ASSESSING THE "HEART OF BUSINESS"
How Pre-Hire Assessments Drive ROI for Service-Industry Employers
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DELIVERING THE RIGHT MESSAGE
In the service industry, employees are the faces, hearts and hands of a business’s brand. Herbert Kelleher, former Southwest Airlines chief executive officer, built a global brand on the importance of customer service. He said, “Anyone who looks at things solely in terms of factors that can easily be quantified is missing the ‘heart of business,’ which is people.”

In a world where it takes much more effort to warrant a compliment than a complaint, people who can deliver exceptional customer service are the heart of service-industry success. Finding these people isn’t easy, especially when résumés and interviews can’t predict how employees will perform day-to-day.

Is this person dependable? Will he or she steal? Does this person share our business values? Screening candidates with hiring assessments is a scientifically proven way to answer these questions and identify people with a service-mindset before they are on the frontlines with customers.

Integrating assessments into the hiring process identifies candidates with the specific knowledge, skills and personality traits that make them predisposed for success and helps businesses avoid making risky hires with people prone to dishonesty, theft or a bad attitude. Hiring assessments can deliver a return on investment in the following key areas:

- Candidate quality
- Employee retention
- Process efficiency
- Legal compliance

Learn what the leaders in the service industry already know: assessments save time, screen for characteristics crucial to success, and generate a significant return on investment.

THE “WHAT,” “HOW” AND “WHY” OF ASSESSMENTS
The most important decision businesses make about an employee is whether or not to make the hire. Hiring practices have a drastic impact on a company's financial performance, and making poor

POINTS TO CONSIDER
For service-industry businesses, like restaurants, convenience stores, hospitality and retail outlets, customer service can create raving fans or ranting critics. Screening for the right talent is essential.

1 Hunt, Steven, Hiring Success: The Art and Science of Staffing Assessment and Employee Selection (San Francisco: Pfeiffer, 2007) 3.
decisions due to inaccurate or insufficient information can cost an organization thousands of dollars in theft and turnover, and, perhaps even more costly, damage team morale and create dissatisfied customers.\(^2\)

**The “What” of Assessments: Powerful Performance Tools**

Assessments are screening tools that can accurately predict future job performance, based on three kinds of information: what candidates have done, what they can do, and what they want to do. Effective assessment methods use a variety of these tests to measure attributes across all three categories to provide employers with an accurate profile of candidates.

These profiles help predict “not only what potential employees will do, but also how they will do it”—which, in the service industry, can be much more valuable.\(^5\)

Respected industrial-organizational psychologist, Steven Hunt, explained that because assessments take a systematic, thorough and objective approach toward collecting and interpreting candidate information, they are more legally compliant, accurate and efficient.\(^8\)

In fact, research by Corvirtus, a leading assessments provider in the service industry space, found that hiring assessments detect candidates who are:

- 18 times more likely to assist coworkers who need help
- 14 times more likely to go above and beyond whenever possible
- 9 times more likely to be consistently friendly
- 5 times more likely to remain upbeat\(^7\)

Employees with these qualities are more likely to stay with an organization longer, align with its company culture, and go the extra mile for coworkers and customers.

**How Assessments Work: The Science Behind Screening**

Assessments work because human behavior is incredibly consistent over time, regardless of job position or work environment.\(^8\) Many of the core values, beliefs and motives that drive human behavior are influenced by basic psychological makeup and are relatively fixed by young adulthood.\(^9\) Additionally, the ability to learn new skills and information is largely influenced by the kinds of knowledge and skills previously acquired.

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For example, someone who has learned to play several instruments is likely to find it easier to learn how to play a new instrument than someone who has only mastered one. While this doesn’t mean people aren’t able to change their behaviors (drastic personality changes usually span years, therefore making them more predictable), years of psychological research validate assessment accuracy, methodology and analysis.10

Why Some Employers Opt-Out: The Argument Against Assessments

So why aren’t all businesses taking advantage of pre-hire screenings? There are three main reasons employers do not integrate assessment tools into the hiring process.

Lack of Understanding
Many employers simply don’t understand how assessments work. Even though assessment science and research is extremely technical, complex and accredited, it’s difficult to comprehend how a 10-minute test can accurately predict job performance months and even years down the road, and managers are unlikely to implement a process that affects their bottom line.11

False Confidence
Secondly, employers are skeptical of the value of screening tests. Many hiring managers believe they are “good at reading others” and can trust their “gut feeling” about candidates during the interview process, but industrial-organizational psychology research has found people are “remarkably bad at evaluating candidates unless they use some type of structured assessment process.”12

Content With Current Processes
Finally, many employers feel basic processes currently in place, such as screening candidates by résumés, references and interviews, are “good enough” in weeding out bad candidates. In reality hiring-decision failure rates for hourly workers frequently reach levels of 50 percent or more. Relying on résumés to find the “heart of business” can be a costly mistake. In a 2009 study, researchers found that 53 percent of résumés contain false information, and previous employers often present a positive image of former employees when called for a reference check, even if the employee’s job performance was poor.13 Additionally, résumés are, on average, only 2 percent, and interviews 15 percent, predictive of job performance.14

Assessments are designed to identify three specific characteristics correlated to superior service that résumés and interviewers cannot easily detect: personal energy, enthusiasm and authenticity. Screening tests are also engineered to detect and prevent cheating, whereas candidates can easily sway hiring decisions with exaggerated résumé experience or all of the “right” answers during an interview.

THE HIRING EDGE: THE SOFT AND HARD ROI OF ASSESSMENTS

Return on investment for assessments can be measured in terms of both soft and hard benefits. Soft benefits, unlike hard benefits, are typically considered neither quantifiable nor able to be expressed monetarily, but each has significant weight in assessment ROI. The strongest case for assessments considers both types of benefits in the ROI equation.

Soft ROI: The Intangible Benefits of Assessments

Soft ROI can be broken down into two categories: soft benefits and quantified soft benefits. Quantified soft benefits are calculated monetarily, but usually only used as an addendum to ROI calculations rather than an integral component. While by-the-numbers CFOs and skeptical employers may not see the immediate return of these types of benefits, the long-term effects of soft benefits can prove as valuable, if not more so, than hard ROI figures.

Quality of Hire

Employers who screen for and hire dependable, qualified, service-minded employees will spend less on turnover costs and generate more revenue through better customer service. According to Forrester research, every 10-percentage point increase in customer service results in a 2.84 percent increase in revenue, including a 1.16 percent reduction in turnover, a 1.03 percent increase in sales from word of mouth, and a 0.65 percent increase in sales to existing customers.

Additionally, research has found that more than 80 percent of customers repeat business because of their experience at service-industry establishments, and the Harvard Business Review reports that by retaining just 5 percent of loyal customers, businesses can increase revenue by 25 to 85 percent.

Legal Compliance

Screening by résumés and interviews can tiptoe around hiring regulations mandated by the Equal Employment Opportunity Commission, Civil Service Commission, Department of Labor.

and the Department of Justice, possibly resulting in costly discrimination suits. “In industries where many employees are on the front lines with customers, it’s all too easy for hiring managers to overlook a candidate’s qualifications in favor of a bubbly attitude or attractiveness,” said Valerie Warnock, PeopleMatter compliance specialist.

**Hiring Efficiency**

Assessments don’t replace the interview process; they enhance it. By removing 10 to 20 percent of a remaining candidate pool (general screening typically reduces the number of applicants by half), assessments allow hiring managers to interview fewer, yet more qualified, candidates, and target interviews based on specific skills, traits or behaviors identified in screening results.

Beth Harn, Human Resources Manager for The Parker Companies, leveraged hiring assessments during Parker’s recent rapid expansion, and was able to cut the number of interviews in half and increase the efficiency of scheduled interviews.

“We’re now able to focus our interview process to really get the most out of each appointment,” Harn said. “From the assessment results, we already know where a candidate’s weaknesses are and can use the interview process to see whether the weakness is team-oriented or independent, and avoid making costly bad hires.”

**Retention, Retention, Retention**

Finding service-minded employees is one thing; keeping them is another. The National Restaurant Association (NRA) conservatively estimates the foodservice industry turnover average to be 75 percent, and research cites retail turnover at 85 percent, with part-time cashiers averaging 106.4 percent. 19

Couple these high rates with the average cost of replacing an hourly worker ($2,228—or anywhere from 25 to 80 percent of annual wages), and the cost of making poor hiring decisions adds up quickly. 21, 22

Assessments are engineered to identify employees who will remain consistent, reliable and productive over time, increasing retention and engagement. 23 Studies show organizations with disengaged employees suffer 31 percent more turnover than those with a critical mass of engaged employees, but businesses using assessments tools reported a 200 percent increase in employee loyalty. 24, 25

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Hard ROI Results: Heavy-Hitting Numbers
Hard ROI numbers make sense to finance-minded people, because the effects can be clearly expressed on a company’s bottom line. The numbers are easy to understand and the effects quantifiable and tangible.

Corvirtus recently conducted five case studies, released in 2010, with nearly 4,000 participating restaurant units and found implementing pre-hire screenings increased productivity, check average and profit, while lowering training costs, turnover and employee theft.26

Case Study 1: Higher Productivity
In the study of an 80-unit restaurant company, Corvirtus discovered integrating assessments into the hiring process generated significant returns on employee productivity and reduced training costs, with the following constants:

- 30 applicable employees per unit
- Five hours per shift
- Five shifts per week
- Hiring tools cost $1,000 per unit, per year
- Training time reduced by eight hours
- $5.25 employee hourly rate
- $10.00 trainer hourly wage.

Research found units using hiring assessments generated $3.00 more per hour from increased employee productivity, resulting in an annual average return of $116,000 per unit. This translates to assessments providing a 116:1 dollar-saved-to-spent ratio in productivity. Additionally, assessments in this company also cut training time by eight hours, reducing associated costs by 33 percent, and saving an annual average of $3,660 per unit.

Case Study 2: Higher Check Averages
For an 874-unit fast-casual restaurant, Corvirtus found units that pre-screened candidates increased customer check average by $2.66 per-person, for a savings of more than $96,000 dollars per unit, or a 96:1 dollar-saved-to-spent ratio (calculating with an average annual customer count of 36,951 per unit and assessment costs of $650 per year).

Case Study 3: Reduced Shrinkage
Research at a ~640-unit company discovered that pre-screening candidates reduced employee theft by 41 percent, for an average annual savings of $90,370 per unit. Corvirtus calculated each unit averaged three million dollars in sales and an initial $222,000 in shrinkage costs, with a median shrinkage calculated at 7.4% of sales per the 2010 Food Service Solutions report.

Case Study 4: Reduced Turnover
For a 1,837-unit business with 50 applicable employees per unit, an average hourly employee replacement cost of $2,228 (based 26 Corvirtus, LLC. (For all case study figures.)
on a 2006 People Report research estimate), and annual
assessment costs per unit of $1,000, integrating assessments
reduced turnover by 58 percent and saved the company $63,612
per unit—a 63:1 dollar-saved-to-spent ratio return on
assessment tool investment.

Case Study 5: Increased Revenue
Finally, assessments increased total profit by 7.27 percent in one
~600-unit restaurant company. With average revenue per unit
estimated at three million dollars, average profit at $750,000 and
yearly assessment costs of $650, use of assessment tools
generated a 54:1 dollar-saved-to-spent ratio.

CONCLUSION
Hiring assessments use sound, psychological and scientific methods
to identify candidates who have the qualifications, personality and
mindset to succeed in the service industry. Assessments streamline
the hiring process and are the most cost-effective way to ensure
legal compliance, improve quality of hire, increase retention and
engagement, and help businesses deliver better customer service.

Of course, delivering great customer service takes more than just
hiring the right people. A complete employee engagement program—
one that includes training, performance feedback and reward
systems—is key to creating a culture where employees thrive and
stay. Assessments are an essential part of a talent management
system, and a powerful tool in ensuring that investments in
employee development are spent on people who are predisposed to
success in service-industry businesses.

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