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WHITEPAPER

Did Turnover Ruin the Deal?

DID YOU KNOW?

Using pre-hire assessments is a Best Practice demonstrated by organizations with lower new hire attrition.

From The Miami Herald, August 26, 2008:

Investor Sues Over PRC Losses

"A New York investment firm's \$278 million purchase of PRC in 2006 was a bust, with the Plantation call-center operator going bankrupt within 14 months of the deal. Now Diamond Castle Holdings claims it was swindled by the seller - Barry Diller's IAC/InterActiveCorp. Diamond Castle entities last week sued IAC for about \$135 million in damages in New York Supreme Court.

Diamond Castle says in its suit it would never have bought PRC had it been privy to information about a major contract awarded to PRC by Verizon Wireless just before the purchase. IAC touted the Verizon Wireless contract to Diamond Castle, saying it would vault PRC from "a second tier to the top tier of call-center providers," the suit alleges.

IAC told Diamond Castle the Verizon Wireless contract would add \$48 million to PRC's 2007 revenue and increase earnings before taxes, interest and other items by nearly \$8 million, the suit says. In reality, Diamond Castle says, PRC lost about \$18 million on the contract in 2007 and, with further losses projected for 2008, PRC had to file for bankruptcy in January.

Diamond Castle claims in the suit that IAC and PRC hid "information of a highly damaging nature" about the contract. Namely, that labor costs at an Austin, Texas, call center that handled Verizon Wireless were inaccurate and that **PRC had trouble retaining staff to service the contract.**"

Please Note - PRC emerged from Chapter 11 in June 2008 and is currently operating with a new management team and financial structure. Previous history should not be considered as indicative of their performance capabilities.

How could this have been avoided? Seven Best Practice Hiring Factors

The lost investment by Diamond Castle Holdings in their acquisition of PRC puts a harsh reality on the cost of poor hiring practices that lead to high turnover. Certainly poor hiring practices were not the only reason that PRC declared bankruptcy. However, given that labor is around 60% of a contact center organization's budget, the compensation and retention issues most likely were a significant factor contributing to the bankruptcy. The reality, as outlined in this article, is hiring practices actually do impact an organization's financial future.

So, if you are an investor in contact centers, how do you evaluate whether or not your target firm has best practice hiring processes? As a contact center operator and leader, how do you make sure that you can demonstrate to your shareholders that you have a best practice hiring process?

Seven factors can help your organization reach Best Practice levels for hiring.

Factor 1 - Defining the job

Factor 2 - Recruiting and Sourcing Strategy

Factor 3 - Using assessments for candidate evaluation

Factor 4 - Validating the assessments against performance and turnover

Factor 5 - Team leader hiring

Factor 6 - Alignment between HR, Operations, and Training

Factor 7 - Rinse, Repeat, and ROI

Factor 1 – Defining the Job

One Best Practice factor for improving new hire retention is to carefully define the job by understanding the competencies that drive successful job performance. Typically, this is accomplished through a job analysis. The chart below outlines sample job analysis results from one insurance organization, demonstrating that the competencies critical for job success may vary by job family. Customer Focus, for example, is more critical to success for Care agents than for Sales agents.

Customer Care Agent		Sales Agent	
Rank	Competency	Rank	Competency
1	Industry Knowledge	1	Listening Skills
2	Customer Focus	2	Oral Communication
3	Following Procedures	3	Multi-tasking
4	Problem-Solving	4	Personal Reliability
5	General Learning	5	Problem-Solving
6	Decision Making	6	Following Procedures
7	Listening Ability	7	Computer / Technical
8	Works Under Pressure	8	Attention to Detail
9	Personal Reliability	9	Customer Focus
10	Oral Communication	10	Decision Making

For an organization seeking to improve new hire retention, the critical starting point is a job analysis for each major call type. The job analysis should define the abilities and behaviors that drive job success. By defining the job, the hiring organization lays the foundation for the recruiting and hiring process because the job criteria are linked to organizational success.

Factor 2 – Recruiting and Sourcing Strategy

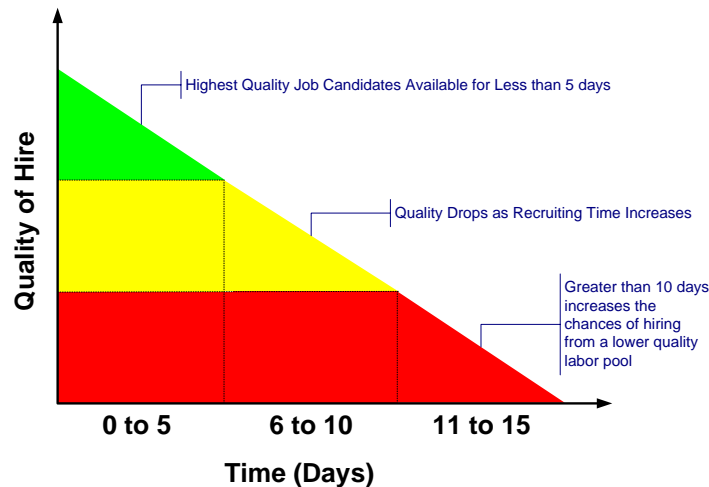
A robust recruiting and sourcing strategy is another Best Practice utilized by organizations with lower attrition.

Unfortunately, many contact center organizations get caught in the turnover spiral. This means that high attrition forces constant hiring. Each week requires another new training class. Because the organization cannot recruit enough candidates into the top of the funnel, they reduce standards in the hiring process so they can deliver enough new hires into production. The relaxed standards result in the hiring of people with lower potential for success, which contributes further to the cycle of attrition.

Alternatively, organizations that utilize best practice recruiting and sourcing strategies typically exhibit the following characteristics:

- Generate more candidates from person-to-person and internet sources than from job fairs and newspaper ads.

- Research shows that candidates from those sources tend to have better retention.
- Hire people quickly – top candidates are off the market within 5 to 10 business days.
- The recruiting process measures key milestones at each phase in the process.
- Data comparing recruiting source and retention results are tracked and analyzed.
- Execution of the recruiting plan is more critical than recruiting strategy.



Qualified Candidates Find Jobs Faster
Source: Aberdeen Group and FurstPerson

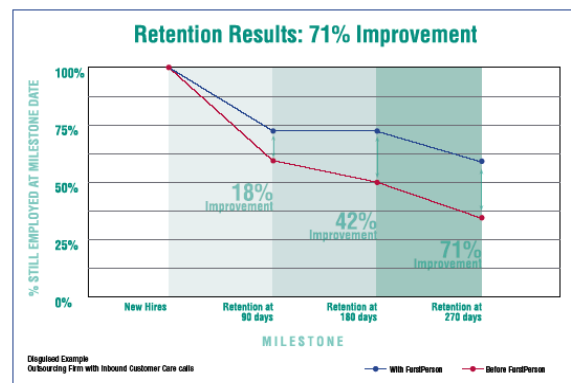
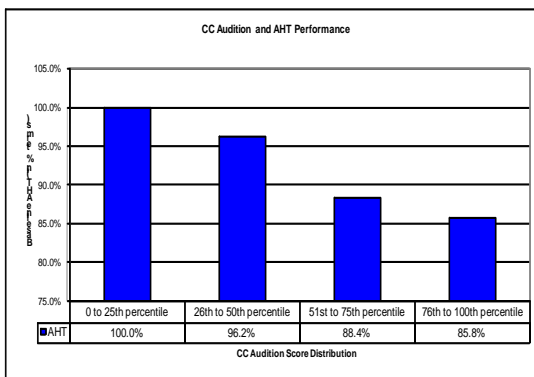
Factors 3 and 4– Assessments are used for candidate evaluation and are validated against performance and retention

Using pre-employment assessments is another Best Practice demonstrated by organizations with lower new hire attrition. Assessments allow the hiring organization to best measure the competencies outlined in the job analysis described in Factor 1. Assessments measure abilities and behaviors needed to successfully perform the job and may include simulations, cognitive ability measures, personality assessments, and biographical data assessments.

- Assessments are objective and allow hiring managers to improve the probability of making a better hire.
- For example, measuring multi-tasking is difficult in an interview but straightforward in a simulation.
- Recruiters bring bias into the interview process which impacts the interview results. In addition, controlling for interview quality across recruiters can be challenging. Predictive, objective assessments can eliminate recruiting bias and quality variance.

The use of assessments should always be accompanied by another Best Practice - validation models that provide statistical evidence of the link between a candidate's assessment performance and his/her on-the-job performance and tenure. This allows hiring managers to make quality decisions about job candidates by ensuring they meet or exceed a validated cut-off point on the pre-hire assessments. The use of objective assessments, calibrated against retention and job performance is a critical Best Practice for any firm attempting to reduce early stage attrition.

- The chart at the bottom left shows an example of scores on a simulation assessment (CC Audition®) compared to Average Handle Time. New hires that score higher on this high-fidelity job simulation experience about 15% better AHT compared to those who score lower on this assessment.
- The chart to the bottom right shows how the use of assessments helped an organization reduce attrition and realize a 71% improvement in retention at 270 days tenure.



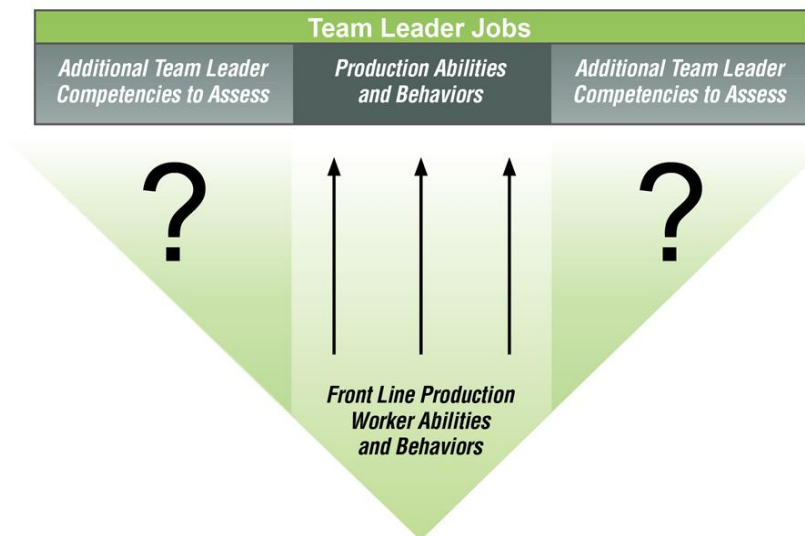
Factor 5 – Team Leader Hiring

Best Practice organizations understand that the Supervisor or Team Leader position is potentially the most critical position on a contact center production floor. Contact center agent attrition in the first two to twelve months is significantly influenced by the ability and behavior of the Team Leader.

Best Practice organizations evaluate candidates for Team Leader positions just like they do for front-line agents.

- Job analysis to define the competencies that drive success.
- Select the right assessments to best evaluate the competencies that drive job performance.
- Validate the assessments against Team Leader performance.
- Don't assume that a good agent makes a good Team Leader.
- Collect data, rinse, and repeat every 12 to 18 months to ensure assessments keep pace with organizational changes.

Team Leader Selection Model



Factor 6 – Alignment between HR, Training, and Operations

In previous whitepapers, 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. Each organization must have the same incentives related to attrition, allowing the organization to attack attrition with a single focus that standardizes processes and balances the needs of all three functional areas.

Factor 7 – Rinse and Repeat and ROI

Best Practice organizations that have achieved low early stage turnover continue to rinse and repeat the processes outlined in this paper. These organizations use an Employment Lifecycle approach that revisits the hiring process via systematic data analysis on a regularly scheduled basis (e.g., every 12 to 18 months). The job analysis is revisited for updated requirements or changes. The validation study is re-run, taking advantage of all the data collected to fine-tune the scoring. The result is a data-driven process that allows HR to demonstrate and quantify improvements and progress within the hiring process. This leads to strong returns for investing in the hiring process. Organizations can see returns ranging from \$3 to \$20 for each \$1 invested in Best Practice hiring processes.

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.

