Data-Driven Talent Acquisition

METRICS, TOOLS & MORE

AIHR | ACADEMY TO INNOVATE HR
THE DATA-DRIVEN TALENT ACQUISITION PROCESS

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INTRODUCTION

Bad hires are always costly. And with organizations facing unprecedented challenges, there is no room for errors.

So how do you win the war for talent and find the right people to help your organization hit its strategic goals?

In this guide, we'll share the 9-step talent acquisition process, including the tools, data and metrics you need to optimize it for your organization.

Because talent acquisition is an art and a (data) science.

Let's get started!

Replacing a bad hire costs 33% of their annual salary.

And that's not even touching on the indirect costs, such as lost opportunities and productivity.
The organizational needs analysis is the foundation of your recruitment strategy. During the needs analysis, you combine your organization’s mission, vision, goals and values, as well as the (new) skills you want to add to a team.

Unless there is a good fit both in terms of culture and skills, your new hire could end up adding to your 1-year turnover rate (find more information about this metric on page 16).

Map existing skills with a skills matrix

With a strong employer brand, you probably already have a good idea of what is needed for a good culture fit. However, if you’re not 100% sure which skills should be included in the job requisition, creating a skills matrix can help.

A skills matrix lets you visualize the skills required, available, and missing in a team. Turn to the next page to find out how to create a skills matrix in 4 steps.
1: Define the relevant skills

Analyze the team you’re hiring for. Make a list of the skills and competencies needed for the team to achieve its goals.

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<thead>
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<th></th>
<th>Proficiency</th>
<th>Interest</th>
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<tr>
<td>Questionnaire design</td>
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**Proficiency rating is expressed as (X,Y), where**

- **X** = Person’s level of skill or knowledge
- **Y** = Level of responsibility applying the skill or knowledge

2: Assess team members on current skill levels

The key is to do this on a numerical scale so that the results are easy to understand and compare. For example, you could use this four-point scale:

- No capability
- Basic level of capability
- Intermediate level of capability
- Advanced level of capability

You can ask members of the team you’re hiring for to assess their own skills, but this isn't always reliable: a 360-degree feedback tool will provide better insight.
3: Determine team members' interest in tasks

If one of the team members is not interested in the work they're good at, your skill matrix may show that a competency is present in the team. However, if the person is unwilling to perform the task, you will still hit a dead end. This is why it is important to include interest, which you can measure as interested (1) or not interested (0).

4: Incorporate this information into the skills matrix

You now have all the information you need to create a skills matrix visualizing skills gaps within the team. For skills matrix templates and more information about the process, visit the Analytics in HR blog.
STEP 2

GET SIGN-OFF ON THE JOB REQUISITION

This is the starting point of the recruitment process. The job requisition often takes the form of a document containing essential information about the job. This is then presented for approval to the direct manager and relevant director or VP.

It usually covers (among other things):

- Why the position is needed
- Whether it is a new or existing position
- Hiring manager
- Job duties
- Pay and budget

Use the requisition as a data source

The job requisition form is often built into your Applicant Tracking System (ATS) or Human Resource Information System (HRIS). An important benefit of digitized job requisition forms is that they can be excellent input for data-driven decision making using metrics and analytics.
STEP 3

THE VACANCY INTAKE

This is the most important step in the entire talent acquisition process. Here you conduct a job analysis to collect all the information you need to make a good hire.

Unfortunately, a thorough analysis takes time and may delay the recruiting timeline. But is making such a potentially expensive decision without the right information worth the time you save by skipping it?
"Without data, you're just another person with an opinion." This W. Edwards Deming quote is a favorite at AIHR. But it's not just a case of having enough information. You need the right information. So what should a job analysis include?

- **The job description** including all required skills (see the skills matrix), competencies, and daily activities for the job.

- **The person specification** describing the qualifications, skills, experience and knowledge, and any other selection criteria that are relevant to your organization. Make sure to differentiate between must-haves and nice-to-haves. Using this information, you can create a candidate persona.

- **The competency framework** listing the required competencies for the job. This helps create the person specification, and forms the basis for the new hire's performance appraisal.
STEP 4

SELECTION CRITERIA AND METHODS

There are several factors that play a role in determining the selection criteria and methods. The vacancy intake plays a large role in determining the selection method. The function is also a key factor: a general mental ability (GMA) test, structured interviews and work sample tests will probably be enough to select a junior accountant, but a completely different approach is needed to select a CFO.

How effective are selection methods?

This has long been a subject of study. Here are the top 10 methods that are best able to predict good overall job performance, based on 85 years of research.

1. Work sample tests
2. GMA tests
3. Employment interviews (structured)
4. Peer ratings
5. Job knowledge tests
6. Job tryout procedures
7. Integrity tests
8. Employment interviews (unstructured)
9. Assessment centers
10. Biographical data measures
You now have all the information you need, and you know which methods you're going to use. That means it's time for the most visible and recognized part of the talent acquisition process: searching for candidates. Use the information gathered during the previous steps (and if present, your own historical data) to determine which mix of channels is the best fit for the vacancy.

Measuring channel effectiveness

What worked last year might prove ineffective in the current, completely different job market. Avoid investing resources in an approach that doesn't work (anymore) with these metrics.
STEP 6

THE SELECTION PROCESS

Once candidates start applying, it's time to start using your chosen selection methods. This part of the talent acquisition process includes pre-selection and traditional interviews, but also background checks, credit checks, and more.

Yield Ratio

Are the right candidates entering the selection process? Calculating the yield ratio is a simple way to find out.

\[
\text{Yield Ratio} = \frac{\text{Number of hirable candidates resulting from stage N}}{\text{Total number of candidates who entered stage N}}
\]
If all has gone according to plan, you are now ready to select an excellent candidate and make them an offer. Consider the talent acquired! But this isn't where the talent acquisition process ends.

**Offer acceptance rate**

Unfortunately, not all offers will be accepted, even after negotiations. You can keep track of your performance in this area with the offer acceptance rate metric. A low acceptance rate often indicates compensation problems, which can be avoided by discussing pay earlier in the recruitment process.

**Offer Acceptance Rate**

\[
\frac{\text{Number of offers accepted}}{\text{Number of offers made}}
\]

For example: if 72 offers are accepted out of a total of 278, the Offer Acceptance Rate would be \( \frac{72}{278} = 0.26 \) (26%).
The next step is onboarding the new hire. Plenty has been written about why this is so important, so we won’t dive into that. What we will say is that a 30-60-90 day plan is a great tool for this. You can create it based on the vacancy intake, and it helps in two ways. Firstly, it lets the manager clearly express their expectations. Secondly, it lets the candidate know what is expected of them, creating a structured onboarding process.

Time to Productivity

*Time to productivity* is how long it takes to get new hires up to speed and productive. It is the time between the first day of hiring and the point where the employee fully contributes to the organization.
Cost of Getting to Optimum Productivity Level (OPL)

This measures the costs of getting the employee fully up to speed. The metric combines onboarding costs, training costs, the costs of supervisors and co-workers involved in on-the-job training, and anything else arranged to get the new hire up to speed. Usually, a percentage of the employee's salary is also included in this calculation, until they hit 100% OPL.

This, combined with the 33% annual salary cost mentioned earlier, emphasizes why a sound talent acquisition process is essential.
This is a great opportunity to check back in with the candidate. Ask if the job and organization match expectations. If a mismatch happens structurally, it can indicate a problem with communication, or that managers aren't fully aware of what recruiters are promising.

More Talent Acquisition Metrics

The Talent Acquisition process is complete, but that doesn't mean you should stop tracking data. Even after your new hire is at Optimum Productivity Level, there are insights that can help you improve your recruiting.

**First Month Turnover Rate**

Employees who left the organization within 1 month

Total number of hires

**First Year Turnover Rate**

Employees who left the organization within 1 year

Total number of hires

**First Year Resignation Rate**

Employees who left the organization within 1 year

Headcount

**Hiring Manager Satisfaction**

Number of hires who perform well

Total number of hires

*Please note: the turnover rates listed here should be 0. Any higher percentage indicates a bad fit between the hire and the organization.*
TALENT ACQUISITION CERTIFICATE

Succeed as a recruiter in the digital era

Become a Talent Acquisition specialist

The Talent Acquisition Certificate Program helps you develop the comprehensive skills set you need to create end-to-end candidate-centric recruitment funnels.

Learn more

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<tr>
<td>Structure</td>
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<td>Digital certificate</td>
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