The Dollars and Cents of Selecting for Customer Service: Innovations and ROI

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Regarding Customer Service Reps

- Approximately 2.2M employees in this role in the U.S. workforce

- In top 20 of the fastest-growing occupations

- 15% growth between 2010 – 2020

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In General…

- Customer service rep – O*Net's Job Zone Two; some preparation needed

- Low wages; approx $30K annually

- Employers may be reluctant to spend money on selection tools
    - "churn and burn" is expected…built into the budget

Value of Excellent Customer Service

- Correlated with customer satisfaction & retention
  - Poor customer service responsible for majority of customer churn
  - In turn, it costs a business much more to sell to new customers than to renew the customers they already have

- Enables a business to outperform the competition, often over and above product being sold

Customer Service in North America?

- Best
  - Hotels
  - Retailers

- Worse
  - Health insurance companies
  - TV service providers

Presence in the SkillSurvey Database

- Customer service applicants from a wide variety of companies and industries; for example:
  - Banking
  - Education
  - Healthcare
  - Hi tech
  - Hospitality
  - Insurance
  - Retail

Case Study: Hi Tech Client/Call Center

- Implement more time- and cost-efficient HR practices
  - Struggling with moving the process along, and completing reference checking, for those in customer service positions

- Identify correlates of performance and turnover

- Hire better quality customer service employees

Methods: Pre-Hire Data Collection

- **Pre-hire assessment results [on job candidates for call center]**
  - **Implementation:** after interview, before job offer
  - **Raters:** at least 3 work-related references: managers, peers, clients, or direct reports
  - **Administration:** web-based
  - **Multisource competency feedback, aggregated across all raters:**
    - 23 behavior ratings; 1-7 Likert scale
    - Verbatim comments on the candidate's top 3 work-related strengths and top 3 areas for improvement

Methods: How Pre-Hire Assessment Works

270 unique assessments; >500K job candidates; 2.1M references

Sample Items on Customer Service Pre-Hire Assessment

- **Professionalism**
  - *Demonstrates dependability -- reports consistently, and on time, for work, appointments and meetings*

- **Interpersonal skills**
  - *Communicate information clearly and concisely, so that customers and relevant others can understand*

- **Problem solving and adaptability**
  - *Tailor recommendations of company products and services based upon available information about the customer*

- **Personal value commitment**
  - *Demonstrate trustworthiness, honesty, and high personal standards in dealings with others*

Items – "soft skills" - rated by all of a particular job candidate's references

Methods: Post-Hire Data Collected

- **Client spreadsheet of new hires from July 2010 thru July 2011**
  - **Hire date, position**
  - **New hire survey responses** in quarter after hired. 7-point Likert scale
    - *"Overall, I feel I am a good fit for the job"*
    - *"Overall, I feel I am a good fit for the company"*
    - *"I enjoy working at <company xyz>"*
    - *"I intend to look for a job at a new company within the next year"*
  - **Manager performance rating**: Latest rating on "meeting expectations"
    - 5-point Likert scale
  - **Terminated** during course of observation? If "yes"
    - Termination date
    - Termination reason:
      - Voluntary
      - Involuntary/for cause

Descriptives: Pre-Hire Measures

Variable	Mean	SD
Proportion of references completing a pre-hire competency survey	**0.86**	**0.16**
Number of references responding	**4.67**	**0.95**
Number of managers responding	**2.31**	**0.93**

*approximately half of all references had managed the candidate

ROI: Cost- and Time-Efficiencies

- **211% increase** in # references per candidate (from 1-2 to 4.67)
- Candidate report available within **2.1 business days**
- Savings: **>92% reduction** in time spent ref checking*
- Savings: 33.2 work-weeks for HR recruiter, or approx **$48,000**

	Min of HR time per cand for 2 refs	Hours of HR time	40-hour, HR Work-Weeks
Phone-based	60	60 x 1,446 new hires = 86,760 minutes or = 1,446 hours	1,446 hours/40 = 36.2 work-weeks
Web 2.0-based	5	5 x 1,446 new hires = 7,230 minutes or 121 hours	121 hours/40 = 3.03 work-weeks

*conservative estimate

Turnover

- Involuntary*
  - 65/1446 = 4.5%

- Voluntary
  - 229/1446 = 15.8%

*Involuntary turnover highest for those employees in jobs requiring minimal prep

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Descriptives: Post-Hire Candidate and HM Ratings

Variable	N	Min	Max	Mean	SD
Composite of multisource pre-hire ratings [candidate]	1,446	4.83	7.00	6.57	0.30
"Overall I feel I am a good fit for this job" [new hire]	267	1	7	6.16	1.12
"Overall I feel I am a good fit for this company" [new hire]	267	1	7	6.37	1.02
"I enjoy working at …" [new hire]	267	1	7	6.18	1.19
"I intend to look for a job at a new company within the next year" [new hire]	267	1	7	2.41	1.76
New hire's latest performance rating [hiring manager]	96	1	5	2.82	0.96

Correlates of Turnover & Performance

Variable	N	Mean	1	2	3	4	5	6	7	8
1. Multisource pre-hire competency ratings [candidate]	1,446	6.57	--							
2. *Overall I feel I am a good fit for this job* [new hire]	267	6.16	.07	--						
3. *Overall I feel I am a good fit for this company* [new hire]	267	6.37	.05	.78**	---					
4. *I enjoy working at …* [new hire]	267	6.18	.02	.67**	.72**	---				
5. *I intend to look for a job at a new company within the next year* [new hire]	267	2.41	.07	-.47**	t	-.54**	---			
6. New hire's latest performance rating [hiring manager]	96	2.82	.07	t	t	t	t	---		
7. **Involuntary Turnover (0=no; 1=yes)**	1,217	--	**-.09****	-.02	-.04	-.02	.01	-.16	--	
8. **Voluntary Turnover (0=no; 1=yes)**	1,381	--	.01	**-.21****	**-.24****	**-.31****	**.23****	**-.30****	--	--

** $p < .01$;   t $<=10$ cases

Calculation of Impact (Incremental Validity) – Involuntary Turnover

Technical definition: Incremental validity shows the **increase in correct hiring decisions** that can be expected through the use of multisource composite score at pre-hire. It is calculated by subtracting the Base Rate (True Positives + False Negatives/Total Number of People) from the Positive Hit Rate (True Positives/Total Positives). The base rate is the proportion of candidates who were selected and are considered successful on the criterion (regardless of multisource pre-hire score). The positive hit rate is the proportion of candidates who would have been selected on the basis of their multisource pre-hire composite score and who are successful on the criterion.

True Pos	False Neg	N	Base Rate	Tot Pos	Pos Hit Rate	Incremental Validity	Overall Score is Very High and Not Involuntarily Terminated Within:
440	980	1,446	0.982	442	0.995	.013	60 days of hire
437	961	1,446	0.967	442	0.989	.022	180 days of hire
433	948	1,446	0.955	442	0.979	.025	365 days of hire

TP = True Positives; candidates predicted to succeed (will not be invol termed in xx days) based upon multisource composite score who are actually successful on the outcome measure (multisource composite score = Very High and new hire does not invol term within xx days)

FN = False Negatives; candidates predicted to be unsuccessful (i.e. predicted to be invol termed within xx days) based on multisource composite score who are actually successful on the outcome measure (i.e., new hire does not invol term within xx days)

N = Total number of new customer service hires; N=1,446

Tot Pos = The total number of predicted to succeed based upon their multisource composite score (Overall Score = Very High ,or 442)

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Business Impact: ROI From Reduced Involuntary Turnover

	Number (or percent)	$$
a) Number of customer service new hires[1]	8,502	
b) *estimate:* Annual cost of turnover per employee[2]		$15,000
Before Pre-Hire, Multisource Reference Feedback		
c) Current annual involuntary turnover rate	4.5%	
number currently turning over, invol (4.5% x 8,502)	383	
d) *estimate:* original cost of turnover (383 x $15K)		$5,745,000
After Implementing SkillSurvey's Pre-Hire, Multisource Ref Feedback Assessment		
e) Incremental validity assoc with invol 365 days	2.5%	
f) Reduced annual invol turnover rate (c minus e = 2%)	2.0%	
est.: reduced number turning over, invol (2% x 8,502)	170	
g) *estimate*: reduced cost of turnover (170 x $15K)		$2,550,000
h) *estimate*: annual savings (d minus g)		$3,195,000
i) Annual cost of multisource pre-hire assessment[3]		$203,000

EST: ANNUAL NET SAVINGS (h minus i)	**$2,992,000**

Note: [1] 32.7% of 26,000 total employees) ; [2] customer estimate of $15K annual comp for new hires in customer service roles; [3] cost for use with all new hires, not just those for customer service roles

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Recommendations/Next Steps: *Voluntary Turnover*

- **Continue to collect and monitor new hire satisfaction**
  - Discover reasons for variation in these ratings
  - Implement a process to improve satisfaction and thus decrease voluntary turnover

- **Monitor performance ratings made by hiring managers**
  - Also, create program to increase collection of manager ratings

Recommendations/Next Steps: *Involuntary Turnover*

- **Continue to administer multisource pre-hire assessment**
  - Move the pre-hire assessment earlier in the hiring process
    - Interview only those with higher ratings to save time and money during selection process
  - Use scores to help with decision making during selection

- **Strengthen program to collect ratings by hiring managers**

- **Correlate objective service metrics with pre-hire ref feedback**

- **Repeat study after 2nd year of using pre-hire assessment**

Thank You!

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