

# Frey&Associates

strategic talent acquisition



## The Talent Report

February 2010

A monthly update for executives who are responsible for attracting top talent.

### Hello, ROI! Why your "quality of hire" matters

Traditionally, companies have used efficiency metrics (such as "cost per hire" and "time to fill") to measure the bottom-line impact of recruiting. While these metrics can help evaluate recruiting efficiency, they don't take into account the **quality of a hire** or the **long-term impact of recruiting** on an organization.

To truly understand the bottom-line impact of recruiting and to justify the time and investment in finding and hiring top talent, it's critical to consider:

- What's the return on investment for hiring top performers in key positions?
- What are the **hidden costs** associated with hiring average performers or underachievers?

### Quality hires boost productivity... and that's just the beginning

When it comes to key positions, there can be a significant difference in productivity between a great hire and a hire that's good enough. Consider an example. Let's say you have a manager who is making \$125,000 per year in a high-impact position. Studies show that the difference in productivity between a top performer and an average performer in that job is **\$57,600** in one year and **\$288,000** over five years<sup>1</sup>.

We're simply talking about returns in productivity. These numbers don't even take into account the intangible benefits associated with making quality hires, such as:

- Top performers have greater growth and promotion potential.
- Top performers require less time, energy and management support in getting up-to-speed.
- Top performers attract other top performers.
- Having a highly productive person may mean you need one less employee.

### The impact an "A" player makes on the bottom line

#### Measuring quality of hire

**85% of best-in-class companies indicate they measure quality of hire.** These companies value and use the following types of measures to evaluate quality of hire:

- ~ Organizational fit
- ~ Hiring manager satisfaction
- ~ Time-to-productivity
- ~ Demonstration of character and personal values

While experts disagree on the degree of impact an "A" player has on an organization, there is general consensus that the impact is three to five times more than an average worker (a "C" player).

(e.g., sales, service, etc)

~ Employee's first performance review rating

	Description	Impact on the Company (Compared to a "C" player)
A Player	Extremely talented. Highly promotable.	3.0 to 5.0 times
B Player	Solid performer with ability to grow.	2.0 times
C Player	Adequate worker. Needs development.	1.0 times
D Player	Likely to be fired. Requires a lot of management effort.	-1.0 times
F Player	Walking nightmare. Huge drain on all resources.	-5.0 times

Source: Aberdeen Group. "Talent Acquisitions Strategy 2009: Cutting through the Clutter and Proactively Managing Quality Candidates." August 2009.



As you consider the current mix of talent in your organization, ask yourself, do you have "A" players in all of your high impact positions? Do you have the right people in the right roles? And finally, are the people in your high-impact positions making the degree of positive impact that your organization needs?

If you've answered no to any of the above questions, contact us to find out how we've helped other organizations identify, attract and secure the perfect match.

<sup>1</sup>[www.ere.net/2001/10/the-incredible-cost-of-a-bad-hire/](http://www.ere.net/2001/10/the-incredible-cost-of-a-bad-hire/)

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