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MPS Labor Generating Services & Onboarding Process Analysis

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Throughout this paper, callout boxes on the right like this one will appear. Grey callouts will provide additional commentary on subjects being discussed to the left.

Blue callouts boxes will denote key ideas.

Yellow callouts will highlight underlying assumptions that the analysis is dependent on.

Executive Summary

MPS Labor Generating Services (LGS) is successful for four key reasons:

- 1. Quality Candidates** - The stock of candidates LGS starts with has steadily risen in quality. Competitive candidates typically have several years of experience at other reputable organizations and have mastered basic skills related to professionalism and client relationship management. As a result, MPS is recruiting individuals who have already passed through the majority of their 'professional puberty' and mastered the basic skills necessary to function in a professional environment.
- 2. A Rigorous Interview & Screening Process** - MPS's recruiting process is rigorous and screens applicants multiple times in a variety of ways before a hiring decision is made. The interview process is escalatory, starting with a phone screen and ending with a take-home case interview that is particularly challenging. This combination of different settings and tones gives MPS multiple opportunities to grade candidates on things like language, tone, demeanor, creativity, ability to operate under pressure, and technical skills. Furthermore, hiring decisions are made by a panel of individuals who represent different aspects of the company's operations. As a result, candidates who can make it through this rigorous screening are more likely to be a strong fit with both firm and contract culture.
- 3. Dedicated Leadership** - LGS and Onboarding are led by experienced MPS veterans who know what they are looking for and have developed through regular practice an excellent instinct for how to hire. LGS has a dedicated leader in the Human Capital Officer (HCO). The HCO provides a key benefit to LGS by consolidating information, accountability, and responsibility for hiring in one person. Likewise, by engaging Engagement Managers (EMs) in the hiring process and giving them the near final say on who the firm hires, they are provided a real stake in the process and a proper incentive to invest time and energy in that person's recruitment and onboarding. This combination of leadership and proper incentivization on both sides of the process is a key reason why MPS has a high rate of successful hires.
- 4. Robust Onboarding** - MPS Onboarding expands upon the success of recruitment by equipping new-hires with tools, knowledge, and regular access to senior staff members for early feedback. Onboarding gives new-hires a smooth runway to transition into their new job during the most sensitive and challenging early days.

The pedigree of MPS applicants has steadily risen over time. This definitionally improves the probability of a successful hiring effort for LGS.

MPS still recruits and trains very young and talented new-hires via its DTX program.

MPS screens applicants multiple times in various ways before making a hiring decision. When the hiring decision is ultimately made, it is made via consensus of multiple representatives of the firm.

LGS is led by dedicated staff who have learned through trial and error what to look for in applicants and how to look for it. This human talent aspect is instrumental to the process's success.

Onboarding serves as a safety net for new-hires to fall into if they struggle early. The firm has the chance to quickly remediate issues or terminate early if there was a mistake in the hiring process.

Background

MPS faces a challenge many small businesses struggle with every day: how to recruit and retain talented individuals at a competitive market rate. This challenge is compounded by the need of small businesses like MPS to perpetually recruit to match or beat their turnover rate. Small professional services firms like MPS face some of the highest turnover rates, and therefore the steepest recruitment challenges, in the country. The Bureau of Labor Statistics reports that Professional and Businesses services have the third highest average turnover rate of any industry in the country. Over the last five years, the average turnover rate for professional services was 63.5% per year (BLS, 2020).

Unlike many small firms operating in the D.C. area, MPS has found a formula for success that works well within the context of the firm's business needs, resources, and culture. Starting roughly in Q3-2019, MPS's Labor Generating Services (LGS) began to experience performance improvements and was able to routinely meet the needs of the firm's Revenue Generating Services (RGS). LGS contains two subprocesses that impact the firm's chance of successfully recruiting a new-hire. The first subprocess is Recruitment and Hiring. This process is led by the Human Capital Officer (HCO) and is responsible for vetting and interviewing prospects based on RGS needs. The second subprocess is Onboarding and is led by the Engagement Manager (EM) of the project a new-hire is joining.

These two processes have a symbiotic relationship. Onboarding cannot correct for errors made in the LGS process. Likewise, even the best talent still needs support and guidance early in their employment to achieve long-term success and be of value to the company. Without a comprehensive Onboarding process, MPS risks wasting quality talent. Without a comprehensive recruiting process, no amount of Onboarding support can correct fundamental deficiencies within a new employee.

Measuring LGS Performance

Identifying professional talent is one of the last bastions of instinctual, trial-and-error thinking in the business community. Across all industries, the process is generally the same. Firms appoint or hire staff who will vet candidates through interviews to determine if they are a good fit to the business's needs. However, interviewing and rating the performance of interviewees is a fundamentally human-based, subjective process. As a result, there is no such thing as a perfect recruitment process. But how should success be defined? There is no clear or concise definition of a successful hire. However,

Professional services firms are constantly fighting a battle against high turnover and low employee engagement.

Turnover is incredibly expensive, especially for small businesses. The cost of turnover in salaried positions is estimated at 100-150% of gross salary. This figure is inclusive of cost-per-hire and cost-of-vacancy.

MPS's hiring effort depends on the mutual success of two sub processes, Recruitment (LGS) and Onboarding.

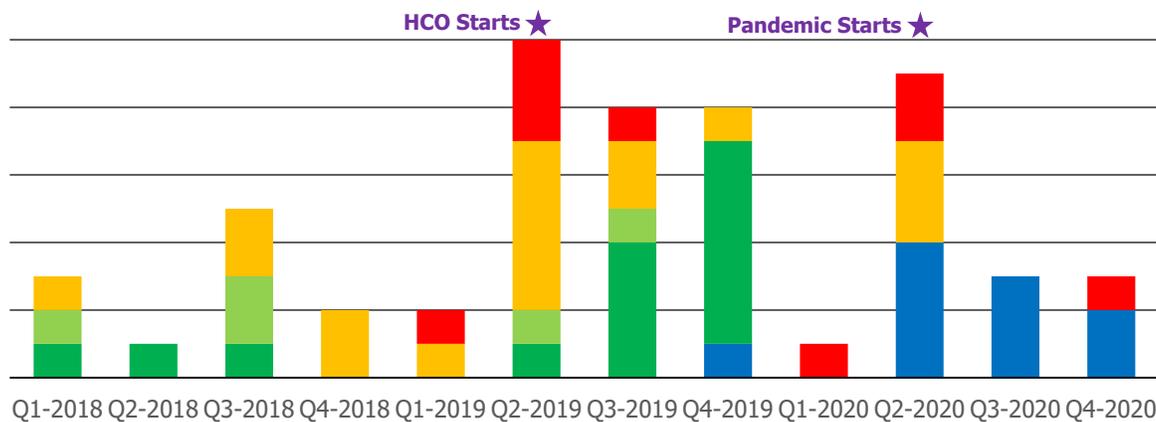
Because recruitment is so human dependent, quality head-hunters with a keen eye for what to look and listen for are a necessary resource for effective hiring. No process can overcome a lack of experience or instinct on the part of the recruiters themselves.

to establish a baseline for performance measurement, this paper will make several key assumptions about what the definition of a successful, unsuccessful, and unclear hire are.

Our process for reviewing MPS’s LGS performance began with firm-separations data from 2018-Present. This data served as a list of all employees hired by MPS during the period that subsequently separated from the firm for any reason. From there, data related to all employees hired during the period or employed by the firm throughout the period were added to our primary table. This process produced a complete dataset of all hiring activity performed by the firm from 2018-Present. From there, key assumptions were made about the definition of **successful** and **unsuccessful** outcomes of the hiring effort. This was done to measure the performance of LGS over time. A central assumption made in our analysis was that a hiring effort was not worth it financially for MPS unless the employee worked for at least 15 months. This is because the break-even cost for recruiting, training, and onboarding is approximately 12 months on average¹. Furthermore, it was estimated that it takes up to three months to identify a backfill after an employee separates. Putting these two numbers together, we estimate that an employee at MPS must work for at least 15 months on average for the firm to break-even on the investment. The results are available in **Figure 1** below.

A **'Successful – Separated'** hiring event was defined as a former employee who worked at MPS for **≥15 months** and separated **voluntarily**. A **'Successful - Still with Company'** hiring event is defined as someone who still works with MPS who has **met or exceeded the 15-month threshold**. An **'Unsuccessful – Involuntary Separation'** hiring event was defined as a former employee who worked at MPS for **<15 months** and separated **involuntarily**. An **'Unsuccessful – Voluntary Separation'** hiring event was defined as former employee **<15 months** and separated **voluntarily**. A **'Still with Company – Recent Hire'** is someone who MPS hired but has not matured past the 15-month mark.

Figure 1: LGS Hiring Outcomes Vintage to Start Quarter/Year



¹We estimate the break-even cost for recruiting, training, and onboarding is approximately 12 months.

Figure 1 reveals several important pieces of information related to LGS's historic performance:

- The assumption that LGS performance improved after the introduction of the Human Capital Officer (HCO) is true.
- The HCO was introduced in Q2-2019 due to a surge in hiring requirements for MPS. This period is generally when LGS struggled the most, likely due to a combination of high hiring demand, underutilized recruiting tools and recruiter inexperience. During this period, only 20% of all hires resulted in a '**successful**' hiring outcome' according to our model.
- As the HCO became acclimated to the firm, there was a drastic improvement in performance through Q4-2019. From Q3-2019 onward, MPS has only witnessed 15% of hiring actions result in a '**unsuccessful**' hiring outcome.
- Q3 & Q4 of 2019 were MPS's best hiring periods. Most employees hired during these two periods are still with the firm and have either exceeded the maturity period or are very close to doing so.
- We suspect that Q2-2020 onward is not indicative of LGS performance due to the COVID-19 global pandemic taking place. Unsurprisingly, recruitment dried up drastically from Q3-2020 through the writing of this report.

LGS experienced measurable performance improvements after the introduction of the HCO.

The data pre-2018 is not consistent enough to be properly analyzed and the data from Q1-2020 onward is clouded by the global pandemic. As a result, it is difficult to extrapolate the findings listed above and discuss LGS's performance over its total history. However, the introduction of the HCO to lead LGS clearly made a substantial impact on performance.

*Our model somewhat clouds LGS's performance in Q2-2019 due to how months in service was determined. Almost all hires from the period who were classified as '**Still with Company – Recent Hire**' are close to reaching full maturity and being classified as '**Successful - Still with Company**'.*

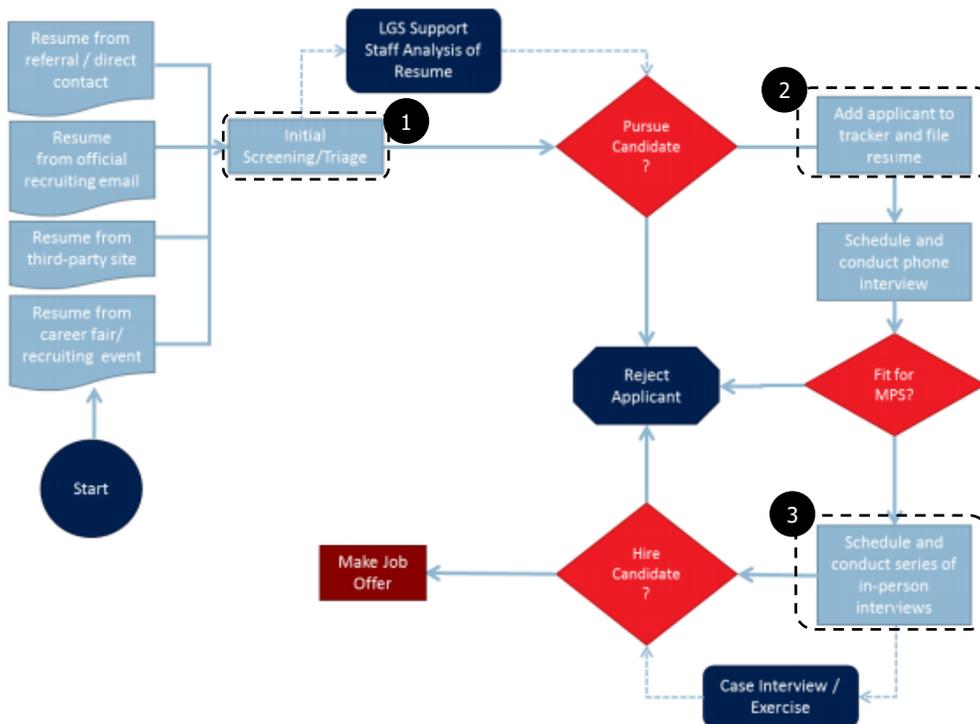
LGS Deep Dive

Labor Generating Services is the complete process by which MPS seeks out and recruits talent. LGS requires the input of a wide variety of MPS staff to process a prospect, interview them, and make a hiring decision.

Process Map & Overview

Figure 2 outlines the general process of managing an applicant from initial application to final hiring decision.

Figure 2: LGS Process Map



1. During the initial resume triage, the Human Capital Officer first checks if the requested salary is within the expected range for the position. High salary expectations are the most common reason MPS passes on applicants by a wide margin.
2. MPS uses BambooHR as its primary ATS. It is a lightweight system that is low-cost but doesn't impact the process much beyond managing the pipeline of applicants.
3. This step refers to the Panel Interview, which also includes the case interview. This is where the ultimate hiring decision is made.

Key Strength #1 – Stock of Candidates

There are several categories of individuals MPS recruits-from:

- a) New Professionals** – Fresh college graduates or individuals with <5 years of experience.
- b) Early Professionals** – Individuals with 5 – 15 years of professional experience.
- c) Mid-to-Late Career Professionals** – Individuals with 15 – 25 years of professional experience.
- d) Veterans & Specialty Skills** – Individuals who are Veterans and/or are bringing a niche skill needed to fulfill contract requirements.

Earlier in the firm’s history, MPS focused on recruiting fresh college graduates with minimal professional office experience through its Professional Apprenticeship for Consulting Excellence (PACE) & Applied Management Professional (AMP) programs. The firm also partnered with organizations such as the Peace Corps and Teach for America (TFA) to feed its pipeline of candidates. This reflects the firm’s strategy of ‘building’ its consultants in-house.

Several years ago (est. 2016-2018), MPS began to steadily recruit from the ‘Early Professionals’ category instead of from ‘New Professionals’. Stakeholders within the company identified two key reasons for this shift. First, the company began to compete for contracts with Labor Categories (LCATs) requiring more years of professional experience. Second, as the company’s culture began to mature, EMs demanded applicants that had more developed professional skills. Their view was that technical skills could be taught, but that it was not a productive use of time for MPS staff to be coaching new-hires on basic skills related to office etiquette and professionalism. This shift resulted in a higher base stock of applicants. Now, most applicants enter the firm on day one with a foundation of basic professional skills and experience.

The shift to experienced professionals does not necessarily contradict MPS’s stated goal of building talent in-house. Early professionals are still at the beginning of their career, typically younger than 30, and have not selected or concentrated in a specific technical career path. They are likely more fundamentally moldable. As a result, these individuals fit very well into the firm’s corporate culture of teaching and professional development. Whereas mid-to-late career professionals might be resistant or unwilling to take on additional trainings outside of work, the current stock of candidates are a natural fit for the firm’s training initiatives and emphasis on technical qualifications.

MPS’s shift from new professionals (fresh from college) to early professionals largely coincided with its surge in hiring performance. These individuals have a higher base pedigree than the new professionals the firm traditionally hired. As a result, LGS was working with a higher base stock of candidates.

We assume that MPS will generally not hire for its most senior leadership positions or anyone with more than 35+ years of experience. The firm generally prefers to ‘build’ these types of individuals internally.

Early Professionals also provide the additional benefit of having been trained and filtered by other organizations. If an individual approaches the firm from, for example, a less known college – they are effectively an unknown quantity. However, if an individual applies to MPS from a reputable organization such as another small contractor or Big-4 contractor, they are more of a known quantity and give MPS an additional layer of safety when screening that recruit.

Key Strength #2 – Quantity of Interviews

MPS's recruitment process is incredibly thorough. There are up to four screening activities performed by LGS staff before a hiring decision is made:

- a. **Phone Screen Interview** – Performed by the Human Capital Officer. This is a more informal interview where the candidate is typically given open-ended questions and invited to talk about themselves and their career.
- b. **(OPTIONAL) HR Screen** – In the event the Human Capital Officer has any questions requiring deeper exploration during the phone screen, an optional HR screen can be scheduled with VP of Human Resources (VPHR). This policy is excellent because candidates that show some a mix of promise and risk are reviewed twice before the firm invests any more time or resources into their recruitment.
- c. **Panel Interview** – The Panel Interview is the most important part of the recruitment process because it brings in several individuals that are representative of MPS to collectively vet a candidate. The panel is composed of three representatives from across the company, including the candidate's to-be EM. This also gives the candidate a great opportunity to get a feel for the company and ask questions.
- d. **Case Interview** – The case interview is the last step in the interview process and is dependent on the track the candidate is currently on. MPS uses different cases depending on if the individual is being hired for specific technical skills or for general ability. The case interview is conducted at the same time as the Panel Interview, though the two are distinct.

Each interview effectively serves as a filtering opportunity for MPS. The phone screen interview gives the Human Capital Officer an opportunity to see if the candidate's ideal salary is viable as well as if the candidate is a likely fit within the context of the firm's culture and technical requirements. From there, the panel interview taps the knowledge and experiences of a range of MPS professionals including the candidate's to-be manager. The case interview is the final interview applicants complete. It is a relatively unique feature of the MPS hiring process and poses a significant challenge to candidates. By putting candidates in a professional setting and challenging them to solve a problem, MPS can gauge if a candidate has the natural problem solving and client relationship abilities they are expected to bring on day one.

Key Strength #3 – Hiring by Consensus

The single strongest feature of LGS is its use of multiple perspectives and reliance on consensus opinion within the company when making hiring decisions. Should a candidate complete all four interviews and be hired, they will have been reviewed by 3-5 unique individuals

MPS assesses applicants multiple times. However, each distinct interview is unique and tests the applicant in different environments and scenarios they will find themselves in, should they be hired.

It is important to note that this process typically takes several weeks but can be condensed so that MPS can meet urgent hiring demands.

MPS taps multiple individuals from across the firm to interview candidates and support the hiring decision process. Although EMs have the largest say in hiring decisions, the additional staff help them make these decisions.

within MPS. The best example of this team-centric approach is the Panel & Case Interviews, which give EMs an opportunity to carefully craft their contract teams and culture.

When interviewing EMs, many noted that their primary emphasis when meeting and interviewing candidates was on the person's professional demeanor, tone, and critical thinking skills. In contrast to our natural expectation, EMs noted that they generally emphasized these soft skills and traits and saw them as equally important to the candidate's professional accreditations.

EMs focus on situational Q&A and applicant demeanor far more than the applicant's resume or academic pedigree. They feel that while technical skills can be taught, professional skills and general demeanor cannot and should not.

Onboarding Deep Dive

Onboarding is a crucial part of MPS's formula for success. LGS may be able to identify and recruit talent, but if that talent is left to their own devices without any support, it may ultimately fail and result in a poor outcome even if the fundamentals of the hiring decision were correct.

Onboarding has an administrative component which relates to onboarding the new-hire with the client, getting their paperwork in order, and issuing them the required technology to complete their work. For the purposes of this research, that part of the process will not be discussed. However, EMs did note that issuing requisite technology, particularly Government Furnished Equipment (GFE's), was a huge challenge that could take weeks and disrupt the onboarding process.

Overview

MPS has three primary goals when it comes to onboarding new-hires:

1. Explain and inform about firm cultural norms.
2. Teach new-hires about the firm's strategy and their position within that.
3. Underscore the importance of firm cultural values and how they directly influence in-office behavior with respect to both clients and peers.

MPS's Onboarding effort heavily emphasizes the first 90 days of employment. There are three key check-in marks at the 30-, 60-, and 90-day marks. At each of these breakpoints, new-hires perform two key activities. The first key activity is that all new-hires in a given period attend an onboarding seminar given by Kendall Lott, CEO of MPS. These seminars focus on teaching cultural values and providing information on firm activities and initiatives. The second activity performed at these marks is a formal check-in with the new-hire's EM. These two efforts combine for three onboarding seminars and three check-ins during the first 90 days.

Key Strength #1 – Routine Check-ins and Opportunities for Feedback

The most interesting fact identified about Onboarding during key stakeholder interviews was that the three EM check-ins were considered more of a formality when a new-hire was performing, but crucial when a new-hire was struggling. EMs stated that the majority of new-hires quickly fit into their teams and take to their work without significant input. For these successful new-hires, Onboarding becomes about goal setting and planning for the future. However, for

EMs noted that the real value of Onboarding was correcting deficiencies in new-hires who were struggling. Many new-hires immediately take to their work and succeed. But for those who struggle, Onboarding is a crucial safety-net.

employees that struggles early-on, Onboarding is about remediating issues and helping the new-hire find their footing.

During these check-ins, the new-hire and EM fill out a basic worksheet to assess performance over the prior 30 days. There are only two possible answers on the worksheet, 'adequate' or 'inadequate'. The new-hire has the opportunity to see and understand exactly what marking they are receiving and for what reason. This process improves transparency and communication. EMs noted that it was very beneficial for struggling new-hires.

These findings lead us to believe that Onboarding is more of a safety net to catch new-hires if they struggle early in their MPS career. Moreover, the sense that the majority of new-hires do not need the full Onboarding rigor and fit into their contracts immediately lends credence to the argument that LGS regularly provides contracts with skilled employees who fit MPS's culture and are self-starters.

Key Strength #2 – Access to Leadership Within the Company

The three Onboarding seminars, led by the CEO, are exceptionally useful for instilling the cultural values of MPS into new-hires. One of the major points of emphasis during the seminars is 'Kendall's 11 Rules of Engagement', which is heavily referred to and serves as a foundation block of the firm's broader culture. New-hires benefit greatly from hearing the importance of these points from the CEO himself. If new-hires were left to read these values from a handbook or presentation on their own time, it's doubtful they would realize their deeper significance within the firm.

Key Strength #3 – Graduating from Onboarding

One of the challenges of starting a new job is that when an employee first starts at a firm, expectations about their performance and ability are generally restrained. As time goes on and they become acquainted, those expectations steadily rise. However, that escalation in expectations and responsibilities is not often well communicated and it is left unclear to the new-hire of an average company at what point they have become a fully installed employee and are accountable to the same expectations as others.

MPS does a great job of avoiding this confusion by clearly demarcating the end of Onboarding at the 90-day check-in mark. At this final check-in, new-hires complete their Development Dashboard with their EM. From this point on, they are considered a standard employee and expectations for their performance are transparently explained within their performance goals.

MPS's three Onboarding seminars give new-hires regular interaction with the CEO and other new-hires in their cohort. It breaks up the content into more digestible sections and instills firm values.

MPS is smart to divide up onboarding into three sessions over three months. Most of the information isn't useful on day-1 and is immediately lost in the minds of new-hires. By splitting information up, it becomes more digestible and prescient.

Onboarding promptly ends after 90 days. At that point, new-hires become standard employees and complete their Development Dashboard with support from their EM. The clear and concise ending of Onboarding transparently explains to new-hires their expectations and goals moving forward.

Conclusion

The success of LGS is proof that there is no substitute for team-effort, hard earned experience, and raw talent when it comes to executing a process. The LGS process goes back more than 7+ years in the firm's history. The way it functions now is largely the way it has always functioned. Yet, LGS did not hit its stride until mid-2019. Why is this?

To summarize, three key intangible factors boost LGS's chances for success:

1. The EMs who are responsible for making the final hiring decision have learned through experience what to look for in applicants. No price can be put on this experience – it guides their intuition during interviews and cannot be replaced easily.
2. LGS found a dedicated leader in the HCO who gives this crucial firm process the full attention it deserves. The HCO manages the pool of possible applicants while the EMs make the final decision. This division of responsibility has worked well for MPS.
3. MPS not only knows its own culture, but also knows how to seek out and find applicants that fit well into the firm's culture and can even tailor its hiring practices to the specific needs of different contracts.

In addition to these intangible factors, MPS has found methods for recruiting and onboarding that work well within the context of the firm's culture and resources. Onboarding is generally popular, and EMs feel that the LGS provides for a strong pool of applicants to choose from.

Our conclusion from this research effort is that a successful recruitment and retention program depends on a wide range of factors and takes much more than just dedicated recruiters vetting applicants based on skillsets. To succeed, businesses like MPS need to first understand who they are, what they need from their employees, and how to vet applicants based off those requirements. Then, once a company has established a comprehensive viewpoint of what an ideal candidate is, it must incorporate the people, resources, and processes necessary to enter the labor market and acquire talent directly. There is no substitute for repetition and learned experience within the hiring market. Private companies that outsource recruitment to third party vendors likely tempt fate at constantly struggling with poor company and job alignment, disconnected employees and high turnover.

Methodology

This whitepaper relies heavily on process documentation reviews and key stakeholder interviews to support its findings. This paper also leverages the best available data within MPS's HR suite to support its largest assumptions about the performance of MPS Recruitment & Retention. However, that data was somewhat limited prior to FY2018.

Process Reviews

Process Reviews were primarily based on the latest SOPs and supporting documents for both LGS & Onboarding. These process reviews were performed in advance of Key Stakeholder interviews and informed the structure of those interviews.

Documentation reviewed includes the following for both LGS & Onboarding:

- LGS Process Operations Overview
- Onboarding Overview Documentation
- Onboarding Seminar Presentations (3)
- Panel Interview Protocol
- Case Study Materials
- Recruiting Process Functions Presentation
- Screening Documentation & Outputs
- 30-,60-,90- Day Review Forms
- MPS Terminations Data

Document reviews established a baseline understanding of how LGS & Onboarding work, as well as their key outputs.

Key Stakeholder Interviews

To support documentation reviews and provide additional clarity, key stakeholder interviews were conducted across MPS to inquire about experiences during recruitment & onboarding. These interviews were vital to the process because they highlighted key friction points within LGS & Onboarding, as well as underscored some of the most important yet undocumented practices within both.

It was assumed that if Engagement Managers view the Recruiting & Onboarding processes as successful and worthwhile, then they generally are. No recent hires were interviewed regarding their Recruitment or Onboarding experience.

Unanswered Questions

The research process conducted to complete this paper raised several questions that, though important, fell outside of its scope, timeline, or resourcing. However, these questions are important to investigate in order to better understand what makes MPS unique within the marketplace.

- i. MPS's strategy discussions typically focus on the question of 'build' vs. 'buy' decisions with respect to labor. The firm has enjoyed the fruits of 'building' many of its younger staff members and consultants. This approach has been generally successful. In contrast, the firm's efforts to 'buy' more senior people for leadership and technical skills roles has not found the same success.

- a. Why is this? What about LGS is failing to identify quality senior candidates?
 - b. What are some examples of success/failure in this domain that can be studied further?
 - c. Do different things drive/motivate different applicants and employees at different age brackets? And how does that impact their performance?
- ii. Does fast tracking the recruitment process impact the success rate of LGS? We lacked the data to answer this question, but it could lend key insights.
 - iii. What motivates individuals to pick smaller firms like MPS over Big-4 firms or other businesses in the federal contracting marketplace? What kind of candidate is naturally attracted to MPS and why? What about them is unique and how do they stack up to the applicants headed elsewhere?

Works Cited

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