

Frey & Associates

strategic talent acquisition



[click on the picture to meet me](#)

The Talent Report

March 2010

A monthly update for executives who hire top talent

So, what's the real cost of a bad hire?

More and more, executives are realizing that their company's success is in direct proportion to the quality of talent they hire. In the last issue of *The Talent Report*, I shared the value and impact that "A" level hires have on an organization's productivity and results. In this issue, I want to look at the other side of the equation to help you determine real dollar and cents costs to your business.

What effects do bad hires have on an organization's performance and bottom line?

Five ways a bad hire hurts your bottom line

1. **Performance differential.** As we know, there is a significant difference in value between a top-performing hire and an average hire. An "A" player can provide anywhere from 50% to 200% more in productivity. At Google, they proclaim the difference is as much as 300%. A bad hire, on the other hand, can have anywhere between one to five times the negative impact on productivity.

2. **The cost of early turnover.** Whether you terminate a bad hire or they leave early on their own terms, you've got to start the recruiting, hiring, on-boarding and training processes all over again. While it's hard to quantify the losses in productivity, there are some useful calculators to help you estimate replacement costs, such as ADP's free [bad hire calculator](#).

3. **The drain on resources.** Making a bad hire can be an expensive mistake. You've likely wasted time, energy and training your bad hire **multiple times**. You've had to closely manage and document his or her behaviors, and the results are still not acceptable. This means other employees must pick up the slack, which can have a negative effect on morale and decrease productivity. A bad hire is a huge drain on resources, collaboration, and the energy necessary to create a successful environment.

4. **Executive influence.** In addition to the dollar drains

How to avoid bad hires

A key to making quality hires, rather than bad ones, is building relationships with top talent, particularly people who aren't actively looking for new jobs. Studies show that best-in-class organizations are 60% more likely to use a well-defined candidate relationship management process than laggard

that your employees have in your organization's ability to grow, get funding, attract and hire "A" players, create an environment of sustainability and navigate challenging times.

organizations².

5. **The dollar impact of missing out on innovators.** Hiring a top performer can drive innovation within your organization through increased creativity, collaboration and calculated risks. In contrast, an average or bad hire will not be the driver of innovation who can raise your company or department to the next level. Innovators are game-changers. They challenge the routine. They identify opportunities and execute on them. They push companies to be better, to deliver faster results and become stronger. Not seizing the opportunity to hire a top performer is truly a missed opportunity to make an impact on the bottom line.

Keys to success

The best way to avoid making a bad hire is to take a proactive approach in your recruiting efforts. Cast a wide net and go deep. Know what "greatness" is. Great talent always has career choices. According to a recent study¹, best-in-class organizations hired an average of 90% of their top candidate choices over the last 12 months, as compared to 63% for industry average companies (the middle 50%) and only 27% for laggard companies (the bottom 30%).

If your goal is to be best-in-class, create relationships with "A" level talent or partner with recruiting resources who have those connections. It's critical to fill your key positions with quality hires in an efficient, timely manner and minimize the drain on your bottom line.

^{1,2} Source: Aberdeen Group. "Talent Acquisition Strategies: Cutting Through the Clutter and Proactively Managing Quality Candidates," August 2009.

© Frey & Associates, LLC, 2010. All Rights Reserved.

Karen Frey is the president of Frey & Associates, a boutique executive search firm that has been delivering strategic talent within Human Resources and Corporate Counsel since 1999. Contact Karen at (303) 400-6271 or visit www.freyassociates.com.



(303) 400-6271

karen@freyassociates.com