

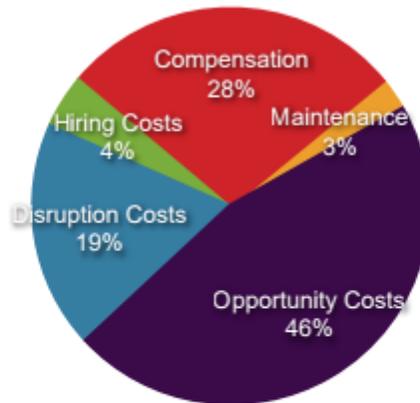
You Can't Afford A Mis-hire – Do You Even Know the Cost?

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You spend weeks or even months looking for the THE candidate, coordinating multiple rounds of interviews and often includes travel and hotels for your candidates. The entire process takes your time and effort, and that of an entire team. It takes many hours reviewing resumes, scheduling, interviewing, doing reference checks, and navigating an offer and start-date. Then a few months or maybe years into the job, the company realizes that this person isn't the fit they were hoping for and faced with repeating the process and incurring the cost all over again. ...and the cost goes well beyond just the direct recruiting cost.

Dr. Bradford Smart, author of [Topgrading](#), estimates cost of a bad hire ranges from **5 to 27 times** the amount of the person's actual salary. He researched over 50 companies and concluded that the average cost of a mis-hire of a manager earning \$100,000/year is **\$1.5 million**. The average cost of a mis-hire for a sales representative earning the same \$100,000/year is **\$560,000**.

Mis-Hire Costs for Sales Reps



Assumptions

Hiring Costs.....	\$23,500
Compensation.....	\$151,000
Maintenance	\$14,000
Severance	\$25,000
Opportunity Costs.....	\$250,000
Disruption Costs.....	\$100,000
Total.....	\$563,500

(Image from Dr. Bradford Smart's [Avoid Costly Mis-Hires](#))

Look at the breakdown:

Hiring Costs:

- recruitment, search, marketing and advertising fees
- outside testing, interviewing, background checks
- HR department time and administrative costs (for all candidates interviewed, not just the one hired)

Compensation:

- salary and bonuses multiplied by the number of years employed
- stock options, benefits, direct business expenses
- training costs (initial and on-going)

Severance:

- severance fee (salary, benefits), lawyer fees
- outplacement counseling fees
- cost in lawsuits caused by person (EEOC, harassment, OSHA, etc.)
- administrative costs in separation

Opportunity Cost:

- loss of new business, ideas, and energy a great employee would have brought to the organization
- missed deadlines
- loss of production due to lower morale from other employees
- value of a key customer who was lost or driven away

Wasted Hours:

- number of additional hours spent dealing with mis-hires weak points; patching things up with customers, re-doing or double-checking work, increased workload due to mis-hire not being able to handle their own workload

This cost could multiply after the mis-hire moves onto their next opportunity; if you rush the process to replace the pain of the lost mis-hire, you could repeat the mis-hire again.

Great employees are essential to business and finding the right person can be a challenge, but in the long run it's better to be thorough and try to shake off the pressure of just hiring the "first-available", warm body to fill the open role.

As you can see the numbers start adding up quickly and one bad hire can have deep impacts on the organization as a whole. So, how do you reduce your risk and cost associated with a mis-hire?

Understand them!

Everybody has a career wound, or whatever it is in their current situation is making them unhappy or uncomfortable. This is what provides the initial motivation for them to even consider making a job change, or this passive superstar wouldn't have a wandering eye. You must be able to discover their wound. Without knowing it, you're at risk of a bad hire.

Know Yourself!

Every company has an Employer Value Proposition. But many haven't formally gone to any lengths to figure it out, yet prepared to share it with candidates. If you can't connect your value proposition to their career pain, you're at risk of a bad hire.

Connect Them!

If you can't connect their career wound and close the gap from where they are to what they want through you, you will not get them to accept and offer, let alone stay long after they start. Most employers and recruiters don't understand how, nor have the processes and tools to bring this out and use it. That is what drives 46% failure rates.

Due Diligence!

If you or your recruiting partner are not making back-door reference checks your vulnerable. If you're not digging into candidates' on-line profiles, you're missing an opportunity to see who they are. Save yourself a lot of time, energy, and money by doing a search now before someone digs something up down the road.

Dig a Little Deeper!

Mis-Hires are costly, and the further up in the organization you go the more costly they become. You must dig in with disciplined interviewing that uncovers their competencies, DNA, and motivations. Most companies are more worried about speed in the current recruitment market, when quality of hire is the only metric that should be aimed for and measured.

According to a Leadership IQ study, 46% of all hires fail within 18 months. Think about that for a moment. ...that study compiled these results after studying 5,247 hiring managers from 312 public, private, business and healthcare organizations. Collectively these managers hired more than 20,000 employees during the study period!

Does your approach to hiring fall into these statistics? Then I would suggest finding a different way. **...and that way is available to you.**