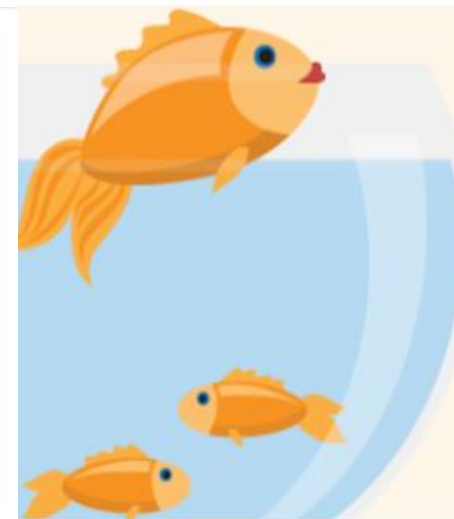
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This is not a Scam, we are actually from AWS Recruiting trying out this method To find top Engineering Talent. Please swipe right if you are open to learning more about Engineer positions at AWS!

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A surge in volunteer recruiters?



The best candidates are off the market within

Source: Officevibe.com

Without data... firms lose opportunities and \$



18% of rejected candidates **were also customers...** **2/3** of rejected candidates were “**detractors**”... and with 7,500 cancellations from rejected applicants... Virgin Media was losing \$5.4 million a year **OW!**

Your goal should be to...
meet the characteristics of a WOW metric

A “WOW/OW!** CEO metric” meets these 10 criteria...**

1. It impacts a **strategic business goal**
2. It impacts at least **1% of revenue**
3. It includes **a future trend line** and... **the cost of a delay**
4. It includes **benchmark comparison numbers** (external data?)
5. It includes **the root cause**
6. When they see it... they literally **think OMG, WOW or OW!**
7. It drives them to **repeat it and demand immediate action**
8. It highlights the **recommended actions**
9. It includes a **just-in-time alert** reminder
10. It has a **learning / process improvement feedback loop**

And finally...



**YOU CAN'T UNDERSTAND THE FUTURE
OF HR ANALYTICS WITHOUT...**

**UNDERSTANDING THE FUTURE
DIRECTION OF HR AND TA**

A few not already covered future directions for HR

- **Business people** populate HR
- Experiments, **hypothesis testing and** A/B testing become common
- **Robotics** angers the workforce
- HR is dominated by **technology**
- A gradual shift towards an **internal talent consulting model**

The highest business impact TA factors to measure

Note: my time is limited

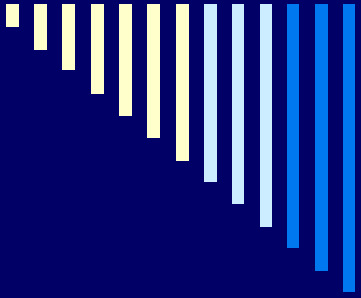
So I have included in the slide deck a list of...

- **The top 10 strategic TA metrics and...**
- **The top 10 ten Workforce Planning metrics**



A reminder action checklist

- ☒ Adopt a businesslike approach to analytics (ROI)
- ☒ Focus on directly impacting strategic goals
- ☒ Convert HR results to their \$ impact
- ☒ Only show CEO's WOW and OW metrics
- ☒ Measure quality of hire (new-hire productivity)
- ☒ Sell managers on the \$ benefits of changing
- ☒ Predict the future and alert managers
- ☒ Integrate TA, retention & perform. management
- ☒ Benchmark Google (read Work Rules)



Did I make you think?

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