No longer satisfied with basic metrics that show how many job openings are being filled or how long it takes to fill them, HR professionals are analyzing hiring data in greater depth to better determine the value of their hiring practices and to better align them with business priorities.

It’s a business evolution reflected in a recent metrics retooling by Saratoga Institute, a PricewaterhouseCoopers LLP (PwC) wholly owned subsidiary that pioneered the use of human capital metrics in the 1980s.

Following PwC’s March 2003 acquisition of Saratoga Institute, the firm convened an advisory group of clients, PwC consultants and academics to take a fresh look at hiring metrics, says Jim Hatch, managing partner of Saratoga. “The metrics were getting a bit stale, and they were more or less created for a different time,” says Hatch.

The result: Saratoga retained seven existing metrics and added 50 new ones from a proposed list of about 100. With the new metrics, “we look at the entire life cycle of the employee, from hiring, training and retention all the way to termination,” Hatch says. (For a peek at some of the new metrics, see “New and Old Metrics from Saratoga”.)

One result of this metrics re-examination has been to use a matrix-based approach to more closely examine the sources of successful hires. This approach allows employers to get a multifaceted view of recruiting practices, one that more completely examines the quality of new hires and of the hiring process.

For example, Hatch says some employers previously gathered data on where hires came from—such as through advertising, referrals, college recruitment programs or lateral moves—but did not determine the return on investment from those various sources. Saratoga’s new metrics enable employers to look at the sources of new hires and then fill in a matrix of factors—such as turnover, pay increases and performance ratings—after the employees are on board. “You look at a scorecard like that and you can get an idea where you are getting your return on investment,” Hatch says.

The data can drive companies to develop more cost-effective recruiting practices, either by lowering costs or improving the quality and retention of new hires. Achieving such boosted hiring efficiency will become increasingly important for any employer facing a skills gap in the future. (For more information about a possible coming labor shortage, see the cover story in the March

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**New and Old Metrics From Saratoga**

Saratoga Institute’s latest set of hiring metrics includes the following:

- Ratios of total hires relative to total head count.
- Percentages of hires coming from various sources, including advertising, agency hiring, referrals from current employees and college recruiting.
- Average relocation package.
- Requisitions per recruiter.
- HR recruiter costs per requisition.
- Average sign-on bonus.
- Time to start, meaning the number of calendar days from requisition approval to the employee’s first day at work.

Time to start “is a measure of your onboarding process,” says Saratoga’s Jim Hatch. That rate of efficiency can say a lot about the agility of your organization overall, he adds.

The staffing/hiring metrics
There is, however, no one-size-fits-all approach that employers can adopt to achieve greater hiring efficiency. The matrix of metrics that will best suit your company depends on a variety of factors, including your business goals. Here’s a look at how some companies have figured out which metrics work best for them.

**Wachovia Stresses Recruiter Success**

Wachovia Corp., a consumer banking and financial services company based in Charlotte, N.C., has shifted its use of hiring metrics in recent years to emphasize success in the recruiting process. The company has grown rapidly of late through a steady stream of acquisitions and now employs about 95,000 people.

Unlike some firms, Wachovia developed its metrics in-house. “We came to the conclusion that we know our business better than anyone, and we know what is important to the company and the clients,” says Sarah George, senior vice president of recruiting. Creating metrics internally “gave us the freedom to change them without incurring additional expense,” she says.

Over the past four years, the system has evolved, undergoing several modifications. The first generation of the system emphasized numbers, such as offers and acceptances. “In the beginning, we were looking at how many candidates we were pushing through the pipeline,” says George. In the second generation, “we stepped back to ask, ‘What is the strategy of the company and how do we align with that?’”

Finding the answer to that question mandated a closer look at the company’s success in increasing workforce diversity, something Wachovia’s leadership had identified as an important corporate goal. In fact, CEO Ken Thompson leads the company’s Corporate Diversity Council, which was established in the late 1990s to evaluate the company’s efforts and develop action plans when needed.

“We recognize that we need to mirror our customer base,” says George. “This is key for us in being able to identify with our customers to meet their financial needs.”

As a result, George says, the company started evaluating recruiters on whether they were presenting a diverse slate of successful candidates.

Further, the company developed an incentive plan for recruiters that follows the direction of Wachovia’s overall business strategy and that builds in compensation incentives for recruiters to hit their personal targets, tracking a sales model that the organization was implementing.

Recruiters’ initial response was not universally positive; some expressed frustration because they had no control over the actual hiring process, George notes. “We had some good conversations,” she says, and eventually “the recruiters got to a good place on this.”

The current scorecard, given to individual recruiters monthly, includes the following metrics, all of which are connected to incentive compensation:

- Number of hires.
- Time to fill.
- Percentage of diverse candidates.
- Percentage of diverse hires.
- Interview-to-offer ratio.
- Offer-to-acceptance rate.

The scorecard also includes metrics that are not yet connected to incentive compensation: hiring manager satisfaction; new hire satisfaction; and a series of efficiency measures, including number of internal hires and number of external hires by source (such as employee referral, Internet, advertising, agency, college recruiting, career fair, etc.).

George and her team now are considering ways to make the hiring metrics process more fluid and responsive to changing circumstances. For example, Wachovia recently merged with SouthTrust, resulting in the displacement of 12,500 former SouthTrust employees, many of whom would be good candidates for placement at Wachovia.

As a result, the company has been considering building incentives into the recruiters’ scorecard to prompt them to address this displaced talent pool quickly. Those measurements can be dropped
**Top Prospects Are Not Always Best**

Analyzing a group of hiring metrics can lead to some pretty surprising conclusions regarding hiring efficiency. For example, when Saratoga Institute recently helped a large financial institution assess its hiring data, the firm discovered that it was better off refocusing its hiring efforts away from graduates of prestigious MBA programs.

While applicants from these top schools tended to receive slightly higher job performance appraisals than peers from less prestigious programs, they also tended to leave the company more quickly, generating extraordinary turnover costs, says Jim Hatch of Saratoga.

In response, he says, the company decided to revamp its hiring strategy. Instead of focusing on snaring the best and brightest, the company now plans to target graduates from schools that may not have the cachet of Harvard and the Wharton School of Business but that produce qualified candidates who will stay longer and contribute to the firm, resulting in lower recruitment and hiring costs.

Similarly, Wachovia is looking at moving away from a one-size-fits-all card for recruiters. The aim is to recognize that recruiters are aligned with the bank’s various lines of business, which may have very different priorities.

George says Wachovia has convened a team to look at whether it makes more sense to vary the weighting of metrics depending on the business priorities of each line of business. She notes that speed of filling a vacancy may not be the top priority in all of the bank’s lines of business—such as those requiring candidates with specialized knowledge in the investment arena, who may take longer to find.

In the end, George says, not all recruiters love the scorecard process. But she views it as an overall success. "It's made our recruiters smart about the business of recruiting," and it's "a conversation starter" in assessing the performance of individual recruiters.

However, it's not "the cure-all for everybody," she adds, and it could eventually be phased out if it no longer fits Wachovia's needs and culture. "I feel we're still on a journey" in using metrics effectively, George says.

**GlaxoSmithKline Seeks 'Next Level'**

The use of hiring metrics also "is still evolving" at GlaxoSmithKline (GSK), says Mark Janusz, director of recruitment for the company’s U.S. pharmaceutical operations, headquartered in Philadelphia.

"We're really in the infancy stage in a lot of metrics," Janusz says. The company formed in January 2001 as the result of a merger between pharmaceutical giants GlaxoWellcome and SmithKline Beecham. U.S. operations employ about 13,000 workers; the company employs more than 100,000 people worldwide.

Vacancies include sales positions and technical jobs that require candidates with advanced degrees. While there are plenty of sales candidates, Janusz notes it has been getting tougher to find qualified candidates to fill technical jobs in areas such as research and development.

Janusz says the company began using Peopleclick software for recruitment tracking in mid-2001, and since then has been revising the process, "trying to take it a step further" to use recruiting sources more effectively. "It's all good data," he says, but the next step really is "driving down to the next level."

The HR department produces two types of metrics scorecards that gather data on hiring. One is a business scorecard, which takes "a more macro look" at numbers that interest GSK's lines of business. This scorecard's measurements include the number of jobs being filled by division within the pharmaceutical business, such as figures on diversity and gender.

The scorecard has been modified to reflect the needs of business leaders, which includes heads of pharmaceutical divisions, marketing research, finance and HR.

"We have really pushed the businesses to see what they wanted back from the report," says Janusz. Initially, "we started measuring everything," such as the number of job openings in every area and how long it took to fill each one. But the feedback from the lines of business was that "they were more interested on a very macro level," not in individual vacancies.

HR also puts out a recruitment effectiveness scorecard, which Janusz describes as using "a funnel approach" to data analysis. The report card first looks at the number of job applicants and whether they were recommended for an interview, as well as whether they were actually interviewed or hired. Then, "we cut that data by diversity and source," he notes. "We look at how we are leveraging those sources so we source more effectively."
Janusz says his goal is getting to a deeper level in terms of analyzing the data. “It’s easy to measure how many jobs each recruiter is filling, but the question is, are they filling it with the right person?” he says. He and his team now are developing additional tools to assess whether the company is hiring better people. “We haven’t mastered that” yet, he says.

In addition to assessing quality of hires, one of GSK’s stated business objectives is developing a diverse workforce, so HR is looking at “where are we finding more diversity so we can leverage those sources as well.”

Sometimes the data gathered prompts a reassessment of how recruiting and hiring is done. For example, Janusz was surprised recently by data about the huge volume of sales position resumes coming to GSK through the Internet—more than 150,000 in 2004. Of those candidates, about 350 ultimately were hired by the company.

The data prompted Janusz to ponder whether this is the best use of HR’s resources. The sheer volume of resumes has him wondering, “Are we spending too much time sifting through resumes of unqualified people? Have we built our own monster?” (For another example of surprising results from analyzing hiring data, see “Top Prospects Are Not Always Best”.)

**Business Partners Key at Avaya**

At Avaya, the use of hiring metrics is driven by an HR business partner model, says Rupert Bader, director of workforce planning. Avaya, headquartered in Basking Ridge, N.J., is a business communications provider of software and services, including voice-over-Internet-protocol, and employs more than 15,000 people worldwide.

Avaya HR managers work closely with business partners in the company. As a result, human capital metrics were agreed upon by both HR and the business partners before they were implemented, says Bader, who manages a small team of human resource consultants and data analysts who provide workforce information and analytics.

His group has been reporting on hiring metrics as part of an integrated human capital metrics scorecard for 18 months. The flow of information is frequent, Bader notes, with reports for business leaders and HR business partners provided twice a month. Relevant metrics also are woven into a human capital review that is provided annually to Avaya’s board of directors.

“We look at many metrics showing the strength and productivity of Avaya’s workforce,” says Bader, “including gross margin per employee, high-performer retention, pay for performance and many others.”

To choose hiring metrics to be used, “we started with the head count plans developed by business leaders as part of their financial planning process,” he notes. “From those, we estimated the affordable hires,” using expected attrition rates, rates of internal transfer and promotions. Bader and his team compare these measures with the job requisitions prepared by hiring managers “to ensure that our recruitment process is always closely in line with our financial plans.”

Avaya’s business leaders budget how much they will spend on compensation and how many employees they will have each quarter, Bader explains. “We want to make sure they don’t start hiring so many people that they exceed these budgets unless there is a good business reason,” such as unplanned demand for a product that drives a sudden need for more salespeople than originally projected, he notes. Bader says his group also tries to get business leaders to take a realistic look at historic attrition rates to assess what impact they will have on staffing needs going forward.

Avaya also assesses time-to-fill rates against three benchmarks developed by Saratoga and others: a global benchmark and rates for similar-size companies and high-tech companies.

“Time-to-fill [rates] allowed us to look at both recruiter efficiency as well as the time frame in which hiring managers involved us in the recruitment process,” says Bader.

He describes “time to fill” as “a ‘Goldilocks’ metric” because it needs to be “just right.” If time to fill is below an industry benchmark, it can mean hiring managers are not taking the time to interview enough candidates to ensure that they are hiring the best. Conversely, a high time-to-fill rate indicates a drop in recruiter and hiring manager productivity, which is not desirable either.

Bader’s group provides its HR business partners with color-coded data “to make clear which metrics are out of acceptable limits,” using a red, yellow and green system in which green signals data within an acceptable range. Business leaders also get a narrative “so they can quickly make sense of the numbers.”

The data can be used by business leaders to prompt changes in their human capital practices, Bader says.
The information generated through hiring metrics has driven Avaya to develop “a richer staffing planning process,” he notes. The process takes into consideration current head count, attrition expectations, and college recruiting and internal transfer goals for the year ahead. “Without a clear connection between hiring plans and the business plans, this improvement in the staffing process would not have been possible.”

Data generated also has enhanced HR’s ability to assess and improve the requisition load per recruiter and bring time-to-fill levels into line with benchmarks, says Bader. As a result, “the quality of our hires has steadily improved over time.”

In addition to giving recruiters and hiring managers more time to evaluate and make quality hires, it also has given them more time to be proactive in identifying top performers outside the company who may not be currently looking, and then work to bring them on at Avaya, he notes.

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