

Special Edition

What Constitutes a Good CEO? Part 5

Over the last 4 weeks, I've discussed leadership skills and their importance:

- I defined a leader as an individual that knows where he/she is going and can convince others to go with them, and;
- I indicated the key to a successful leader is to hire smart, train well, back off and not micromanage, as I do.

Last week, I went through the cost associated with terminating and rehiring employees:

- I indicated that the costs were substantially higher than what most companies perceive.
- When you analyze the cost, you have to include the total cost of losing an employee, hiring a new employee, training that employee and the loss of productivity associated with the new employee, plus the individuals that are training the employee.

The turnover cost approximates \$12,000 - \$14,000. My point; the key to reducing turnovers is proper selection. If you can reduce turnover by 50%, what do you think is going to happen to your "bottom line"?

It is vital to know the turnover cost of your company. This is a very vital step in reducing your overall recruiting cost. As part of the recruiting process, there are evaluation tools that can be utilized to meet all legal requirements for pre-employment testing. There are many kinds of pre-employment testing;

- There are simple proficiency tests that tell you how good the person is at performing a small sample of the job.
- There are math tests indicating how good the applicant is mathematically.
- There are clerical tests that will test proficiency in various functions of a clerical job, and;
- Then, there are manual tests, if you are requiring someone to operate a machine or mechanic to work on vehicles, etc. Some high tech companies place a dummy person on a problem to evaluate how fast and how correct he/she is in solving problems.

A 2nd set of tests are honesty evaluation tests. These tests determine the applicant's propensity to steal. A recent survey of the honesty of the public brought out an amazing and very disappointing result. The study reported that 1/3 of the population does steal if given the opportunity; even if it's silverware at a restaurant, towels from a hotel, or pencils and paper from employers, and 2/3 of our population will steal if they feel it won't "hurt" anyone. I've had several employees steal from me on a daily basis; silverware, food, supplies, etc.

By simple math, that means only 1/3 of our population is honest at all times. These are statistics that are unfortunate, but as an employer, you have to recognize that this is the reality of the situation. People can justify what they do base upon economic conditions. Currently, we are in a bad economic condition.

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How many times do you hear that during the school year employers are missing: pencils, paper clips, magic markers, etc?

We all know that these employees are not criminals, or are they. Yet at the same time;

- They are taking materials that don't belong to them, but;
- They're justifying the reason for taking these supplies.

Employee theft can also include such physical things as: supplies, inventory, tools, parts, blueprints, software developments. Especially in the trucking industry maintenance departments can lose thousands of dollars in parts that are either resold or are used by moonlighting service personnel.

Additionally, there are other kinds of theft that are less apparent. An employee can steal time. How about the employee that has trouble arriving on time on Mondays, or is not around at closing on Friday's? How about lunch hours, misuse of sick days, injuries, etc. **Often, this kind of theft is more costly. I've been a victim to employees taking advantage of that as well.**

Honesty evaluation tests are relatively inexpensive and are very cost effective.

The problems that face employers are caused by either system problems or people problems. System problems are mechanical and have a definite repair replacement system. Fixing people problems are the ones that usually cost the most and the ones that never seem to go away.

All of us have experienced companies that offer similar products or services, yet while some are profitable, others are not. The most likely difference is their people. I have personally experienced businesses that offer wonderful services and wonderful products, but they have the wrong people and they struggle and eventually fail. **At the same time, I've witnessed companies with mediocre services with great people that succeed.**

J.W. Marriott, who established one of the most successful hotel businesses in the world, said "start with good people who are right for the job; train and motivate them; give them the opportunity for advancement; and your organization will succeed". I read an article one time on the giant retailer, Nordstrom. When they open a new store, they will hire 200 people. Will you care to guess how many applicants they interview before they find the 200 they want to hire? **They typically interview 3,000 applicants to hire 200 employees. That's what I said – 3,000 applicants to hire 200 employees.**

Nordstrom is very selective because they know that people can either make or break a business. Additionally, hiring the wrong person is a very expensive proposition. My point; selecting the wrong employee is expensive. First, it usually takes months to discover that there is a problem. The solution? Fix the problem, provide additional training, or some other remedy. **Then, that takes at least another month. When there is no improvement, another month may be spent finding time to replace the inept employee.** At a minimum, there are 3 wasted months of substandard performance, profits are wasted, plus cost of recruiting and training this person who is wrong for the job.

The traditional quote; "one size fits all" approach to candidates selection, does not work in today's companies and the changing business environment. Companies are continuing to undergo change.

Traditionally, employers have relied primarily on a variety of subjective selection procedures, such as: personal interviews, reference checks, resume evaluations to make hiring decisions. However, in today's economic climate, it's apparent that such subjective techniques have major limitations. Therefore, you need to implement pre-employment job assessment tests.

However, there are always considerations that must be utilized when choosing pre-employment job assessments;

1. You have to make sure that the test is legally appropriate for pre-employment hiring.
2. Some tests don't compare one person with anyone else. In other words; these tests only tell you about the person taking that test. For example; what's the temperature going to be tomorrow? The answer might be; warmer.

All pre-employment tests must have normative questions and answers such as; "the warmer temperature will be 84 degrees".

3. Make sure the test is a clinical test for psychological use only.
4. Make sure the test has current validity that it has validation studies available that have been taken, in the last several years. Few tests have been qualified for objectivity.
5. The test must measure 3 distinct areas to be beneficial;
 - a) Intelligence.
 - b) Motivation, and;
 - c) Personality.

- The assessment test must be easy to read.
- The test must have the capability of being administered quickly and results available immediately, and;
- The test must be customized for your company.
- A valid test must develop success patterns.
- A valid profile must develop superior candidate patterns, and;
- The tests should be multicultural and multilingual.

In closing, make sure the tests you plan to utilize measure the total person; and it is relatively easy to administer and cost effective.

Next week, I will discuss integrity testing and the results.

QUOTE OF THE WEEK: **“It is possible to fly without motors, but not without knowledge and skill.”**
(by Wilber Wright)