

Just How Much does that Bad Hire Cost?

The exorbitant costs associated with hiring the wrong candidate

By Eileen Spatz



One of the most destructive forces that can impact a company—any company—is a stinking bad hire. We all know how this can happen. A sense of urgency permeates the building when that gaping hole, the open job position, is negatively affecting the team, often culminating

in a hasty, and regrettable, hiring.

Oh my, and don't those chickens come home to roost! You know the drill. Job seekers are on their best behavior when interviewing. They have been well prepped for those esoteric questions you will launch at them. They have tweaked their resume to sound ever so amazing on paper. But before that new hire has even clocked their first pay period, glaring problems begin to materialize. Day by day, like peeling an onion, quirks and "issues" are revealed. By the end of a month, max, you realize your new hire is a bad hire.

There are numerous ways a bad hire can negatively impact the workplace. From producing shoddy work, to fomenting a bad vibe in the office, to spotty attendance, the ripples of this one misfit's presence are numerous. In this article, the emphasis will be centered on the financial burden a bad hire places on the company, and everyone in it.

Exactly how much do bad hires cost the company?

According to survey results from CareerBuilder, a bad hire can cost a company a ridiculous amount of money. Forty-one percent of companies that responded state that one bad hire can cost them \$25,000. About 25 percent of the companies surveyed responded the cost being at least \$50,000 in the last year. These are staggering sums of money being lost due to one simple cause: not screening a job candidate carefully enough in the pre-hire process.

So, what exactly accounts for this monetary loss? Initially, the obvious costs of the time spent by various people in the hiring and initial training process are cited as wasted money. Companies generally invest more time and resources now to these aspects of the hiring and training of employees. There are more interviews, more HR involvement, more training sessions and one-on-one coaching now than in past corporate practices.

However, there are many more areas where a disappointing new hire can drain precious resources and impact revenue, including:

- **Incompetence.** The ability to perform the tasks associated with the job is paramount to production, which directly affects revenue. Some interviewees are adept at painting a rosy picture of themselves, touting their capabilities and skills while dripping with sincerity. If the surface is not plumbed, via carefully constructed pre-hire assessments designed to reach into the motivations and soft skills of the candidate, hiring managers may find themselves stymied by the incompetent boob they wind up with.
- **Laziness.** It may be that the new hire does indeed possess adequate skills to do the job at hand, but may be slow paced, uninspired or just plain lazy. A solid work ethic is either within a person or it just isn't. Some people are simply not motivated by a desire to please. It never crosses their mind that they should be proving themselves or going the extra mile in the interests of their team, and productivity suffers. Again, the value of pre-hire assessments is in identifying personality issues, including ethical ones that can flag a potential candidate as a potential Lazy Larry or Linda.
- **Hand holding.** A significant drain on resources comes from the employee that could not only be incompetent or lazy, but maybe just not too bright. The CareerBuilder survey reported that a bad hire requires an additional 17 percent of the supervisor's time and attention to constantly baby him or her along. This dependency of the bad hire on extra oversight and direction by a management-level employee removes that higher-ranking person from their own productivity, again negatively impacting revenue.
- **Morale.** What can be more demoralizing to the team than to have one of its members sucking the life out of the place? Resentment quickly escalates within departments as employees

see themselves working harder to compensate for the inadequacies of the new hire. In addition, when employees are unable to corral the manager for their own needs because the bad hire is monopolizing the manager's time and energy, sparks will fly. When a new hire is a bad fit, and they feel the frustration of the other team members, they can create an extremely negative force in the workplace. If negativity is allowed to brew, not only will production slow as resentment builds, but quality employees may even resign, triggering costs associated with replacing *them*.

- **Client dissatisfaction.** When the bad hire has direct exposure to clients, serious consequences can result, profoundly affecting revenue. If the new employee is not providing quality service or is ineffective or even detrimental as an ambassador for the company brand, the financial hit will be felt rather quickly by their reduced orders. Clients also will not look favorably upon a constant turnover in their sales or service representatives, as it causes a lack of continuity and inhibits a relationship from taking root.
- **Legal costs.** Nothing drains the company coffers faster than engaging in lawsuits with disgruntled employees who have decided to take legal action. When the fallout from the revenue-sucking bad hire is compounded by legal costs the financial hit is compounded. Not only are there attorney fees and court costs, but also lost revenue due to the time spent tied up in the legal quagmire that should be directed toward revenue-producing activities.

Pre-hire assessments fine-tune hiring outcomes

There are assorted intangible qualities that, as hiring managers, you obviously hope to discover among applicants. The problem is, because they are intangible versus quantifiable it is difficult to put your finger on exactly what you are seeking. A quality pre-hire assessment tool will build the intangible qualities into the test, so that the underlying traits can be identified in the job seeker. Thus, the intangible qualities you are seeking will become as much a part of the job-matching hiring process as identifying skills and competencies.

Human Resources departments are discovering they now have another tool in their tool chest with pre-hire assessments. The increasing popularity among HR departments to utilize these tools is due to the

fact that they find themselves more successful in the recruiting, hiring and retaining of new employees. HR departments' effectiveness improves as reduced turnover and costs reflect more fine-tuned hiring due to the efficacy of the pre-hire assessment. Pre-hire assessments help them to better identify appropriate fits between candidate and position, and all of this positively impacts the bottom line.