



KeenAlignment
Conscious Hiring® and Development

THE COST OF A MIS-HIRE

by
Margaret Graziano

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THE COST OF A POOR HIRE

Most executives will easily agree that the most important asset in their company is their people, yet very few companies actually have a formal system in place to ensure that they attract, select, promote and retain the best and the brightest. Companies that strive to build their teams with the best players are more capable of capitalizing on opportunities than their “talent-constrained” competitors. The following exercises take an honest look at the harsh penalties paid for making poor staffing decisions.

1. Recruitment Costs

• HR Time	\$ _____	per hr. x # hrs. _____ =	\$ _____
• Management Time	\$ _____	per hr. x # hrs. _____ =	\$ _____
• Other Interviewers’ Time	\$ _____	per hr. x # hrs. _____ =	\$ _____
• Cost of the Ad			\$ _____
• Cost of a Referral			\$ _____
• Cost of Placement			\$ _____
		TOTAL	\$ _____

2. Salary & Related Costs

• Salary			\$ _____
• Benefits			\$ _____
• Overhead, phones, etc.			\$ _____
		TOTAL	\$ _____

3. Time of Other Personnel

Takes into consideration all the personal that interact and give their time to the onboarding, training and development of this hire over the lifecycle of the integration period (i.e. 90 days).

• Manager	\$ _____	per hr. x # hrs. _____ =	\$ _____
• Training & Development	\$ _____	per hr. x # hrs. _____ =	\$ _____
• Administrative	\$ _____	per hr. x # hrs. _____ =	\$ _____
		TOTAL	\$ _____

4. Productivity Losses

- Startup Performance – Less than Standard \$ _____
Considering the average person is not producing in first 90 days of employment, this is the work and the amount of time other people have to step in and cover the role for the first 90 day integration period.

- Low Morale of Co-workers \$ _____
If the person is not producing, who else are they effecting and what other employees are performing lower than expected, because low performance and morale become the norm in the culture.

- TOTAL** \$ _____

5. Lost Business

Consider in a sales role the quota expected vs production delivered; look at existing customers not renewing or buying more; and look at prospects expected to close, that don't.

- Prospects Lost \$ _____
- Customers Lost \$ _____

- TOTAL** \$ _____

6. Other Costs

- Managerial Energy Diversion \$ _____
- Company Cars, Personal Computers \$ _____
- Unemployment Compensation \$ _____
- Severance Allowances \$ _____
- Legal Fees \$ _____

- TOTAL** \$ _____

GRAND TOTAL \$ _____

Short Formula for Estimating Minimal Costs: **3 x Salary** \$ _____

THE COST OF PROCRASTINATION

**WAITING TO ACT ON PERSONNEL RELATED DECISIONS
COSTS MORE THAN YOU THINK!**

Holding on to Low-Level Performers:

- Mediocre levels of productivity become acceptable in the company
- Managers waste too much time trying to change these individuals
- Wasted money in training programs to try to improve the level of performance
- Management’s image is lowered for, either not seeing the lowered performance or not removing the person from the company
- Possible loss of customers and/or prospects
- Negative impact upon the company’s performers

Estimated Cost: 2-3 times salary

$$\frac{\text{Average Salary of Low-Level Performers}}{\text{Average Salary of Low-Level Performers}} \times 2 \times \frac{\text{\# of Low-Level Performers}}{\text{\# of Low-Level Performers}} = \text{TOTAL}$$

Promoting an Individual without the “Right Stuff”

- Possible loss of personnel, customers and/or prospects
- Replacing the promoted individual with someone possibly less qualified
- Extended learning curve causes lower productivity
- Negative impact upon morale
- Eventual replacement – starting the promotion process over again too soon

Estimated Cost: 4-6 times salary

$$\frac{\text{Average Salary of Poor Managers}}{\text{Average Salary of Poor Managers}} \times 4 \times \frac{\text{\# of Poor Managers}}{\text{\# of Poor Managers}} = \text{TOTAL}$$

Losing a High-Level Performer:

- Loss of productivity that is significantly above acceptable standards
- Many times management will settle for someone that is less qualified to replace the high level performer
- Replacing the productivity of a High-Level Performer typically takes more than one Employee
- Loss of Intellectual Property that inevitably leaves with the individual
- Negative Morale – other performers may begin looking for other opportunities

Estimated Cost: 6-8 times Salary

$$\frac{\text{Average Salary of High-Level Performers}}{\text{Average Salary of High-Level Performers}} \times 6 \times \frac{\text{\# of Lost High-Level Performers}}{\text{\# of Lost High-Level Performers}} = \text{TOTAL}$$

For FREE electronic version of this calculator visit: KeenAlignment.com