

SPECIAL REPORT: TALENT ACQUISITION

SECTOR
STATS

\$6.4 billion

Amount spent by employers on help-wanted advertising in the U.S. in 2006.

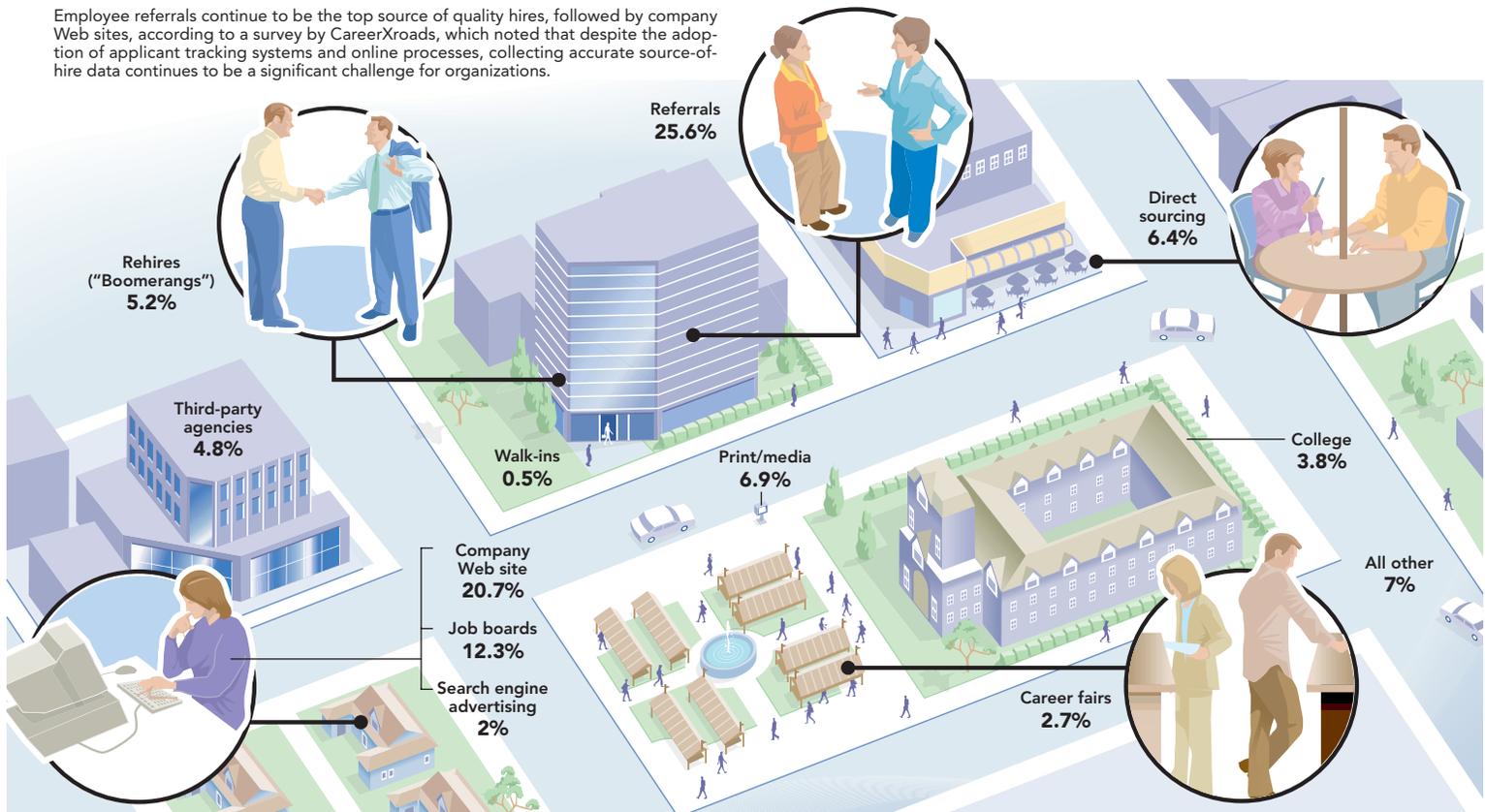
30%

Approximate percentage of companies using applicant tracking systems that lack the necessary tools to effectively pinpoint source of hire.

Sources: Morgan Stanley, Mercer Human Resource Consulting

SOURCE-OF-HIRE SNAPSHOT

Employee referrals continue to be the top source of quality hires, followed by company Web sites, according to a survey by CareerXroads, which noted that despite the adoption of applicant tracking systems and online processes, collecting accurate source-of-hire data continues to be a significant challenge for organizations.



Note: The total of all sources of hire is slightly higher than 100 percent because the calculation of specific job boards is based on all the firms they are contracted with, which slightly inflates their contributions to source of hire. Source: CareerXroads 2006 Sources of Hire Study

Where'd they come from?

Many companies are spending huge sums of cash to advertise job openings using flawed source-of-hire information, experts say. Steps can be taken to not only clear up the shaky data but also track where organizations get their best performers, which will help them target ad dollars more effectively.

Stories by **Gina Ruiz** • Infographic by **Gonzalo Hernández**



IT WAS A TENSE situation for Don Firth, president and CEO of AllRetailJobs.com. One of his clients, a large retailer, had been using the niche job board to maintain a steady flow of applicants but was dissatisfied with the results. According to the retailer's applicant tracking system, Firth's company was responsible for attracting just a few hundred résumés.

The news was unsettling for Firth. But after researching the problem, Firth and his client discovered that AllRetailJobs had actually forwarded 25,000 candidates to the retailer. The retail-

er's ATS had misrepresented the origin of the applications through an unsophisticated yet common practice, thereby distorting source-of-hire information.

"It was an elementary, Mickey Mouse method of tracking valuable source-of-hire information," Firth says. "We had been an important source of hire all along, but our client had been in the dark about it."

Incomplete hiring data is more common than HR executives may think. Many companies are spending thousands, even millions of dollars to advertise job vacancies using source-of-hire data that some experts believe is often faulty and unreliable.

"The truth is, many hiring managers can't say with confidence where their talent is coming from," says Peter Weddle, CEO of Weddle's, a research consultancy in Stamford, Connecticut. "It is a dirty secret that's getting very little attention."

Poor quality of data not only is a financial liability, but also leads companies to unknowingly pass over effective job-advertising tools. Source-of-hire information is a critical ATS function that companies use to assess advertising budgets. Considering that employers spent \$6.4 billion for help-wanted ads in the United States in 2006, according to a recent Morgan Stanley report, it would be difficult to overstate the importance of precision in source-of-hire data.

"Distorted information poses a big problem," says Mark Mehler of CareerXroads, a staffing strategy consulting company in Kendall Park, New Jersey. "If you are not using quality data to make advertising decisions, then you may as well be throwing money at a dartboard, because you don't know what you are doing."

There shouldn't be room for doubt in source-of-hire data, says Eric Waldinger, vice president of affiliate partnerships at job board CareerBuilder. There is tracking technology that automates the identification process, reducing error margins to virtually nothing.

Significant pitfalls certainly exist, Waldinger says. Not all ATS platforms come with the necessary tracking technology. Of those with the programs, many haven't closed all the technical loopholes that hinder the quality of the information.

Another problem is the potential for human error, which

is introduced when applicants must manually select where they learned about a job vacancy using a drop-down box on the Web site.

"There are many factors for why quality of source-of-hire data can be shaky," Waldinger says. "Luckily, there are measures that companies can take to mitigate the risk."

FALSE CONFIDENCE?

Bridget Friend, vice president at First Midwest Bancorp, has 80 to 100 job openings each month. The Itasca, Illinois-based banking firm hires employees for a variety of positions, including tellers and IT.

Friend is content with her company's applicant tracking system and believes she can pinpoint the source of hire with 95 percent accuracy. Still, there are instances, such as job fairs and word-of-mouth, that are difficult to pinpoint as a source of hire, she says.

Even hitting 95 percent, which is extremely rare, Friend strives for perfection because the stakes are so high.

"Source-of-hire information is a very important tool," Friend says. "It makes a big difference in how I make my advertising decisions."

Some industry analysts, however, warn that companies are being overly optimistic about the accuracy of their information.

"There is a myth among many companies that they've got all bases covered just because they have an ATS in place," Weddle says. "It gives people a false sense of security."

DROP-DOWN GLITCHES UNDERMINE ACCURACY

RULE NO. 1 for those counting on accurate source-of-hire information: Don't assume that applicants will remember how they found your company.

Aimee Brizuela, senior vice president of Aon Consulting's RPO practice, knows that issue firsthand, and offers an example from consultations with a client on its applicant tracking system.

The company had hired several new employees and asked where they learned about the job vacancies to help determine future ad spending. Three of the new hires said they learned about the job openings through radio advertisements. Problem was, the company had stopped its radio ads three years before that.

"It was an embarrassing incident that let the company know there were glitches in its source-of-hire data," Brizuela says.

There are measures that companies can take to protect the quality of its data, Brizuela says.

Employers need to pay particular attention to online drop-down boxes. Applicants often mistakenly enter information, either because they forgot where they learned of the job or are careless about supplying the answer.

Companies can get more accurate data by regularly updating drop-down boxes so they reflect the media where vacancies are being advertised. An employer that advertises on *BusinessWeek's* site and doesn't add it to the drop-down box will have a difficult time gauging its effectiveness.

"If you are not diligently updating, then you may as well not bother collecting the data," Brizuela says. "Companies spend millions of dollars on ATS platforms with all of the bells and whistles, but they fail to understand these systems require maintenance to perform their job properly."

The drop-down boxes should be timely, but they should also be succinct, because job applicants can easily become overwhelmed with exhaustive lists. Companies can help candidates by limiting the number of responses they can choose.

If the company is dealing with online applicants from the Northeast, it should configure its ATS to display only the advertising tools that are used in their geographic market, such as newspapers.

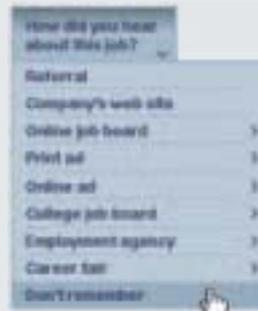
"Don't bombard them with menu choices that they never would have come in contact with, because it makes the process more daunting," Brizuela says.

There are other measures employers can use to safeguard the value of their information, says George Ozenne, principal consultant at Mercer Human Re-

source Consulting in New York. He believes companies should make a point of using identification numbers tied to specific advertising campaigns.

When all else fails, Ozenne says, there is also a common-sense approach: cross-verification. An employer can ask candidates to name the source of hire at the time of an interview. If their response corresponds with the choice that they made on the drop-down box, a recruiter can be fairly certain the information is correct.

—G.R.



Last year, Firth conducted a test to gauge the effectiveness of drop-down boxes. Online job applicants on AllRetailJobs.com were asked to enter where they discovered a particular position—through newspapers, word-of-mouth or another source. One hundred percent of the applicants should have checked AllRetailJobs.com, since that's where the vacancies were posted. But that wasn't the case.

Eighty-three percent of the 60,000 job candidates evaluated in the study incorrectly identified the source of hire, according to Firth.

"It was shocking," he says. "I just didn't realize how extensive the problem could be."

"Companies gather so much important information about candidates at the time of hire. ... It is a shame to see that valuable data go to waste."

—DEAN MELONAS, JetBlue Airways



DOING THE HOMEWORK

Companies shouldn't automatically assume their applicant tracking systems can follow source-of-hire identification. Up to 30 percent of companies using applicant tracking systems lack the necessary tools to effectively pinpoint source of hire, according to George Ozenne, an analyst at Mercer Human Resource Consulting in New York.

"Automated source-of-hire tracking is definitely not a slam-dunk in the ATS universe," says Ed Newman, CEO of the Newman Group, an HR consultancy in Phoenixville, Pennsylvania. "Employers need to ask the specific question to understand what they are getting into."

Newman recommends that companies analyze the features of an ATS before investing in one. They should specifically look for ATS platforms that come with tracking tokens, which act as browser cookies and trace the activity of online job applicants.

It is important for companies to realize that not all source-of-hire identification can be fully automated, Newman says. Word-of-mouth or billboards obviously can't be traced. In these cases, employers have to rely on job applicants to use drop-down boxes in an online application form for correct identification.

Even though full automation is not always possible, ATS platforms still play a critical role in mitigating the risk of error. Employers can configure them in such a way that drop-down boxes are up to date and easy to use for job applicants.

"ATS configuration makes a big impact on the accuracy of information," Newman says. "I have seen equally powerful ATS systems deliver totally different results based on

how an employer is leveraging their features."

Buying from a well-known ATS vendor can be a safety net in protecting data quality, since virtually all come with tracking devices. The problem among leading providers is not so much tracking down the source of hire, but reporting that information.

"The quality of reporting can vary significantly, even among the top ATSes," says Robert Stefanovic, product marketing manager at Taleo, based in Dublin, California. Certain platforms lack strong reporting capabilities, which could limit the quality of information, industry experts say.

Good ATS reporting should be able to extend a company's knowledge beyond the point of how many applicants came from a particular source, Stefanovic says. Employers should look for a system that can deliver other critical information, such as which sources were responsible for delivering high-quality candidates who were later extended job offers.

"Without solid reporting, employers have nothing," says Brian Platz, executive vice president and general manager of SilkRoad Technology of Winston-Salem, North Carolina. "The data is no good unless you can determine patterns or trends."

Beyond reporting, there are other snags, CareerBuilder's Waldinger says. Certain ATS platforms can't categorize job openings that have been advertised through multiple channels—an inability that hampers deciphering specifically where a candidate came from.

Problems also arise when an ATS doesn't trace enough history of an online session to see its starting point. "Job seekers don't just log on to one site when searching for employment," Firth says. "They go onto a multitude of places in any given session."

What's more, online job boards frequently post vacancies on other sites, making it difficult to sketch out a candidate's online trajectory. AllRetailJobs, for instance, markets vacancies across TopUSAJobs.com, Indeed.com and some 40 other local job boards.

Waldinger, who has worked with about 160 ATS providers to promote integration with CareerBuilder's system, says the ceiling for faulty source-of-hire information is quite high. He believes that just a handful of ATS vendors, such as Virtual Edge and First Advantage, have cracked the code.

"There are only a few that have been able to iron out not just automated tracking but also all of the other potential technical glitches that pose a threat to accuracy," Waldinger says.

INTEGRATING SYSTEMS

After seven years as vice president of recruitment at JetBlue Airways, Dean Melonas knows that identifying the source of hire is just one of the many steps in the complex process of talent management. Each year, the company receives 130,000 résumés, from which 3,000 qualified people are hired.

The company is looking into ways to get its ATS to communicate with its performance management system. It would enable Melonas to evaluate not just where applicants originate, but also which advertising tools are more effective at bringing in top-performing talent.

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"Recruiting qualified people is always a challenge," Melonas says. "But it can be made easier when the applicant tracking systems are integrated to other platforms."

For now, the company is relying on its ATS to feed information about new hires to an extensive employee database.

"Companies gather so much important information about candidates at the time of hire—everything on their résumés from their address to their professional skills," Melonas says. "It is a shame to see that valuable data go to waste."

The archived material helps recruiters develop a clear understanding of the skill sets among existing employees so they can look at the internal candidates when filling vacancies. This practice not only facilitates recruiting efforts but also bolsters other HR-related goals, such as promoting employees from within and succession planning.

Cindy Haugh, senior director of staffing and talent acquisition at Electronic Arts in Redwood City, California, agrees that source of hire is only one part of the picture. "Sure, I want to know where my applicants are coming from," Haugh says. "But what I'm truly interested in is finding out which sources were responsible for bringing in my strongest performers."

System integration is a critical strategic pillar at EA. The company uses Salesforce.com—an on-demand customer relationship management service—to manage applicant tracking efforts. The platform then aligns with other systems, such as the company's performance management tool from SuccessFactors and its HR enterprise application, PeopleSoft. The company also plans to use its Salesforce.com platform to launch an alumni networking initiative.

"By having all of the systems communicate with each other, we are able to draw critical information about our employees throughout their entire life cycle," Haugh says.

The data-gathering strategy allows the company to build and maintain a strong pipeline of talent.

"I have a good understanding of where we can channel our resources," Haugh notes. This fiscal year, the company plans to hire 2,500 to 3,000 employees.

Aligning ATS and performance management may make sense, but few companies practice integration, says Platz of SilkRoad.

"We see some cutting-edge clients pursuing this level of strategy, but it's rare," he says. "It will be some time before integration becomes a standard practice."

Integrating systems is technically difficult, which could explain why few employers practice it. However, many employers are missing impor-

tant opportunities even with functions that are less complex, such as effective configuration of drop-down boxes.

“When you get one of those fancy BlackBerrys with dozens of functions, chances are you’ll only use a few,” says Michael McNeal, vice president of talent strategy and acquisition at Intuit. “The same holds true for applicant tracking systems.”

Source-of-hire identification has its challenges, but experts contend that significant improvements in the quality of data are possible. The biggest hurdle for HR practitioners is overcoming fear of the technology and making a con-

certed effort to learn as much as possible about their applicant tracking platforms.

“Improving quality of source-of-hire data can be difficult or easy,” Newman says. “It largely depends on whether an HR team knows the capabilities and the limitations of their ATS platforms so it can harness the technology to meet the needs of a company.”

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