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WHITEPAPER

Saving the Outsourcer from Turnover – Case Studies

DID YOU KNOW?

Using assessments to improve job candidate evaluation continue to generate significant value for contact center organizations.

Introduction

In March 2008 we published a whitepaper called Transforming the Culture of Attrition. In this whitepaper, we examined 4,000 hires in contact centers that had been tracked over a twelve month period. Our conclusions suggested nine issues that lead to a Culture of attrition. Our findings also confirmed that using assessments to improve job candidate evaluation continue to generate significant value for contact center organizations. In addition, our research highlighted how to best use assessments at key points in the employee lifecycle to reduce attrition, while identifying when other factors in the culture of attrition seem to have more dominance.

In this whitepaper, we dig deeper into the culture of attrition. We will highlight four focus areas to which solutions can be applied to attack the culture of attrition. We will discuss our thoughts on how these four factors lead to attrition challenges within contact centers. We will then highlight three case examples to show how three firms have applied these solutions successfully to reduce turnover and drive business results.

We have selected the three case examples from customer service outsourcing firms for many reasons. First, outsourcing firms have some of the most difficult challenges with attrition. Second, outsourcers cover a broad set of call types and complexity. Third, outsourcers live and die by controlling costs and increasing revenue which means if they cannot fix their attrition issues they will suffer significant financial losses. Fourth, many internal centers use outsourcing partners to manage certain call types making them familiar with the business model.

Within the contact center industry, outsourcing firms have long battled attrition. In fact, many observers of the contact center industry would claim that outsourcers drive a culture of attrition. But, outsourcers also have other factors that make it difficult to compare their operating models to a captive contact center. For example, an outsourcer may have a client fund training for hire number 1 but not a replacement for hire number 1 should he or she term. Outsourcers also face hiring demand that can be difficult to forecast due to

client call patterns, shift in volume from one outsourcer to another, or rapid client growth. Finally, outsourcers must meet client expectations which sometimes require tough decisions that result in attrition. For example, conceding to a client demand to move a program from center A to center B not only creates potential turnover but impacts the outsourcer’s reputation in market A which may be nearly impossible to repair.

Issues That Drive the Culture of Attrition

In our whitepaper on Transforming the Culture of Attrition, we highlighted six contact center issues (hiring competition, equity, recruitment, environment, job design, and leadership) that drive turnover and three labor pool issues (transient attitudes, fear of failure, and a sense of entitlement) that contribute to the culture of attrition. In this paper, we draw on these nine issues and link them to four specific areas that must be transformed to eliminate the culture of attrition.

The following chart links the nine fundamental issues in a culture of attrition to the four focal areas in this review:

Issues	Recruiting Challenges	Job Design	Candidate Evaluation	Alignment between HR, Training, and Operations
Hiring Competition	△			
Equity		△	△	△
Recruitment	△	△	△	△
Environment		△		
Job Design		△		
Leadership		△		△
Transient Attitude	△		△	
Fear of Failure			△	
Sense of Entitlement			△	

Like a tangled mess of wires, these four elements interact with one another to create an attrition web that is difficult to unravel. Recruiting challenges impact the candidate evaluation process which impacts the ability to hire candidates who will stay and perform. Throughout this process, HR, Training, and Operations all have different goals and incentives. Each element needs to be separated and addressed one at a time. But, each area can be directly controlled by the contact center leadership.

Recruiting Challenges

A key element of the culture of attrition can be addressed by focusing on the recruiting process. Contact centers, especially outsourcing firms, typically need to drive significant candidate volume in order to meet hiring needs. Yet, in order to reduce attrition, the hiring process must have some degree of selectivity. The challenge is how to balance quality versus quantity. In most outsourcing organizations, quantity wins because it fills the seats and gives the outsourcer a chance at meeting production needs. When hiring standards are reduced, an increase in attrition can be expected. In addition, because HR and Recruiting resources are focused on filling classes, retention efforts are often short changed.

Some common recruiting challenges include:

- Reliance on traditional sourcing from newspapers and job fairs which tend to draw unemployed and underemployed candidates.
- Poor internet based recruiting programs.
- Ineffective employee referral or person-to-person referral programs. Person-to-person programs require creativity and consistent execution. Many HR staffs either don't have the resources or lack the will to execute on these programs.
- No analytics that tie recruitment sourcing to quality of hire.
- Generic recruiting message that does not distinguish the hiring organization against the hiring competition.
- Lack of focus on the employment brand within the labor market.

Job Design

Understanding the requirements and the reality of the job are critical to reducing attrition. Most organizations pay little attention to truly understanding the factors that create successful job performance. As an example, consider technical support positions. Successful technical support job performance requires liking technology, wanting to help people, and being able to understand and solve problems. However, most organizations will not define the job across work habits, work ability, and work attitudes. They will just focus on one element of the job. The business impact of poor job design contributes to the culture of attrition.

Some common challenges with job design include:

- Lack of job analysis creates a knowledge gap whereby organizations fail to understand what should be evaluated in job applicants or how to determine if the organization has hired the right people.
- Lack of clarity in job design creates confusion between HR, Training, and Operations.
- Lack of clarity in job design prevents the organization from providing a consistent, accurate description of the job to candidates; thus candidates fail to receive a truly realistic job preview.
- Ignoring professional standards from the EEOC and OFCCP that suggest solid job design best practices which may place the organization at risk in terms of compliance.

Evaluating the Candidate

Clarity in job design allows the hiring team to understand what to measure when evaluating a job candidate, typically by highlighting the competencies or characteristics required for successful job performance. The use of assessment tools allows the hiring team to objectively link assessment scores back to this critical competency profile. Going back to our technical support example above, many hiring managers will just focus on one factor, like the job candidate's technical skills. They will measure the job candidate against a technical competence but not measure them in how they interact with customers or if they can actually solve a problem. As we will see, this can have a dramatic impact on reducing the culture of attrition.

Some common challenges with candidate evaluation:

- Lack of understanding of the critical job competencies leads to a failure to measure these competencies in the candidate evaluation process.
- Over reliance on interviews as the sole method of candidate evaluation. Decisions based on interviews are often subjective and have proven to lack validity in predicting work ability (example – multi-tasking), work attitudes (example – attitude towards problem solving), and work habits (example – job fit).
- Lack of objective scoring that can be calibrated against job performance outcomes.

Alignment between HR, Training, and Operations

In our previous whitepaper, we highlighted the environment and leadership as two issues that impact the Culture of Attrition. Improving the alignment between HR, Training, and Operations can help enhance the environment and ensure better leadership within the center. In many organizations, HR, Training, and Operations all have separate goals and incentives regarding attrition reduction. While attrition can be reduced by focusing on the other elements above, the most significant reduction can be gained by ensuring alignment between functional groups.

Some common challenges with alignment between HR, Training, and Operations:

- Each organization has different incentives related to attrition which prevent the organization from attacking attrition with a single focus that standardizes processes and balances the needs of all three functional areas.
- Not dealing with front line agent issues like rumors about shift schedules, failure to process payroll correctly, and others.

The Financial Impact – A General Model

If an organization can focus on solving one (or more) of the four factors that drive attrition, how does it impact the financial profitability? Staying with our focus on outsourcers, we outline a general financial model below. In this model, we focus on attrition savings and revenue savings. A common discussion within outsourcers is that they need to put people in seats to drive production revenue. But, how does

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high attrition impact revenue? Based on this line of thinking, we also analyze the potential revenue saved in this general model.

We are assuming a 5,000 agent outsourcer that is currently experiencing 75% annualized attrition. The variable cost of turnover is \$4,500 which is based on data from our outsourcing clients. We're also assuming the average annual revenue produced by an agent is \$27,500 or \$2,292 per month. The

attrition reduction per year is conservative at 10%. For a lost new hire, we assume the replacement time is two months, meaning total lost revenue is \$4,584 per term.

Turnover Savings Analysis

Current Hiring Practices	Baseline	Year 1	Year 2	Year 3	Summary
Headcount Required for Production	5,000	5,000	5,000	5,000	
Attrition Rate	75%	75%	75%	75%	
Replacement Hires	3,750	3,750	3,750	3,750	11,250
Total Cost of Turnover at \$4,500	\$	16,875,000	\$ 16,875,000	\$ 16,875,000	\$ 50,625,000
Improved Hiring Practices	Baseline	Year 1	Year 2	Year 3	Summary
Headcount Required for Production	5,000	5,000	5,000	5,000	
Attrition Rate (10% decrease per year)	75%	68%	61%	55%	
Replacement Hires	3,750	3,375	3,038	2,734	9,146
Total Cost of Turnover at \$4,500	\$	15,187,500	\$ 13,668,750	\$ 12,301,875	\$ 41,158,125
Reduced Number of Hires					2,104
Attrition Savings	\$	1,687,500	\$ 3,206,250	\$ 4,573,125	\$ 9,466,875

Revenue Savings Analysis

Current Hiring Practices	Year 1	Year 2	Year 3	Summary
Open Seats Per Month (3,750/12)	313	313	313	
Revenue Lost Per Month (313 x \$2,292 x 2 months)	\$ 1,432,292	\$ 1,432,292	\$ 1,432,292	
Revenue Lost Per Year	\$ 17,187,500	\$ 17,187,500	\$ 17,187,500	\$ 51,562,500
Improved Hiring Practices	Year 1	Year 2	Year 3	Summary
Open Seats Per Month	281	253	228	
Revenue Lost Per Month	\$ 1,289,063	\$ 1,160,156	\$ 1,044,141	
Revenue Lost Per Year	\$ 15,468,750	\$ 13,921,875	\$ 12,529,688	\$ 41,920,313
Revenue Saved	\$ 1,718,750	\$ 3,265,625	\$ 4,657,813	\$ 9,642,188

Return on Investment Analysis

	Summary
Turnover Savings	\$ 9,466,875
Revenue Savings	\$ 9,642,188
Total Savings	\$ 19,109,063
Project Investment Over 3 Years - Assessment Usage, Consulting, Recruiting Process changes, Operational changes	\$ 1,000,000
ROI % - Total	1811%
ROI % - Turnover	847%

The net impact shows that \$1 invested yields \$18 back in this general model or about \$8 back for the attrition savings alone.

We have outlined the four issues, based on the Culture of Attrition research, that drive attrition but can be directly controlled by the contact center. We have also outlined a generalized model that highlights the return on investment by focusing on attrition reduction and the side benefit to revenue protection. Now, we turn to three specific case studies to see what specific factors they focused on and the results they achieved.

Factor	Case Example 1	Case Example 2	Case Example 3
Recruitment Challenges	No	Limited	Yes
Job Design	No	Limited	Yes
Candidate Evaluation	Yes	Yes	Yes
Alignment with HR, Training, and Operations	No	No	Yes

The only common factor addressed by all three case examples was candidate evaluation. In all three case examples, the organizations used three assessments to evaluate job candidates.

Assessment Test	Competency Factors
<p>Work Habits Review – Biographical inventory designed to measure work experiences and habits.</p>	<p>Dependability Person-Environment Fit Computer use Resiliency Compliance-Acquiescence Frustration Tolerance Soft-Sell Persuasion Pace-Consistency Attention to Detail Conscientiousness</p>
<p>Work Attitudes Review – self-report measure designed to assess work attitudes, preferences, and job fit.</p>	<p>Work / Life balance Problem solving / Analysis Perfectionist / Quality focus Administration / Following rules Expressiveness / Outgoing Impulsiveness / Decisiveness Accepts Change / Flexible Ego-Centered / Competitiveness Generate Ideas / Innovate Teamwork / Amiability</p>
<p>Work Ability Review – Computerized work sample simulation designed to assess cognitive and interpersonal work abilities.</p>	<p>Accuracy Computer ability Multi-tasking Customer Service Orientation</p>

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Background	Case Example 1	Case Example 2	Case Example 3
	<p>Top tier outsourcer seeks better candidate evaluation process in order to reduce attrition.</p> <p>Project involved over 500 hires across multiple locations handling care, sales, and technical support calls.</p>	<p>Outsourcing firm facing high level attrition levels seeks solutions to reduce turnover and improve new hire retention.</p> <p>Project involved multiple locations and over 500 hires. Client programs focused on technical support calls.</p>	<p>Top tier outsourcing firm not meeting performance goals for clients and experiencing significant attrition.</p> <p>Project involved multiple sites, over 300 hires, and was focused on customer care and account retention calls. Firm typically has the lowest compensation program within each local labor pool.</p>
Actions	Case Example 1	Case Example 2	Case Example 3
Recruitment Challenges	No action.	High level review of recruiting process which resulted in changes to recruiting strategies and tactics.	Major overhaul of recruitment strategy and tactics to focus on more internet and employee referral hires and fewer newspaper/job fair hires.
Job Design	No action.	High level review of job requirements and linkage to assessment content.	In-depth review of job requirements. Job design process led to unique scoring models to drive optimized assessment process to predict performance results.
Candidate Evaluation	<p>Implemented assessments to evaluate:</p> <ul style="list-style-type: none"> • Work habits • Work attitudes • Work ability 	<p>Implemented assessments to evaluate:</p> <ul style="list-style-type: none"> • Work habits • Work attitudes • Work ability 	<p>Implemented assessments to evaluate:</p> <ul style="list-style-type: none"> • Work habits • Work attitudes • Work ability
Alignment with HR, Training, and Operations	No action.	No action.	Recruiting team was enlarged to allow dedicated time with Training and Operations in order to align interests on new hire retention. Daily communication program between HR, Training, and Operations to resolve new hire issues and drive retention.
Results	Case Example 1	Case Example 2	Case Example 3
Results	Organization experienced:	Organization experienced:	Organization experienced:

Summary

Organizations with significant attrition issues typically have a culture that breeds turnover. In our whitepaper on Transforming the Culture of Attrition, we highlighted six contact center issues (hiring competition, equity, recruitment, environment, job design, and leadership) that drive turnover and three labor pool issues (transient attitudes, fear of failure, and a sense of entitlement) that contribute to the culture of attrition.

As we review the nine issues associated with the Culture of Attrition, we isolate four factors that can be directly controlled by the hiring organization. These include:

- Recruitment challenges
- Job design
- Candidate evaluation
- Alignment between HR, Training, and Operations

These issues interact with one another to create a tangled web that makes reducing attrition challenging. When organizations can focus applying solutions the four factors discussed in this paper, this web can be untangled and attrition can be reduced.

From a financial standpoint, the benefits are significant. A \$1 investment can yield \$8 to \$9 in attrition savings alone and potentially \$18 when revenue savings are included. To test the theory and examine the financials, three case studies were examined. Each study involved a firm specializing in customer care outsourcing. The case studies presented above highlight the utility of applying solutions in the four focal areas. Most notably, this review illustrates a trend whereby the return on investment increases in proportion to the number of focal areas addressed in the applied solution.

What are the implications to your contact center?

- Recruiting and attrition are tied together. The ability to improve the candidate quality through better recruitment strategies and tactics is a first step to improving retention.
- Taking time to conduct a proper job design can double your return on investment. Many firms use off-the-shelf competency models based on industry averages. This works well if you want to be average. While an in-depth job analysis and validation analysis add a little extra effort, the payoff appears to be worth the investment.
- Investing in an objective, scalable candidate evaluation process that is calibrated against job performance will provide significant value to the organization.
- Aligning HR, Training, and Operation against common retention objectives and incentives creates a unified culture focused on retention and extends the changes in the front-end of the hiring process to the back-end where new hire orientation, training, and production are critical.

About FurstPerson

What we do:

- Develop and operate web-based pre-hire, employee selection assessments that help contact centre organisations hire and develop the right employees.

Our experience:

- Thirteen years of research and implementation experience working with all major call types including customer care, sales, collections, win back, and technical support.
- Implemented our solutions in over 250 labor markets in the United States, Canada, UK, the Philippines, and Latin America.
- Significant industry experience in telecommunications, insurance, outsourcing, financial services, retail, travel, and business services industries.
- Home agent hiring since 2002.
- Average client is a multi-site, multi-call type organization with complex hiring workflow models and job profiles.
- Developed award-winning assessments featuring interactive simulations.

Differentiators:

- Predictive assessments with demonstrated bottom line results ranging from:
 - Improved new hire performance (up to 40%)
 - Reduced turnover (up to 70%)
 - ROI – \$1 invested yields \$10 to \$20 in return
 - Lower recruiting expense
- Hiring solutions based on empirical research supported by ongoing job and validation analysis.
- Customized solutions leveraging our extensive contact centre hiring expertise and industry leading assessment solutions.

To learn more about FurstPerson, please visit our website at www.furstperson.com or email us at info@furstperson.com or call us at 888-626-3412.

