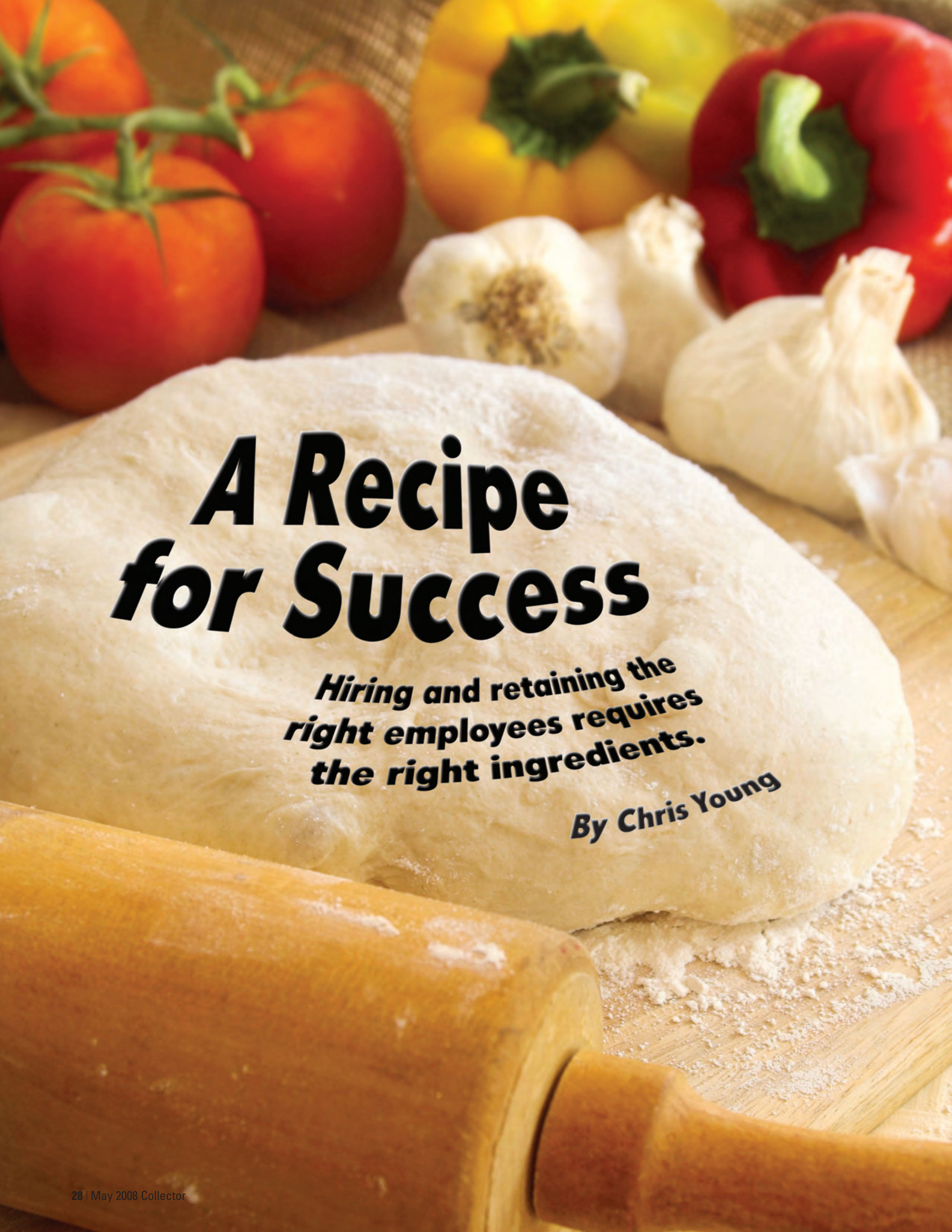

A Recipe for Success

Hiring and retaining the right employees requires the right ingredients.

By Chris Young

No restaurant owners in their right minds would purposefully disregard the recipe and ingredients for their most important dish. But if you think about it, many collection agency owners and managers do just that every day.

In many collection agencies, collector turnover is viewed as an unpleasant but unavoidable cost of doing business. According to the U.S. Bureau of Labor Statistics, the average annual turnover rate across all industries is 40 percent. According to ACA's 2008 Agency Benchmarking Survey, turnover rates for debt collection agents are often much higher, pushing upwards of 50 percent annually.

This means that for a collection agency employing 30 agents, only 15 of the agents who were employed at the beginning of the year will still be with the company when the year ends. This high level of turnover represents a significant cost to the organization as 15 new agents must be recruited, interviewed, hired and trained during that time period.

Just what is this cost? For some firms, it can total more than a million dollars a year. The Society for Human Resource Management estimates the average per employee cost of turnover is a staggering 150 percent of an employee's annual salary and benefits. This is not all that surprising when you consider all the factors involved in hiring, such as recruiting and training costs, time spent interviewing candidates, lost productivity, and the time and resources it takes to get a new employee performing at an acceptable level.

Here's the reality: The cost of turnover for a collection agent earning $30,000 a year can be estimated at $45,000. The annual cost of 50 percent turnover in a collection agency employing 30 agents at an average salary of $30,000 is a staggering $675,000.

An Ounce of Prevention

Prior to making an important dish, a chef will carefully consider the recipe and ingredients, making sure the right formula exists for the perfect meal. Similarly, agency owners and managers will find that one of the most effective ways to reduce collector turnover is to eliminate turnover where it typically begins: in the initial hiring and selection process. This is done by ensuring that potential collectors are a good fit for the job before they are ever hired.

When a collection agent who isn't fit for the job is hired, one of two things typically happens:

1. It becomes evident that the newly hired agent doesn't like the position or isn't fit for the job and either quits or gets fired—often within the first 90 days on the job. ACA's 2008 Agency Benchmarking Survey reports that 20 percent of agencies have turnover rates of 30 percent or higher among collection agents within the first 90 days.
2. It becomes evident that the newly hired agent isn't fit for the job but management keeps him on board anyway, hoping he'll get better despite his poor performance. Eventually the agent will resign or be let go after repeatedly failing to achieve performance goals and expectations. This problem is twice as bad as the first scenario in that not only do you have a nonperforming asset in your company, but this nonperforming asset is allowed to hang around! This represents a significant cost in addition to the already stated turnover costs as the agency suffers from reduced performance and missed opportunities.

No hiring manager would purposefully hire a collection agent she didn't feel was right for the position. So why do so many new hires fail to live up to expectations? The answer lies in the human biases inherent in the typical hiring process, which consists of reviewing resumes, conducting an unstructured interview and checking "coached" references. This process isn't always the most effective way to identify the best candidate for the job, as it is highly subjective and can vary greatly from one hiring manager to the next.

In the typical hiring process, what you see is not always what you get. Adding a measure of objectivity to the process can go a long way.

The only way to ensure you hire the right person is to determine the requirements of the position and then measure all candidates against that standard. We call this "job benchmarking." Job benchmarking is a process that introduces a previously unheard of level of scientific accuracy into the hiring and selection process and is consistent in predicting the success of a candidate in a given position.

The Job Benchmarking Process

Step one: Measure the job.

In this step, the job is the recipe and we're examining the recipe. Before you start cooking, you must determine how you want the dish to taste, look and smell. The same types of questions apply to a job; it's impossible to make a successful hiring decision without first understanding the requirements of the job.

Therefore, employers must consult people who know how the job should be done. We call these people "stakeholders" in the job. These are individuals who are intimately familiar with what is necessary for success in the position, such as managers, co-workers, subordinates and those who are currently successful in the job.

Ultimately, these stakeholders will identify the results for which the position is responsible and the behaviors, values/motivators and personal attributes that are necessary to achieve those results.

Is it required that the candidate be:

- A problem solver?
- Optimistic?

- People-oriented?
- Attentive to detail?
- Verbally aggressive?
- Extroverted?

Is it necessary for candidates to be motivated by:

- The drive for financial gain and efficient use of one's time?
- A desire to control their own destiny and that of others?
- A sincere desire to help others?
- The need to know, understand and continually learn new things?

Should the candidate be able to:

- Handle stress?
- Handle rejection?
- Display empathy and understanding of others?
- Accurately evaluate what is said?
- Be persistent?
- Display personal accountability?
- Use common sense and logic in making decisions?

Step two: Assess job candidates.

Now that we have just the right recipe, the next step is to find the right ingredients. After all, poor ingredients could ruin a great recipe!

We check our ingredients—the candidates—by profiling them for the position and determining how well their unique behaviors, values and personal attributes compare to the job requirements. This is done through the use of a scientifically based, highly validated personality assessment.

An effective personality assessment validated for use in the hiring process should examine the following three dimensions of a candidate's personality:

- **Behaviors:** The outwardly visible portion of a person's personality as displayed through actions and communications. This can be determined by measuring how a person responds to problems and challenges, relates to people, handles environmental changes and responds to rules and procedures set by others.
- **Values and Motivators:** These are the hidden drivers of a candidate's behavior. Typical values and motivators include a drive for money, power, influence, knowledge and understanding; the desire to help others; an appreciation for balance, beauty and harmony; and the search for a system to live one's life by.
- **Personal Attributes:** No personality assessment is complete without taking into consideration how candidates view themselves, their job and the world around them. By evaluating these attributes, employers can gain great insight on how a candidate will perform and react in certain situations.

Step Three: Match the right candidate to the job.

In the final step of our recipe for success, we compare all the ingredients we have in front of us and select only the best to make our perfect dish.

With the collaborative job benchmark established and the selected candidates' assessment results in hand, it's now a matter of matching the right talent to the job. By comparing the scores of a candidate's personality assessment to the job benchmark, a hiring manager can determine which candidates are the best match based on the behaviors, values and personal attributes that are predictive for success in the position.

The results of the job benchmark process are highly predictive and reliable. A Michigan State University study found that job matching can predict a successful hiring decision 75 percent of the time. Comparatively, the typical interview process alone is able to predict a successful hire less than 15 percent of the time.

Employee turnover is a significant financial issue for collection agencies of all sizes. The cost of turnover can seriously diminish the bottom line of a large collection agency and even threaten the livelihood and success of a small collection agency.

A chef who carefully crafts a great meal through a careful and systematic process of checking the recipe, identifying the right ingredients and using only the best ingredients will invariably end up with a much better meal than a chef who prepares a meal haphazardly.

Similarly, creating a happy and productive workforce of people who are well-suited for the job will reduce unwanted turnover and increase productivity. This begins by measuring the job and selecting the candidates who best fit the unique requirements of the position. **cm**

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