



**ROPELLA**  
GROWING GREAT COMPANIES

# THE COST OF BAD HIRES

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## THE COST OF **BAD HIRES**

Every hiring manager has at least one new-hire horror story. What is the shortest tenure an employee has had at your organization? Have you ever hired someone who didn't make it through the first month? Week? Day? Perhaps someone who never even showed up at all?

Perhaps the only thing more harmful than a new hire who lasts a day and a half is a toxic employee who lasts for months – or even years – all while degrading morale and culture.

I have written in the past about how much vacant positions can cost your organization. As pricey as they can be, however, the cost of hiring the wrong person can make vacancies look efficient by comparison. In *The Effects of De-energizing Ties in Organizations and How to Manage Them*, it is stated that “a de-energizing interaction with a colleague has between four and seven times the influence of an energizing interaction.” This can result in “blocked opportunities, decreased motivation... lower performance... increased likelihood of exit... conflict, lower team cohesion and trust... a decrease in the ability to solve problems, and overall lower team performance.” Basically, one bad hire can send negative shockwaves through the entire organization.

The average manager is estimated to earn their company anywhere from three to five times their annual salary – but a bad hire can actually cost their company 15 times their salary – and that number doubles for senior executives. Some of this cost is directly related to the position, but the majority of it is due to the trickle-down effect that toxic employees and rapid turnover have on the rest of the organization. Consider the following costs resulting from a bad hire.



### **REVENUE COSTS**

- Recruiting, onboarding, training and paying an underperformer
- Ultimately still being left with a vacant position and having to do it all over again
- Severance or unemployment fees after termination
- Decreased position productivity

### **PERSONNEL COSTS**

- Decreased morale
- Increased frustration
- Bad habits spread
- Decreased satisfaction
- Disrupted team cohesiveness
- Higher turnover of high-performing team members
- Increased likelihood that poorly performing team members will be retained
- Reduced creativity and innovative thinking

### **TIME COSTS**

- Hours spent correcting mistakes
- Work left incomplete - or which is handed off to someone else

- Increased recruiter workload
- Time devoted to training, retraining and professional development

### **CUSTOMER COSTS**

- Loss of sales volume due to poor customer interactions
- Customer attrition due to mistakes
- Loss of new business due to a diminished reputation
- Increased perception of corporate incompetence

### **COMPETITIVE ADVANTAGE COSTS**

- Damaged corporate culture
- Tarnished employer brand, making it harder to hire top talent in the future
- Opportunity loss: By hiring the wrong employee, you may have missed out on someone who could have been a superstar
- Sends a message to analysts that you are weak
- Sends a message to competitors that you are vulnerable
- Mis-hires at the C-Suite and other top executive positions can have an adverse impact on financing and the willingness of others to partner with your organization

## **BE PROACTIVE**

Don't let your organization fall victim to the ramifications of bad hires. Even when you feel a crunch to get a position filled, make sure you are doing your due diligence. This includes:

- Considering cultural fit as well as hard skills and other qualifications. Remember: skills can be taught; character cannot.
- Conducting thorough reference and background checks. Candidates are always going to present themselves in the most flattering light – it is up to you as the hiring manager to make sure they can “walk the walk” as well as “talk the talk,” and past performance is the best predictor of future performance.
- Refraining from snap judgments. Some of the best employees have the worst interviews and vice versa. We have a tendency to make decisions based on emotion and then support them with logic; your gut instinct is important, but make sure it's not the sole determinant in your hiring decisions.



## ABOUT ROPELLA

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*As the world's leading Executive Search Firm specializing in the chemical, consumer products and technology industries, we understand the challenges you face in trying to find the perfect fit for those highly specialized and complex executive positions.*

*Ropella excels at finding those select few executive candidates with the right skills, qualifications, background and management style, who fit your compensation parameters and are ready to relocate.*

*We believe nobody should have to waste time screening resumes of candidates who aren't qualified, don't fit your compensation parameters, aren't serious about the role or aren't ready to relocate. That's why we developed the SMART Search System® to provide our clients with precise and predictable hiring results, giving them a huge competitive advantage.*