

The Real Cost of a Hiring Mistake How to Dramatically Improve your Bottom Line By Hiring the Right Person - The First Time.

It has happened to all of us. We hire the dynamite candidate with the impressive resume, and a desire to make an impact. Months later, we are wondering if the person who comes to the office every day is the evil twin of the person we think we hired. What went wrong?

Hiring a new employee is one of the most important decisions a company can make. On average, a bad hiring decision costs 100% to 200% of that employee's annual salary. The costs of hiring are often missing from a financial spreadsheet, and can have far greater impact on the long-term profitability of your organization.

The wrong person in a leadership position can be even more crippling to a company. Their actions often have a ripple effect throughout the organization.

Calculating the Hard Costs

Let's first examine the hard numbers of hiring. Some of the most common hard costs of hiring include:

- Salary that was paid to the unproductive employee for the length of time he/she was working for your company
- Running new position ads in newspapers or on the Internet
- Running credit or criminal background checks
- Employee set up costs (drawing up contracts, entering information for payroll, updating computer/email programs)

There are other costs involved such as training materials and company aids to orient the new employee but they are not large enough to affect your company's business.

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In a company with 100 employees earning an average annual salary of \$50,000 each, standard employee turnover rates (14% for clerical workers, 12.5% for professionals and 5.5% among managers) can collectively cost more than \$1 million per year.

If this same company has annual revenues of \$20 million and a profit margin of 10%, employee attrition would represent 4% of total revenues, and 40% of profits.

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The Soft Costs of a Hiring Mistake Are Hidden

The soft costs of a hiring mistake often don't appear on the bottom line. However, these costs can be the difference between success and failure as an organization. Soft costs of a hiring mistake include:

1. Time Lost in Recruitment Process

Hiring for a new position is time consuming. Time is needed to attract and sort through resumes, screen candidates, interview them once or possibly twice, and conduct reference checks. On average hiring a manager in a mid-level position takes approximately 40-60 hours, which is time that could be spent building your business. If the recruitment is not done properly, it will take more time out of your busy schedule to fill the position.

2. Lost Productivity

Hiring and training someone who under achieves and is unproductive leads to lack of productivity and plenty of frustration.

3. Lost business opportunities

Income and time you could have devoted to capitalizing on developing new business is lost.

4. Increase in workload

Employees are left to fill the void created by an employee who doesn't work out, while a new candidate is sought. The time the trainer used to orient the new employee is lost which puts them behind in their work. Similar time is lost for staff members who are left with separation issues such as exit interviews. This leads to lack of focus and additional training requirements.

5. Lower company morale

In a position where teamwork is critical, a bad hire can affect the morale of the entire staff. Gossip and insecurity among coworkers develops - a major cause of job dissatisfaction.

6. Poor customer service

Not having enough people or the right people to adequately assist clients often leads to lowered customer service levels.

Frustration over lack of customer service can lead to loss of clients and a poor reputation, which can take years to rebuild.

Increased Emotional Stress for Managers

This upheaval not only drains the business financially--it also drains the managers and owners emotionally. Emotional stress impacts the management team when they have to spend time dealing with an employee who is not meeting expectations.

Managers often try to accommodate employees by putting them in different roles or retraining them, but in many cases the problem remains or accentuates. If they eventually do need to terminate employment, guilt over having to terminate the employee develops, especially if they have a family.

What can you do to help you get off this emotional merry-go-round?

Spend More Time Hiring and Less Time Firing

Creating a powerful workforce where employees are both productive and satisfied begins long before the first resumé lands on your desk.

In fact, hiring the right person begins with a thorough analysis of exactly what a position entails, and what skills, specifically, will be most valuable to the firm. Although many executives and managers are tempted to skip this time-consuming step, it is impossible to find the right addition to your company if you don't truly understand the responsibilities associated with, and resources targeted for, the position.

Should You Consider Hiring a Professional?

Hiring a professional recruiter can be one of the best investments a company can make to ensure their success. The bottom line impact of having the right person the first time can save thousands of dollars in hard and soft costs.

Companies often make poor hiring and firing decisions because they feel they lack options or the time to conduct the right hiring process. Having the right recruiting partner can eliminate these issues.

A professional recruiter should provide the following benefits:

1. Identify and approach potential candidates who otherwise wouldn't be looking for a job or career change.

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2. Screen and sort resumes, conduct preliminary interviews, design and administer relevant tests, and prepare a "short list" for the manager.
3. Coach managers and staff on conducting effective job interviews.
4. Do appropriate reference checking, including background and criminal checks.

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Benefits Extend Beyond the Initial Hire

A professional hiring process extends beyond the hiring phase. New employees are more appreciative of their new job when they have gone through a tough and thorough screening process. A well-trained professional will tell you what strengths and weaknesses a new employee is likely to have, up front, so you can start them on the right foot with realistic objectives during their probation period.

Remember, a lot is at stake. The success or profitability of your company may be riding on the next hiring decision you make.

For additional information on specific steps you can take to ensure you hire the right person the first time, contact People First Solutions.

People First has a successful track record assisting companies to recruit and retain top talent since 1998. Our hands-on approach and team of specialists enable companies to hire the right person the first time.

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