



Know What You're Buying Going In, Utilizing Assessments in the Hiring Process

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Media from the *Wall Street Journal* to CNN, and CEO's with whom I've spoken, agree that one of the top strategic initiatives of many companies is hiring not only new talent, but also the right talent.

With the diminishing available talent pool, and the compelling messages about off-shore, lower skilled labor and processes, I predict the pendulum will swing and companies will re-recognize the need to invest in hiring and retaining key people, at key positions. This will allow companies to leverage their opportunities to innovate, compete and achieve their corporate objectives. But where will this talent come from?

The impetus for this talent 'shortage' is that growth oriented companies are demanding more of their workforce, and are unwavering in their expectations to attract and hire 'difference makers.' Companies committed to winning the war for talent will not only have to create an environment that fosters growth, development and challenge, but also they will need to implement systems and operating practices that leverage their ability to attract & retain the best.

Given the amount of effort and money that will be budgeted to create extraordinary retention programs; these same companies will need to evaluate and improve their internal hiring practices so that only winners get in the door. In today's competitive talent market, with candidates demanding top salaries, companies have the right to know what they are getting, and have the right to expect a return on investment with each hire. That's where assessments can make a huge impact.

Another major consideration affecting the use of assessments, or assessment service companies, is the need to analyze the cost of a bad hire. Besides salary, taxes and benefits, there are an immense number of hidden costs when a company hires someone who does not succeed.

COMPARING COST OF TURNOVER TO COST OF ASSESSMENT PROGRAMS.

Company XYZ has 200 employees, of which 40 are sales/execs, and 160 are hourly. They are planning to expand by 10%, or 20 people, during the upcoming year.



Resources for People in the People Business

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| EXECUTIVE/PROFESSIONAL SALES | TOTAL COST OF TURNOVER | TOTAL COST OF ASSESSMENTS |
|---|---|--|
| If turnover for the sales / execs is 15%, then XYZ Co has turned over 6 people (40 X 15%). If the average sales/exec earns \$80K, then based on DOL figures, the turnover cost for that group is 6 X \$100K (\$80k X 125% = \$100k) | \$600,000 | |
| Assessing new exec/sales candidates, with an average test cost of \$300 X 7.2 tests (6 X 1.2) | | \$2160 |
| HOURLY EMPLOYEES | | |
| If turnover for the hourlies is 30%, then XYZ Co turnover is 48 jobs. With the average turnover cost at \$6500 for an hourly, the turnover cost for this group is 48 X \$6500 | \$312,000 | |
| With an average test cost of \$180, the cost for testing all new hourly hires would be 57.6 (1.2 X 48) X \$180. | | \$10,368 |
| PROJECTED EXPANSION | | |
| Projected 10% or 4 Exec/Sales positions | | \$1440 |
| Projected 10% or 16 hourly positions | | \$3456 |
| | | LESS THAN |
| | \$912,000 | \$17,500 |

You can use this formula to compile your own numbers.

With personality testing, your company can stop hiring candidates with questionable potential, and start hiring the best candidates from the outset. Training and compensation dollars will reap larger dividends with the right people. Assessment tools are a fundamental means of evaluating the competency of the candidates you are considering.

The Assessment business is one of the fastest growing HR sectors. Assessments are used to evaluate everything from a candidate's motivations, values and behaviors to their communication style, personality traits and organizational abilities. For assistance with selecting the right assessments, please contact: Margaret Graziano at mgraziano@keenhire.com



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