

# The Cost of Making a Bad Hire

And How to Easily Minimize the Risks.



In the competitive business landscape we are all operating in, hiring the right talent is crucial for an organization's success. However, the repercussions of making a bad hire extend far beyond the initial disappointment. From financial setbacks to damaged team morale, the cost of a bad hire can be remarkably high. In this brief e-book, we delve into the various aspects of this often underestimated issue and shed light on the true toll of hiring the wrong person. We also will discuss how we can dramatically minimize this risk using a proven process.

## Financial Costs

According to the U.S. Dept. of Labor, the average financial cost of making a bad hire is up to 30% of the employees first year earnings. Here is how that breaks down:

1. **Recruitment Expenses:** The process of recruiting and onboarding a new employee involves costs such as job advertisements, recruiter fees, and time spent by hiring managers on interviews. When a bad hire is made, these resources are essentially wasted.
2. **Training and Development:** Companies invest substantial resources in training new employees to align them with their goals, culture, and expectations. If a bad hire doesn't meet performance standards or leaves shortly after being hired, the money and time spent on training go down the drain.
3. **Lost Productivity:** A bad hire can disrupt team dynamics, leading to decreased overall productivity. Co-workers might need to step in to fill gaps or redo work that wasn't done properly, diverting their focus from their own tasks.
4. **Severance Costs:** If the bad hire situation doesn't improve and termination becomes necessary, severance pay and potential legal fees can add up quickly.
5. **Rehiring Expenses:** The process of rehiring for the same position compounds recruitment expenses. Additionally, the organization might be under pressure to expedite the process, leading to rushed decisions.



## Intangible Costs

Most business owners and corporate executives will agree that beyond the financial costs associated with a bad hire, the intangible costs including grief and aggravation, often greatly exceed the financial costs. Here's why:

1. **Team Morale and Productivity:** A bad hire can demotivate the entire team, leading to lower job satisfaction and potentially causing top performers to seek opportunities elsewhere. This, in turn, can impact overall team productivity and cohesion.
2. **Cultural Impact:** Every employee contributes to the organizational culture. A bad hire who doesn't align with the company's values can disrupt the harmony and morale of the team, potentially leading to a toxic work environment.
3. **Managerial Strain:** Hiring managers must dedicate time and effort to support and manage a struggling employee, diverting their focus from other important tasks and potentially causing resentment from other team members who might feel unsupported.
4. **Customer Perception:** If a bad hire interacts with customers or clients, their negative interactions can impact the company's reputation. This can lead to the loss of existing clients and hinder new client acquisitions.
5. **Opportunity Cost:** The resources spent on managing and rectifying the situation caused by a bad hire could have been better utilized for growth and innovation. Instead, they are directed toward mitigating the damage caused by the hiring mistake.

## The Power of Job Benchmarking and Candidate Assessments

Finding the right candidate for a job shouldn't be just a matter of luck. It's a strategic process that involves understanding the role inside out, evaluating candidates against well-defined criteria, and ultimately



aligning the right talent with the right opportunity. This is where the concepts of job benchmarking and candidate assessments come into play. Let's dive into the depths of these two essential practices that can revolutionize your hiring process.

## Understanding Job Benchmarking

Job benchmarking is like creating a blueprint for success. It involves a systematic process of analyzing a particular job role to define its core competencies, responsibilities, and requirements. This process not only helps in gaining a deep understanding of the role but also facilitates effective communication among stakeholders, from HR to the hiring manager and the candidates themselves.

### The Process of Job Benchmarking:

- 1. Gathering Information:** The first step involves collecting comprehensive information about the job role. This includes understanding its purpose, goals, reporting structure, required skills, and performance expectations.
- 2. Defining Competencies:** Based on the gathered information, key competencies are identified. These are the qualities, skills, and attributes that are critical for success in the role. They provide a clear picture of what is expected from the candidate.
- 3. Scoring and Prioritizing:** Each competency is assigned a weight and score to reflect its importance in the role. This process ensures that the most critical competencies have a higher impact on candidate assessment.
- 4. Creating the Benchmark:** The benchmark is essentially a reference point that outlines the ideal candidate profile. It sets a standard against which potential candidates can be evaluated.

## The Role of Candidate Assessments

With the job benchmark in hand, the next step is to assess candidates against this reference point. This is where candidate assessments come into play. Candidate assessments are structured evaluations that help determine how well a candidate aligns with the job benchmark. These assessments go beyond just evaluating technical skills; they delve into behavioral traits, cultural fit, and potential for growth.

### Types of Candidate Assessments:

1. **Skills Assessments:** These assess a candidate's technical skills and knowledge related to the job. They can include coding tests, design challenges, or any other relevant tasks.
2. **Personality and Behavioral Assessments:** These evaluations focus on a candidate's personality traits, emotional Intelligence (EQ), work & communication styles, and behavioral tendencies. This helps in predicting how well they might fit into the team and organization's culture.
3. **Cognitive Abilities Tests:** These tests measure a candidate's problem-solving skills, critical thinking abilities, and decision-making capabilities.
4. **Situational Judgement Tests:** Candidates are presented with work-related scenarios and are evaluated on how they would handle those situations, providing insights into their decision-making processes.



## Benefits of Job Benchmarking and Candidate Assessments

1. **Improved Hiring Accuracy:** By benchmarking the job and assessing candidates against that benchmark, the likelihood of making a successful hire increases significantly.
2. **Reduced Bias:** Objective benchmarks and structured assessments help minimize unconscious biases in the hiring process, promoting fairness and diversity.
3. **Enhanced Candidate Experience:** Clearly defined benchmarks and assessments set clear expectations for candidates, allowing them to prepare better and demonstrate their suitability for the role.
4. **Cultural Fit:** Assessments go beyond technical skills, helping identify candidates who align with the company's values and culture.
5. **Optimized Development:** Assessments provide insights into a candidate's strengths and areas for growth, which can guide their development once they are onboarded.

## How to Make this Process Work for You and Your Organization

If this process of making the best hires sounds great to you, you're right! If this process sounds overwhelming or cost prohibitive to you, you're wrong! Today's technology and qualified professionals enables us to quickly create a job profile and benchmark. Online software also enables us to have candidates easily complete a brief assessment which results in a report comparing the candidate's skills, emotional intelligence, behavior, and communication styles, etc. with the requirements of the role you looking to fill.

To further explore this extremely cost effective (time & money) hiring process that will truly minimize the risk of making a bad hire, contact us. We will be happy to walk you through how we leverage this process with hundreds of our clients.

