



RESEARCH RESULTS

SELECTION

INDUSTRY

Australian Financial Services

DDI PRODUCT USED

Customised Targeted Selection®

RESULTS OVERVIEW

- Hiring managers saw a 32.9 percent increase in the quality of new hires following the training, with nearly 30 percent of trained managers recruiting 4 or more new hires within 2 months of completing the training.
- Interview process efficiency increased by 65.7 percent for trained managers.
- Hiring managers were 74.5 percent more confident about the legal defensibility of their hiring decisions.
- Hiring managers cited these benefits to the business: reduced turnover, reduced cost to hire, and better quality hires from the training.
- The increased quality of new hires translated into a 300 percent return on training investment based on hiring trends in the two months following the training. The return on investment could grow to more than 2,300 percent in the 12 months following the training if current hiring patterns continue, representing a \$23 return for every \$1 spent on the training.

BUSINESS NEED

Each of the organisation's businesses in Australia has been through much change in the past year. Through discussions with business leaders and training and development representatives, specific development needs were identified for employees.

In particular, leader skills in the areas of effective recruitment and interviewing were targeted as needing to be developed.

SOLUTION

Through a competitive tender process, the organisation chose a customised version of DDI's Targeted Selection® to address the leadership development needs of team leaders. Targeted Selection® is designed to enable organisations to consistently, accurately, and legally hire and promote people whose potential and competencies match the competencies required for job success.

DDI facilitators delivered the customised one-day program to 18 leaders in several locations throughout Australia.

RESEARCH DESIGN

Participants

Along with information garnered from a questionnaire on participants' reaction to the program, qualitative data was collected from hiring managers on selection outcomes prior to training and following the roll out of the training.

Fourteen of the eighteen participants who undertook the training completed the post-training evaluation. Questions covered key outcomes from the training including the efficiency, objectivity and legal defensibility of the hiring process and the overall quality of hires selected both before leaders attended training and after they completed the training.

Participants were required to rate eight areas using a three-point scale, from 1 (low) to 3 (high). In addition, participants rated the effectiveness of hires brought in prior to the training and hires recruited following they attended training. Almost 30 percent of participants recruited more than 4 new hires in the 2 months after the training; more than 21 percent of participants had recruited between 1–3 new hires.

RESULTS

Program Reactions

All participants believed the business would benefit from their attendance at the program. Specific benefits identified by participants included reduced turnover, reduced cost to hire, and higher quality hires.

Participant reactions to the training were extremely favourable, with many participants agreeing they would recommend the workshop to other hiring managers in their organisation. Verbatim comments included:

- “All team leaders should do this.”

- “Skills practice enhanced and built on skills in a nonthreatening environment.”
- “It taught me the ‘grand rules’ for conducting an effective interview. I will now be able to base each interview on the information learnt today.”
- “The organisation will benefit from the hiring of the best people for the job.”
- “It has helped me form a basis for my interviews and has given me confidence to conduct an interview effectively.”

All participants agreed or strongly agreed that the program had increased their confidence in their ability to conduct an effective behavioural interview. More than 70 percent of participants agreed or strongly agreed that they had the tools to ensure a best-practice selection system for the business.

Additional participant feedback on the workshop objectives is detailed below:

Table 1: Proficiency—Participant Ratings

Question	Agree
Understand the importance of using competencies	83%
Know what types of candidate information to gather	91%
Know how to best build rapport and manage the interview	89%
Effectively use an interview guide to gather candidate data	100%

Behaviour Change

Following the training, hiring managers observed a 32.9 percent increase in the quality of new hires and a 65.7 percent increase in the efficiency of the interview process. Hiring managers also reported a 74.5 percent increase in their confidence in the legal defensibility of their hiring decisions.

As a performance-based organisation, this financial services provider was keen to ensure their team leaders had the skills to hire and

promote people who could meet and exceed the demands of their job.

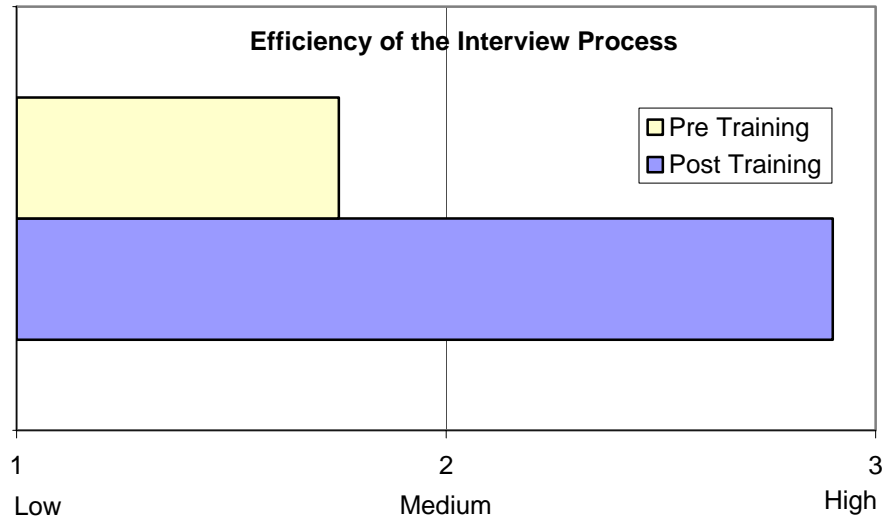
One of the key business drivers behind the initiative was a need to improve the skills of leaders to recruit team members who could better contribute to the business.

Almost 30 percent of the leaders who attended the training had recruited 4 or more new staff in the two months following the training. These leaders reported a 32.9 percent increase in the quality of new hires following their participation in the training.



The need to improve the efficiency of the interview process to ensure better people are recruited faster is critical in a buoyant and small

employment market like that in Australia. Hiring managers reported a 65.7 percent increase in the efficiency of the interview process:



Improving both the efficiency and quality of new hires enables the business to better recruit to manage the changing external and internal environment in which it operates.

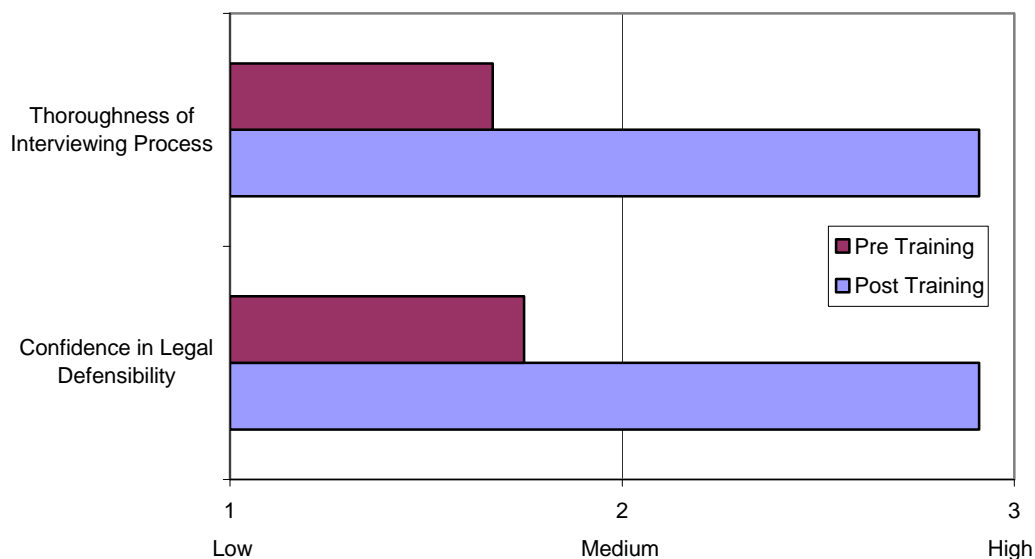
An additional indicator of the quality of new hires is the time required to train them. Hiring managers experienced a 21.4 percent reduction in the time taken to train new hires recruited after their completion of the training.

In addition to these productivity gains, hiring

managers also concluded that the training reduced the risk and associated costs that could arise from making poor hiring decisions.

Trained hiring managers felt 74.5 percent more confident in the legal defensibility of their hiring decisions following the training.

The legal defensibility of hiring decisions made was further supported by an increase of more than 66 percent in the thoroughness of interviews conducted by trained managers.



Additional behavioural changes reported by participants are detailed in Table 2:

Table 2: Increase in Proficiency—Participant Ratings

Question	Increase
Satisfaction with the interview process	69%
Efficiency of the interview process	66%
Objectivity of the interview process	59%
Ability to make good hiring decisions	46%
Time required for new hires to learn their job	21%
Confidence in the legal defensibility of hiring decisions	75%
Thoroughness of the interviewing process	66%
Ability of the interviewing process to gather behavioural examples of past performance	49%

Return on Investment

The improved quality of hires translates into a 300 percent return on training investment based on hiring trends in the two months after the training. The return on investment could grow to more than 2,300 percent within 12 months if current hiring trends continue. This represents a \$23 return for every \$1 spent on the training.

Calculating a return on investment (ROI) requires the conversion of improvements into a dollar value. To estimate the value of this training initiative, we placed a value on the increased quality of new hires. New hires who are more skilled are clearly more valuable for the organisation (i.e., better human capital). One way to determine the value of an employee is to use an overall salary. Employees should return to the organisation a level of value in proportion to what they are paid. When employees improve their skills, their value increases in proportion to their salaries.

Each new hire should bring back at least that amount of value to the organisation otherwise he or she is considered a “losing investment.”

Using the quality ratings observed by the hiring managers, we estimated the dollar value of the improvements based on the average salary of new hires. We subtracted program costs and computed an overall percentage ROI. Some assumptions involved in the calculations are listed below. (All calculations are made in Australian dollars.)

- Program costs including training materials, venue and/or catering costs, and facilitator costs were \$28,881.
- Cost of attendance based on daily, average participant salaries (as reported by participants) was \$3,461.
- Average increase in the quality of new hires was 32.9 percent as rated by hiring managers.

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- Deviation of new hire performance: Salary ± 40 percent (the highest performers are worth the average salary plus 40 percent; the lowest performers are worth the average salary minus 40 percent).¹
- Hiring trends reported by hiring managers in the two months following the training would continue for the next ten months.

Using these calculations, the projected return on investment to the business is more than \$690,000 in the 12 months following the training, or a return of \$23 for every \$1 of training investment.

CONCLUSIONS

This organisation needed to develop the skills of its leaders so they would be able to recruit team members who could contribute to the business. This study of leader behaviour shows that DDI's selection system made a quantifiable difference to the business.

The results of this study show a substantial increase in the efficiency of the interview process used by trained hiring managers, an increase in the quality of new hires, a decrease in the time taken to train new hires, a reduction in the risks and costs associated with poor selection decisions, and increased confidence in the legal defensibility of selection decisions.

These improvements translate into a significant return on investment to the business, enabling it to hire better people faster to meet its changing business needs.

¹Schmidt and Hunter (1983, Journal of Applied Psychology) examined empirical estimates of the variability of employees' productivity as a percentage of annual salary. They found that the standard deviation varied from 40 to 60 percent of average salary. For these analyses, the more conservative 40 percent estimate was used.