

application, the applicant must attest that the information is true. (This is crucial protection to the employer.) Don't let job applicants attach a resume and then write on the application "see resume." You need all of the information you can legally get from job applicants to make apples-to-apples comparisons. Applications help you do that.

### THE IN-DEPTH INTERVIEW

Conduct the employment interview like a social gathering and you will miss the chance to make the right hiring decision. An employment interview is not a social experience; it is a business process. The system includes structured interviews. This includes creating a template with some standard questions that you want to ask everyone and some customized questions you write down as a result of reviewing the resume.

The questions should be designed to solicit the kind of information that will let you make the right decision and they need to be prepared in advance. Thinking of your questions and asking them on the fly is distracting, ineffective and interferes with your ability to listen.

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employees who will be successful with you. The steps are not that complicated:

- 1 Application
- 2 Screening interview
- 3 Structured interview
- 4 Testing
- 5 Reference and Background Check

### THE APPLICATION

The first pitfall that will contribute to a bad hiring decision is the use of the resume. Never rely on a resume alone! At least 25 percent of them have outright lies, according to reliable research. People understand that a resume is a marketing tool designed to get an interview and then a job. They may embellish the resume to the extent they need to in order to make sure it works. Nowhere on a resume does the person attest that the resume is accurate.

On the other hand, applications solicit the exact same information from every job candidate. At the end of the

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# THE HIRING SYSTEM

## DO IT RIGHT OR DO IT OVER

Employers recognize that turnover is expensive. The bare minimum cost of replacing an entry-level worker is estimated to be \$4,000. The cost of a senior level employee can run into the hundreds of thousands of dollars. The departure of an executive vice president of sales, who wrecked her company when she left with 25 percent of its business and two key employees, is seared into my memory. Although the company recovered financial damages because she violated her non-compete, the division she headed never recovered from the experience.

Recruitment time, training, errors, loss of productivity and customer service problems are obvious costs associated with turnover. Post-termination costs of unemployment and legal problems run turnover costs even higher. The true cost of turnover may be impossible to calculate.

Turnover is one of the metrics human resources managers use to calculate the effectiveness of their work. There are several ways to calculate turnover. Many of us do not include planned turnover (seasonal, co-ops, interns and special project employees). We often exclude turnover resulting from death, disability or retirement. That leaves the true turnover; employees who leave of their own accord and those we terminate.

To calculate your turnover, use this formula: Number of terminations (quit/discharge) divided by the average number of full-time employees times 100. For example:

$$\frac{12 \text{ terminations}}{165 \text{ employees}} = .0727$$

$$.0727 \times 100 = 7.27\%$$

The acceptable turnover percentage depends on the nature and size of your business. Those in the hospitality industry (restaurants and hotels) may have 200 percent turnover. Retailers often have 100 percent turnover, but in manufacturing, wholesale and distribution, turnover is far less. It is higher in large urban areas but lower in small towns, especially in rural areas.

Controlling turnover is far more difficult than calculating the percentage. Retaining a skilled workforce is a two-prong strategy. First, you must hire employees who are likely to be successful with you. Then you must provide a workplace that will cause them to want to stay.

### THE HIRING SYSTEM

It is impossible to overstate the importance of establishing a hiring system that results in selecting those

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## SOME EMPLOYERS FEEL THAT TESTS ARE EXPENSIVE. ACTUALLY, TESTING IS ECONOMICAL WHEN CALCULATING THE COST OF TURNOVER.

For example, you may want to ask an outside sales candidate:

- 1 In what selling venues have you been involved (wholesale, retail, industrial, technical, etc)?
- 2 Describe the sales activities in which you were engaged in your last job.
- 3 Referring to your most recent job, tell us what you did in a typical day? (How does this compare to the job you are interviewing applicants to fill?)
- 4 How did you learn to give sales presentations?
- 5 Tell me about the most difficult sales presentation you believe you have ever made?
- 6 Of all the products and services you have ever worked with, which ones are most easy to sell and which ones are most difficult? Why?
- 7 What has been the maximum percentage of your workweek that you have been expected to travel?
- 8 What has been the maximum number of days in a week have you been expected to be away from home overnight?
- 9 Describe your compensation plans: Straight salary, salary plus bonus, salary plus commission. Tell me about how you were paid and how you met your targets.
- 10 What percent of your time was devoted to sales versus other duties?
- 11 What is the best sales training program you have ever attended?
- 12 Have you ever been asked to develop and present a sales training program?

Most of your questions should be "behavioral," that is, explore what the person has actually done in the past. That is your best predictor of the future.

Don't be reluctant to have your applicant interviewed by others in your company whose judgment you trust. Make certain other interviewers are trained to avoid discriminatory questions, but take advantage of the insights others can offer.

### TESTING

After nearly 40 years of hiring, I still depend on the use of selection tools. Why? I cannot read minds! Long ago I recognized that resources such as tests are invaluable to the process. Many employers are reluctant to use testing because they don't understand it, and therefore, don't trust the outcome, or they bought tests from a "test peddler," with a good sales pitch and did not understand that testing is a science.

Some employers feel that tests are expensive. Actually, testing is economical when calculating the cost of

turnover. Other employers worry about discrimination. A very famous court case a long time ago scared many employers away from the use of testing, but the requirements for the use of tests are easy to understand and follow. Those of us who are skilled with testing and who are licensed to administer testing know which tests are most worthwhile, valid and non-discriminatory.

Reserve the testing/assessment process for final candidates.

### BACKGROUND CHECKS

Although there are laws about background checking, being sure the potential new hire is not a fraud is protection for your business. The best predictor of what people will do in the future is what they have done in their past.

Checking backgrounds includes checking with past employers, as well as checking records that can be obtained through public access. A routine background check should always include a criminal record check and a check of the sex offender database (which is free).

Recently I checked the background of a newly hired regional manager. The resume of this six-figure executive was impeccable but everything on it was false. His address was false; he did not have the MBA he stated he earned from a prestigious university; and he was not previously employed as a regional manager at his last job, as he stated on his resume and application. He was a total fraud. In this case, the company had already hired him and made the announcement of his appointment on their Intranet. It was embarrassing and messy to get him off the payroll. This example is classic and reinforces that some people are highly skilled in deception.

### SUMMARY

Every hiring manager will admit to a bad hire now and then. That number is huge for companies that hire on-the-fly. Companies that establish a system that includes a formal application, an in-depth structured interview, pre-employment testing and background checks, recognize the investment of time and money is worth it. **CS**

*Nancye M. Combs, AEP/SPHR is a human resources consultant for trade associations, including STAFDA, and manufacturing, wholesale and distribution companies. She has more than 35 years of experience in human resources and organizational development. She speaks, writes and consults worldwide on management issues. Reach her at (502) 896-0503; [www.HREnterprise.com](http://www.HREnterprise.com); [nancyecombs@aol.com](mailto:nancyecombs@aol.com).*



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