Shadowmatch®

IN SEARCH OF RETURN IN EMPLOYMENT:

A CASE STUDY

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By Guy Krige

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Employer Overview

As a fairly young organisation (14 years old), operating in the medical imports industry, turning over just short of R50 million, employing 38 people (16 sales, 12 operational and 10 technical) and with a salary bill of over R400,000 per month before performance bonuses, we have had some employment successes and more than our fair share of employment mistakes. Furthermore, we have a customer base of 2,800 medical specialists with an average interaction of more than 20 times a year with the business. Getting it right with our customer is a non-negotiable. Having the right people is also a non-negotiable. We do not have a dedicated in-house Human Resource function and, wherever possible, we contract people against outcomes and tasks that will build the success of the company. We rely strongly on performance incentive agreements to motivate people towards performance and success.

Following is an overview of our experience using **Shadowmatch** as a tool to find successful people. It is important to note that we have not changed the way in which we manage and incentivise people in any way.

Pre **Shadowmatch**

Recruitment Begins: Pre **Shadowmatch** days, following a strong growth period in the company, we turned to recruitment houses to source key people to fill the future needs of the company. Following a job specification, many Curriculum Vitae's (CV's) were forwarded and reviewed. For each job, five candidates were selected from at least twenty CV's and subsequently interviewed. The CV's each contained impressive skills and qualifications, the candidates were (or seemed) highly successful at their current jobs, and came well prepared for their interviews. Each candidate had a performance incentive on offer that matched their basic salary. After several interviews, offers of employment were made and final appointments concluded. A fee of 15% of cost to company for the year was negotiated with the recruitment agency. A three month guarantee was in place in that if the candidate left before the end of three months, the recruitment agency would provide new candidates for no fee.

*Training Commences***:** All new employees are put through a formal induction process backed by training. The induction programme introduces the employee to our culture (that is the way we do things), our people, our customers, our products and services, our decision making processes and the operational environment of the business. The business supplies highly technical products and services into a market of specialists. It requires study and attention to detail to be fully on top of all the technical aspects. Furthermore, much of our selling is relationship based selling. Establishing these relationships takes time. Consequently, it usually took between two to four months of training and establishing relationships before candidates reached a **point of competence**. By competence we mean the ability to operate independently into the market without direct support of management or a colleague backed by an ability to deliver against their performance contract. Up to the point of competence, we make a net investment into our people. Thereafter, they are in a position to begin covering their cost to company and generating a positive return. We usually invested around 25% of an employee's annual cost to company in training to develop an employee to a point of competence. These costs represent factory, classroom and on the job training.

We were now three months into the relationship with the employee, much investment under the belt and no productivity from the employee yet (as they have only just reached their point of competence).

Performance Management Begins: At this point, we aggressively begin to manage the employees via performance contracts against outcomes. These are three month rolling agreements with minimum

performance requirements (outcomes only) with incentive targets to reward different levels of performers. Systems track and report on employee and business performance on a daily basis. For sales staff it is total value of sales, for technical staff it is percent of technical issues resolved daily and weekly and for operations staff it is percent of originating transactions processed daily and weekly. All staff carry a performance incentive against a customer satisfaction score. Formal performance reviews are held monthly. Poor performers are immediately put onto additional training if the lack of performance is due to knowledge and/or skills. New product lines result in the performance contracts being recontracted.

Disaster Strikes: Despite the fact that a desire existed from both parties (business and employee) to succeed; all our agency recruited individuals voluntarily exited from the company between months five and eight for lack of performance. In short, they didn't like the business environment. It was time to take stock. So we did some quick sums and had these shocking insights:

	Description	Measure
1	Recruitment Costs	15% of Cost to Company
2	Training Costs	25% of Cost to Company
3	Average Training Time	3 Months
4	Staff Turnover	30%
5	Staff Turnover Costs	30% * (15% + 25%) = 12% In words, because we lost roughly 1 in 3 people, we had to go through the whole recruitment and training exercise again. To show the recruitment costs against a single picture, we need to include this as a once-off cost. Strictly speaking we should include the full cost of staff turnover. A simple formula can provide this (thanks **Shadowmatch**). Full staff turnover costs = ([Staff Turnover %] / [1 − Staff Turnover %]) * (Recruitment Costs + Training Costs). The real result is 17.1 %.
6	Costs to Point of Competence	52% (1 + 2 + 5)
7	Average Employee Return per Month (that is whole business)	20% greater than monthly Cost to Company
8	Time to Break-Even	**34 Months** Cost to Point of Competence (6) / Average Returns per Month (7) % * 12 months + Time to Train (3)

Interpretation: We needed to keep our agency staff employed for a minimum period of 34 months before the business was in a break-even scenario with regards to return on employment. At the point our agency staff were exiting, our net return on employment was close to negative 100%. In other words, we had only invested.

We could not continue like this. Our growth was being fuelled by some clever strategies as well as by three top performers in the sales department and two top performers in the customer service division. The returns were being squandered on poor employment decisions. We had to rethink our recruitment process radically. We had to find a way of employing people that were more like our top performers. It was imperative to the continued success and growth of the business.

In Search of Alternatives: We began to search for a better way. It was during this search that we were introduced to **Shadowmatch**. We learned a few key things about recruiting top performers. Our costly experiences proved to us that "success only materialises when the task at hand, the capabilities and behaviour preferences of an individual and the working environment match so that a person can flourish."
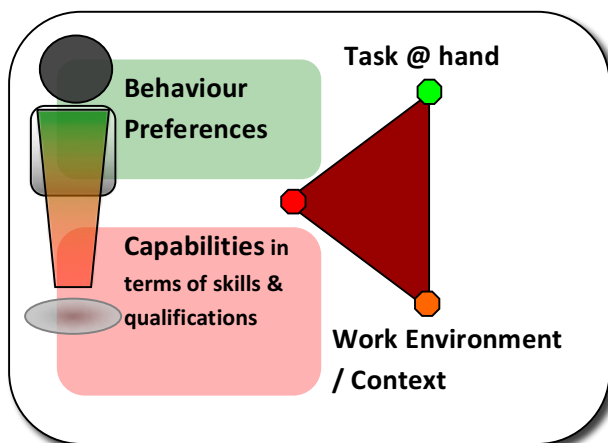
In search of Top Performers

"Success only materialises when the task at hand, the capabilities and behaviour preferences of an individual and the working environment match so that a person can flourish."

We knew the capability sets we required, we had invested significant management energy into creating a funky and freedom based work environment and we were disciplined in dedicating people to tasks. We were nowhere when it came to mapping behaviour preferences. We felt recruiting people primarily against their capability set, their past success and their desire to continue being successful was sufficient. We believed these individuals would adapt to and fit into the work environment we had fostered. How wrong we were.

A Strategic Break-Away Session with Surprises: It was time for our annual performance review, budget and target setting process and we had accordingly booked twelve individuals onto a weekend break-away session. We decided to incorporate the **Shadowmatch** process and map the behaviour of the people in the business to understand if this would give us any insight into their performance in the business. We had two new appointees with us. Everyone completed the **Shadowmatch** questionnaire and the results were presented in a confidential and sensitive way. Each individual had access to their own results, and the top team had access to everyone's results. We were in for a shock. In short, these are the rank ordered results:

Actual Performance against Sales		Shadowmatch Predictor	
Rank	Sales % of Total Sales	Rank	Overall Match %
1	25%	1	92%
2	20%	3	89%
3	19%	2	90%

| Actual Performance against Sales		Shadowmatch Predictor	
Rank	Sales % of Total Sales	Rank	Overall Match %
4	12%	4	85%
5	7%	5	79%
6	5.5%	7	76%
7	4.5%	6	78%
8	4%	8	70%
9	2%	10	63%
10	1%	9	65%

These are the results against the sales shadow in the business. The benchmark group has an internal stability factor of 90%.

What shocked us was that **Shadowmatch** could so accurately rank order actual performance off a behaviour map. How was this possible? We realised that behaviour (specific to our environment) was a critical success factor for people. Either they had the appropriate behaviours to flourish in a freedom driven environment or they did not. We had to begin recruiting for behaviour fit as well, not just skills and good interviewing technique from the candidate.

These shocking results convinced us this was a way forward to consider.

Recruitment with a Difference: We immediately commissioned a shadow per job category and ensured that all potential new recruits were Shadowmatched. We also put an incentive structure in place for employee referrals. All candidates were put through **Shadowmatch.** These are some of the results obtained against candidates:

1. We employed this candidate. She performs to on average 50% of top performer status. Her challenge is very much to simplify. If she gets this right, she will match top performer status without a doubt.
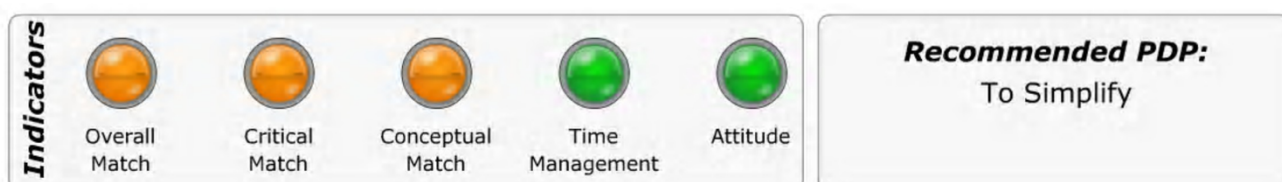
2. We employed this candidate. He performs to on average 30% of top performer status. He is very quick minded and was quick in his behaviour map, hence the red score in Time Management. Although a wonderful performer, our challenge is to manage his frustration levels. He loses too many deals as a result of his frustration – he wants things to happen now. The behaviour map of the top individuals indicates clearly that patience and perseverance is required for success.

Shadowmatch®

3. This individual was employed pre **Shadowmatch** days. He barely covered his cost to company but has a wonderful attitude, so we all like him. We have parted ways in his and the business' best interest. He is far more successful at his current job.

Determining Return on Employment:

After 12 months on **Shadowmatch** and continued growth of the business, we decided to re-benchmark the Return on Employment Numbers. We were in for a pleasant result relative to our pre **Shadowmatch** days.

	Description	Measure
1	Recruitment Costs	7% of Cost to Company
2	Training Costs	13% of Cost to Company
3	Average Training Time	< 3 Months
4	Staff Turnover	10%
5	Staff Turnover Costs	10% * (7% + 13%) = 2% Full staff turnover costs = ([Staff Turnover %] / [1 – Staff Turnover %]) * (Recruitment Costs + Training Costs). The real result is 2.22%.
6	Costs to Point of Competence	22% (1 + 2 + 5)
7	Average Employee Return per Month (that is whole business)	50% greater than monthly Cost to Company on average (up from 20%).
8	Time to Break-Even	**6.78 Months** Cost to Point of Competence (6) / Average Returns per Month (7) % * 12 months + Time to Train (3)

We have gone from a break-even scenario of 34 months to under 7 months. In other words, we recover our investment into the individual in month 7 on average. We are delighted with the results and the impact it has had on the business. It represents a five fold improvement in our employment practices (34.2 / 6.78).

Conclusion:
Our top performing people provide much more value to the company than poor performers and finding successful people for the future is imperative for our continued growth. **Shadowmatch** has shown that recruiting people for their behaviour preferences as benchmarked against a top performer shadow is far more effective than our traditional recruitment methods. Our average productivity levels are up and our time to break-even on employment is one fifth of what it was previously. Our staff turnover is also a fraction of before. In other words, we avoid costly employment mistakes. We are for the first time in a position to recruit people scientifically against a top performer benchmark that has fully captured the behavioural habits of top performers given our specific work environment and the tasks at hand.

Finally, the impact on our business is shown visually.
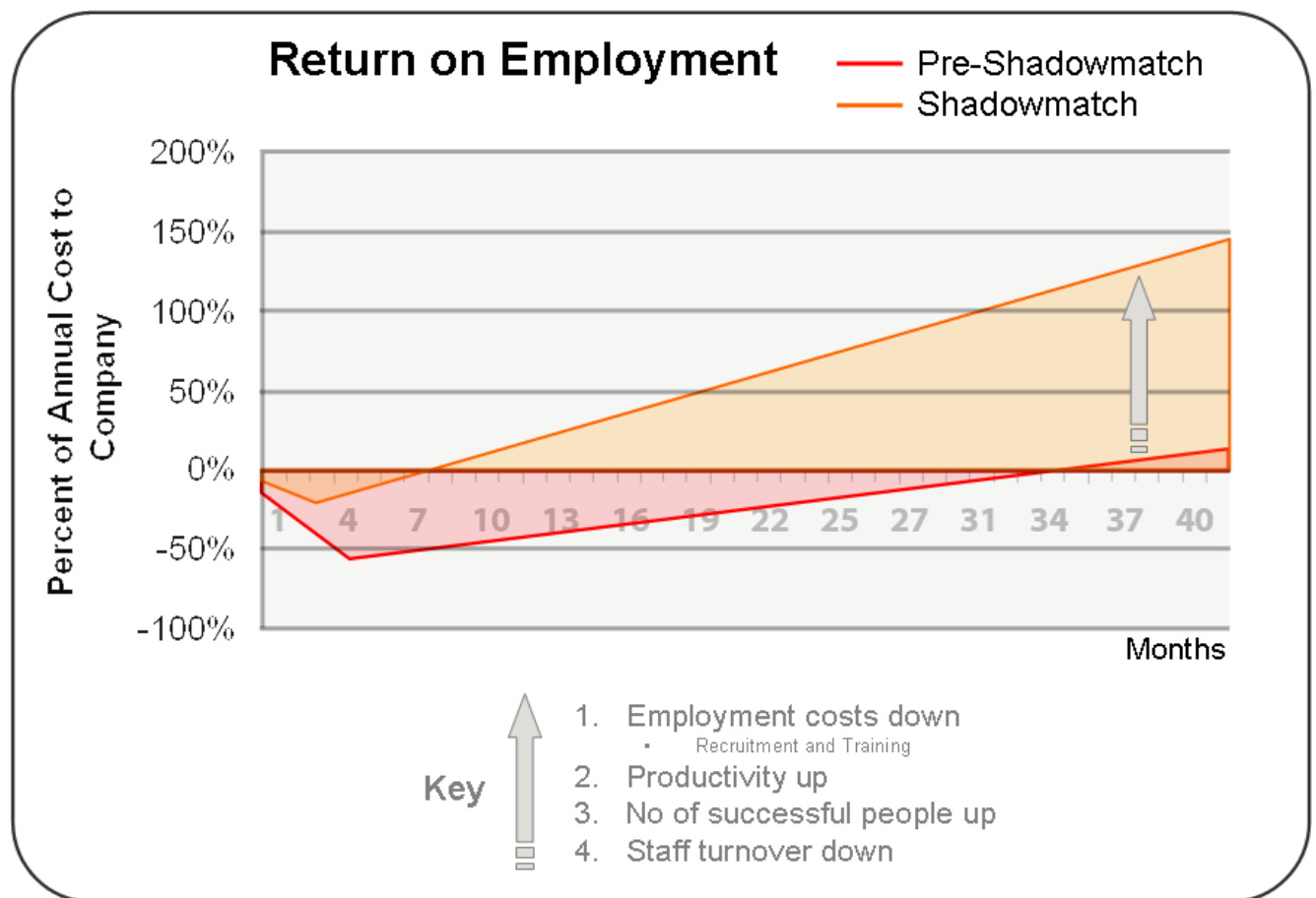
A final comment on Shadowmatch

We have been using **Shadowmatch** for a significant period now. The staff turnover has dropped to 5%. Our culture (the way we operate) is far more stable than ever in the past. Our people share behaviours to a very high degree and this is helping the business succeed. We have had some strong challenges to deal with in the market. Out top performers have been offered double their basic salaries in the market – yet they still remain with us citing the work environment as being a benefit that no competitors can match. **Shadowmatch** has given us a direct handle on being able to manage the behaviour content of our working environment. People work with people with whom they can

relate. **Shadowmatch** continues to make a big difference – to the business as well as the success of our people. Our employment costs are down in both recruitment and training, our productivity levels are up, the number of people successful in the business is up and our staff turnover is down.