



The Montana Small Business Development Center presents:

**HIRE FOR YOUR PEAK SEASON...
AND DON'T LOSE MONEY DOING IT!**

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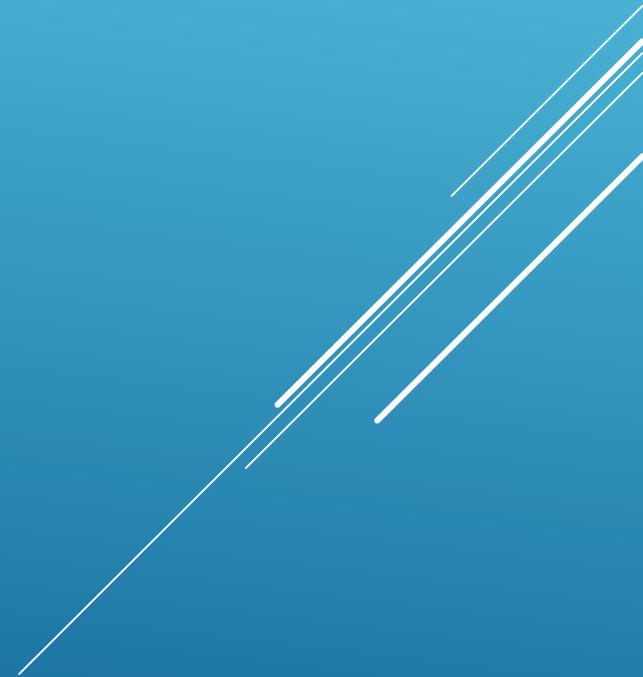
WELCOME TO THE SESSION!

Here's what we'll cover today

- ▶ - Hiring Ratios
- ▶ - Metrics that Matter
- ▶ - Hiring with your Head
- ▶ - Your Employer Brand



PART 1: RATIOS THAT JUSTIFY HEADCOUNT



RECRUITING FUNNEL RATIOS

Here are a few examples,

- ▶ 15:1 (750 applicants apply, 50 CVs are screened)
- ▶ 5:1 (50 screened CVs lead to 10 candidates submitted to the hiring manager)
- ▶ 2:1 (10 candidate submissions lead to 5 hiring manager acceptances)
- ▶ 5:2 (5 first interviews lead to 2 final interviews)
- ▶ 2:1 (2 final interviews lead to 1 offer)
- ▶ 1:1 (1 offer to 1 hire)



STAFF SALES RATIO



QUICK HR TIP:

- ▶ An easy overall metric to determine staffing levels can be **staff/sales ratio**. Take a close look at the relationship between the number of employees and revenue: is it constant or increasing?
- ▶ Benchmark industry and individual targets and work towards the appropriate ratio. Keeping on track will ensure consistency with corporate objectives.
- ▶ To a large degree, the sales/staffing ratio is a good predictor of potential income.

CALCULATING REVENUE PER EMPLOYEE

Net Revenue

Revenue per Employee =

Average Number of Employees

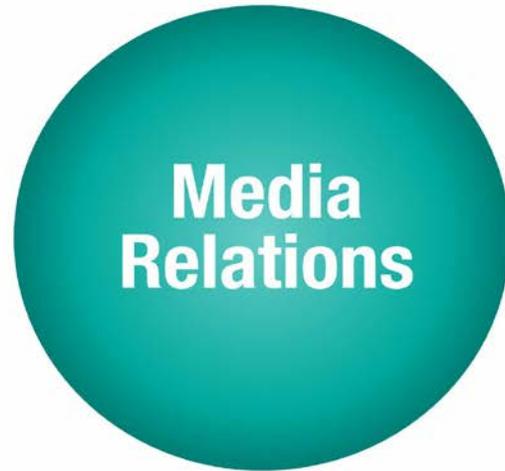


CASE STUDY: BIG SKY MEDIA RELATIONS

Big Sky Media Relations is a 6 person organization providing corporate communications and event planning services for small to mid sized businesses in western Montana.

With annual revenues in 2017 of \$350,000, their sales revenue per employee was \$ 58,333.33.

What People Think We Do



What We Actually Do



Top 20 Tech Companies by Revenue Per Employee

Data is sourced from Company Filings

Rank	Company	RPE (in \$000s)	Rank	Company	RPE (in \$000s)
1	Apple	1,859	11	Applied Materials	694
2	Facebook	1,621	12	Activision Blizzard	688
3	Alphabet	1,253	13	Cisco	684
4	VeriSign	1,154	14	Xilinx	640
5	Visa	1,062	15	Yahoo!	608
6	Mastercard	906	16	PayPal	599
7	Broadcom	843	17	Intuit	594
8	Lam Research	785	18	Intel	560
9	Qualcomm	772	19	KLA-Tencor	535
10	Microsoft	748	20	AMD	521

REVENUE PER EMPLOYEE TAKEAWAY...

- ▶ Benchmark revenue per employee ratios for your industry.
- ▶ Example: In the staffing industry, the typical revenue ratio is 3 times the employee's base salary.
- ▶ Create compensation plans to reflect your business imperatives; ie, each employee must generate 2X or 3X in incremental revenues, new business development, cost savings, product or service enhancements, etc.
- ▶ Build into review/rewards system



PART II: METRICS THAT MATTER



If we use metrics correctly, they...

- “ Advance the relationship between recruitment and the hiring managers — align the RIGHT objectives
- “ Provide credibility to the recruitment department by displaying that they understand the overall business goals and objectives
- “ Define what is important and expected of each recruiter
- “ Drive consistency in delivery of recruitment services to the organization
- “ Provide a platform to measure recruiter accountability and performance.

MOST FREQUENTLY USED RECRUITING METRICS

1.	Time to fill
2.	Time to hire
3.	Source of hire
4.	First-year attrition
5.	Quality of hire
6.	Hiring manager satisfaction
7.	Candidate job satisfaction
8.	Applicants per opening
9.	Selection ratio
10.	Cost per hire
11.	Candidate experience
12.	Offer acceptance rate
13.	% of open positions
14.	Application completion rate
15.	Recruitment funnel effectiveness
16.	Sourcing channel effectiveness
17.	Sourcing channel cost

RECRUITING METRICS

1. TIME TO FILL



- ▶ This refers to the time it takes to find and hire a new candidate, often measured by the number of days between publishing a job opening and hiring the candidate. Time to fill is influenced by supply and demand ratios for specific jobs. It's a great metric for business planning and offers a realistic view for the manager to assess the time it will take to attract a replacement for a departed employee.
- ▶ In addition, a short time to fill a position usually has a positive effect on the rest of the team as it means less overtime and instability.

2. TIME TO HIRE

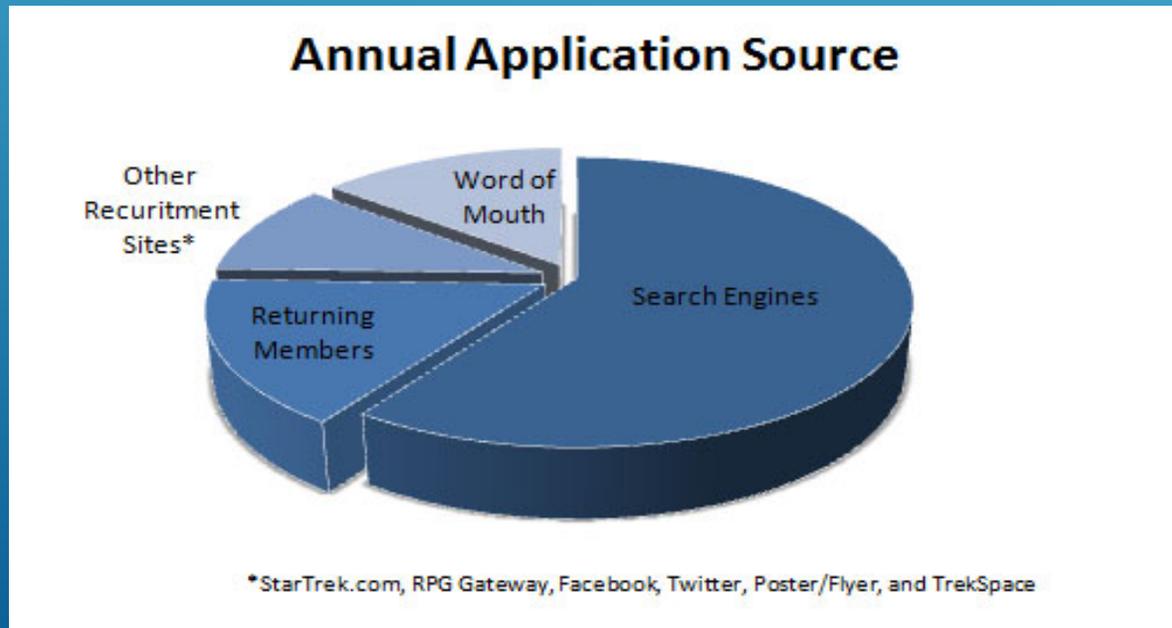


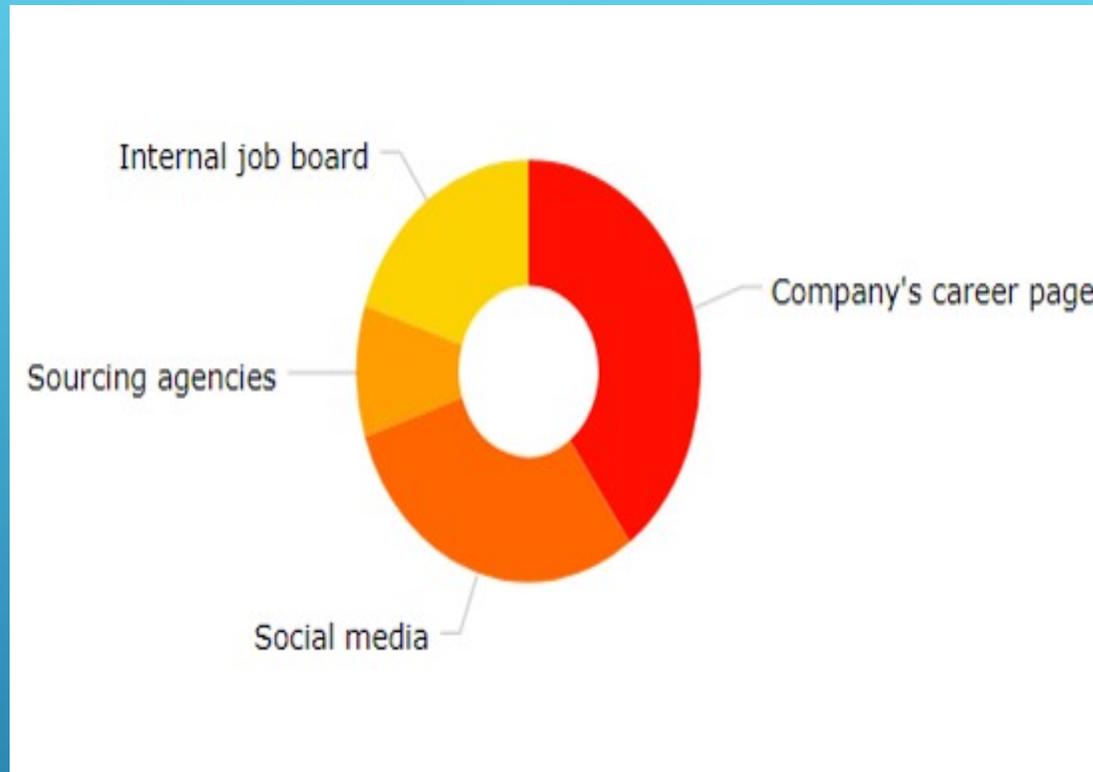
- ▶ Time to hire represents the number of days between the moment a candidate is approached and the moment the candidate accepts the job. In other words, it measures the time it takes for someone to move through the hiring process once they've applied. Time to hire thus provides a solid indication of how the recruitment team is performing. This metric is also called 'Time to Accept'.
- ▶ On average, it takes 42 working days to fill a job

Time to hire	US average	UK & Ireland	Rest of Europe	Rest of world
Overall	24	24	28	26
Customer Service	21	19	28	18
Engineering	28	26	30	28
Healthcare	17	18	N/A	N/A
Human Resources	27	23	23	23
Information Technology	26	23	29	25
Marketing	24	26	27	27
Product Management	32	36	29	27
Sales	22	20	25	26

3. SOURCE OF HIRE

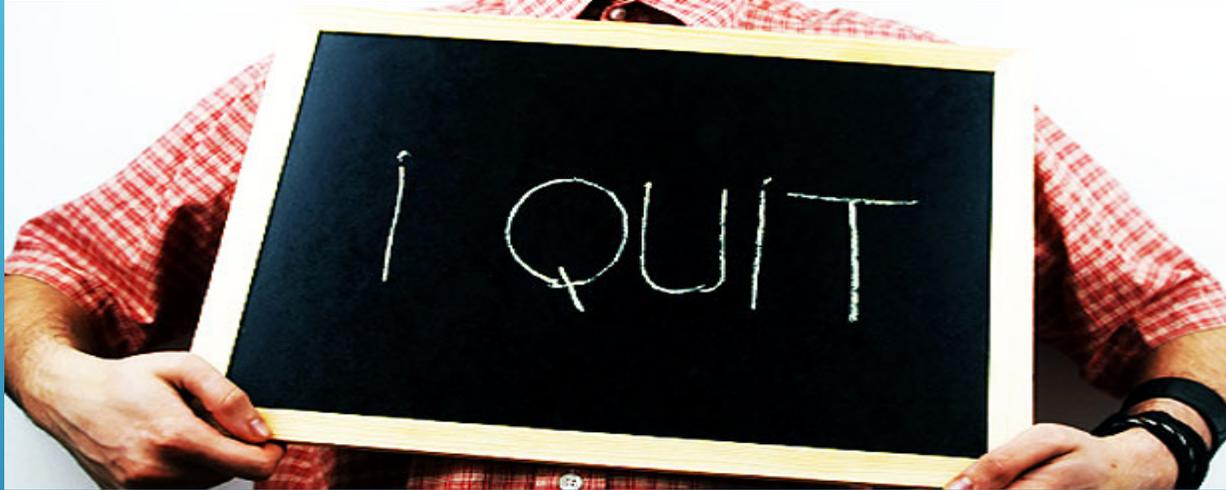
Tracking the sources which attract new hires to your organization is one of the most popular recruiting metric. This metric also helps to keep track of the effectiveness of different recruiting channels. A few examples are job boards, the company's career page, social media, and sourcing agencies.





FREQUENTLY USED SOURCING CHANNELS

4. FIRST YEAR ATTRITION



First-year attrition is a key recruiting metric and also indicates hiring success. Candidates who leave in their first year of work fail to become fully productive and usually cost a lot of money.

5. QUALITY OF HIRE



- ▶ Quality of hire, often measured by someone's performance rating, gives an indicator of first-year performance of a candidate. Candidates who receive high-performance ratings are indicative of hiring success while the opposite holds true for candidates with low-performance ratings. Low first-year performance ratings are indicative of bad hires. A single bad hire can cost a company tens of thousands of dollars in both direct and indirect costs

AND WHAT ABOUT A BAD HIRE?

A POOR HIRING DECISION CAN EQUAL 30% OF THE INDIVIDUAL'S EARNINGS

EMPLOYERS SPEND AN AVERAGE OF \$7000 TO REPLACE A SALARIED EMPLOYEE AND UP TO \$40,000 TO REPLACE AN EXECUTIVE



6. HIRING MANAGER SATISFACTION

When the hiring manager is satisfied with the new candidates in his team, the candidate is likely to perform well and fit well in the team. In other words, the candidate is more likely to be a successful hire.



7. CANDIDATE JOB SATISFACTION

Candidate job satisfaction is an excellent way to track whether the expectations set during the recruiting procedure match reality. A low candidate job satisfaction highlights a mismanagement of expectations or incomplete job descriptions.



8. APPLICANTS PER OPENING

- ▶ This metric reflects the level of interest in the job by the number of resumes, calls or walks ins generated by the posting. Typically, a great number of candidates for the position is a reliable indicator of your organization's brand and reputation.



9. SELECTION RATIO

- ▶ The selection ratio refers to the number of hired candidates compared to the total number of candidates. This ratio is also called the Submittals to Hire Ratio.



10. COST PER HIRE



The cost per hire recruitment metric is the total cost invested in hiring divided by the number of hires.

TOTAL RECRUITMENT COST	
External cost	Internal cost
Advertising cost	Time spent by recruiter - (avg. wages * hours spent)
Agency fees	Time spent by manager - (avg. wages * hours spent)
Candidate expenses	New hire onboarding time - (avg. wages * hours spent)
New hire training cost	Lost productivity
Other external costs	Other internal costs

TOTAL RECRUITMENT COST

11. CANDIDATE EXPERIENCE

The candidate experience is the way that job seekers perceive an employer's recruitment and onboarding process. It's simply how they're treated throughout their interactions with the employer.



12. OFFER ACCEPTANCE RATE

- ▶ The offer acceptance rate compares the number of candidates who successfully accepted a job offer with the number of candidates who received an offer.
- ▶ A low rate is indicative of potential compensation problems. When these problems occur often for certain functions, pay can be discussed earlier in the recruiting process in an effort to minimize the impact of a refused job offer.



13. % OF OPEN POSITIONS

- ▶ This metric reflects the number of unfilled positions over a given period of time. If your budget allows you to hire 10 people in a quarter, and you hire only 3, your percentage of open positions is 70%



14. APPLICATION COMPLETION RATE

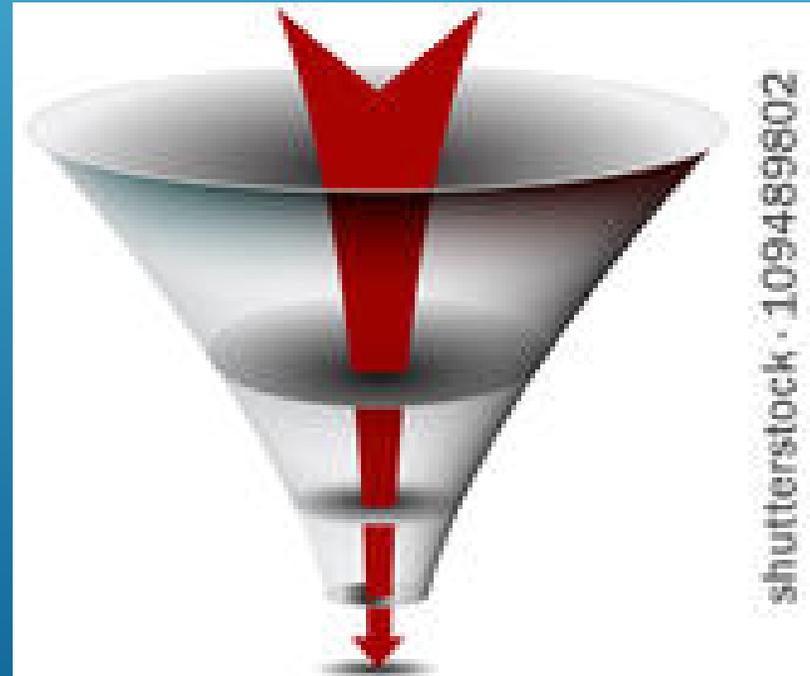


Application completion rate is especially interesting for organizations with elaborate online recruiting systems. Many large corporate firms require candidates to manually input their entire CV in their systems before they can apply for a job. Drop-out in this process is indicative of problems in this procedure, e.g. web browser incompatibility with the application system, or a non-user-friendly interface.



15. RECRUITMENT FUNNEL EFFECTIVENESS

Recruitment is a funnel which begins with sourcing and ends with a signed contract. By measuring the effectiveness of all the different steps in the funnel, you can specify a yield ratio per step. This makes for some excellent recruiting metrics



16. SOURCING CHANNEL EFFECTIVENESS

- ▶ Sourcing channel effectiveness helps to measure the conversions per channel. By comparing the percentage of applications with the percentage of impressions of the positions, you can quickly judge the effectiveness of different channels.
- ▶ A simple way to do this is by using Google Analytics to track where the people who viewed the job opening on your website actually came from



17. SOURCING CHANNEL COST



You can also calculate the cost efficiency of your different sourcing channels by including ad spend, the amount of money spent on advertisement, on those platforms. By dividing the ad spend with the number visitors who successfully applied through the job opening you measure the sourcing channel cost per hire.



PART III: HIRE WITH YOUR HEAD

Hire to solve a business problem

Hire for contribution as well as cultural fit

Use a common interview process to assess candidates

Communicate clearly with candidates...tell them where they stand

Check references diligently...as Ronal Regan said, "Trust but Verify"

Whatever your decision, thank candidates for their time and interest in your organization.



PERFORMANCE BASED QUESTIONS

Remember---you're hiring someone based on their performance, not their presentation!

Get started with a high gain question..."Based on all the things you've done over the past year, what stands out as your most significant accomplishment?"

Then use the **PAR (Problem, Action, Result)** model to probe for more information

- ▶ Problem: "Tell me about a time when you had to win over an abrasive colleague whose support you needed to complete a key project"
- ▶ Action: "What did you do to gain his support?"
- ▶ Result: " What was the result?"



INTERVIEW PRINCIPLES FROM JEFF BEZOS

- ▶ Principles, according to Bezos, that are still in use today. Hiring top talent, he writes, is based on **three questions**.
- ▶ Will you admire this person?
- ▶ Will this person raise the average level of effectiveness of the group they're entering?
- ▶ Along what dimension might this person be a superstar?



CULTURE AND CONTRIBUTION

- ▶ Culture is the bedrock of an organization...simply put, it's a set of informal rules and practices that underlie how people work together to get stuff done.
- ▶ Does this person mesh with you, your colleagues, your customers, your other stakeholders?
- ▶ What will this person contribute to the organization?
- ▶ Use PAR to discover the kind of culture that brings out the best in the person



SELL THE JOB, NOT THE CANDIDATE!

- ▶ Be the buyer...make the person earn the job—it's more meaningful when you work for it. Provide them a chance to demonstrate their achievements. Romance the role!
- ▶ Stress the Opportunity Gap...difference between what you offer and what they have now. What will they gain by coming to work for you?
- ▶ A “I’ll think it over” response means you have 2 chances to hire the person---slim and none!



CLOSE THE INTERVIEW WITH IMPACT!

- ▶ Ask, "What question do you wish I'd asked you?"
- ▶ Test interest: "Based on your experience with us (job, company, manager, team), what are your thoughts about the role? How does it square with your needs? Would you like to pursue it further?"
- ▶ Clarify expectations: "Here's where we are in the process...and the next step we'd like to take. Will that work for you?"
- ▶ Acknowledge investment. "Thanks for exploring this role-- we appreciate the time you've devoted to us"
- ▶ Commit to updating the person by a specific date



PART IV: YOUR EMPLOYER BRAND

- ▶ It's how applicants perceive you in the marketplace
- ▶ And what makes people want to work for you
- ▶ Brand equity is the value people place in you
- ▶ Built up based on repeated interactions
- ▶ Are people proud to work for you?



5 KEYS TO BUILDING YOUR EMPLOYER BRAND

- ▶ To those you interview, you're the company's brand
- ▶ Treat each person with respect; they'll share their experience with everyone in their professional circle
- ▶ Make the job so attractive candidates want to sell you on their qualifications
- ▶ Post offer, keep the person sold on the job
- ▶ Post acceptance, congratulate them on their good judgment...and remember, the job is not finished until the person shows up!



THANKS FOR PARTICIPATING!

- ▶ May all your interviews be successful,
- ▶ Enable you to hire great performers,
- ▶ And brand your company as a great place to work!

