

# The high cost of mis-hires

## Five steps to better hiring



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It is painful and costly to hire the wrong person. Based on our studies, the average cost of a mis-hire can be six times base salary for a sales rep, 15 times base salary for a manager, and as much as 27 times base salary for an executive. Ouch!

For a sales rep, mis-hiring costs can be summarized in several categories:

Assumptions	Amount	Percentage
Hiring Costs	\$ 23,500	4%
Compensation	\$ 151,000	27%
Maintenance	\$ 14,000	2%
Severance	\$ 25,000	4%
Opportunity Costs	\$ 250,000	45%
Disruption Costs	\$ 100,000	18%
<b>Total</b>	<b>\$ 563,500</b>	<b>100%</b>

### HOW TO HIRE BETTER

I've published five books documenting better hiring methods. Most of the best ideas have come from interviews with 6,500 senior executives, and from working with leading companies—such as Barclays, General Electric and the American Heart Association—that wanted methods that would enable them to beat their competition. Here is my best advice to you:

**1. Offer "bounties" to your high performers to refer other high performers they know.** The American Productivity and Quality Center (APQC) just completed a study of hiring among 22 well-known companies. One finding: offer *generous* bounties to your high performers who refer high performers you

end up hiring. Five hundred dollars isn't much of an incentive for many people. If your estimate of the cost of mis-hiring someone is \$300,000, and when a top employee confidently recommends "a great performer and a great guy" he worked with in an earlier job, maybe a \$5,000 bounty would be more appropriate.

**2. Use the chronological Topgrading Interview questions.** This is the "secret of hiring success," and it's common sense:

be thorough! Thousands of managers say their hiring success has doubled or tripled by nailing down *all* the crucial information about *every* full-time job. The Topgrading Interview Guide is 30 pages long, but here are some of the key questions to ask about *every* full-time job:

- What were you held accountable for?
- What were your key successes and accomplishments (and how did you achieve them)?
- What were your failures or mistakes? (Does your candidate learn from mistakes or do failures repeat themselves in many jobs?)
- What will your boss say in a reference call, about your strengths, weaker points and overall performance?

Of course, spend the most time on the most recent jobs. But by asking questions about *all* full-time jobs, you'll see clear patterns emerge, so when you get to the present, you'll be confident you really understand whether the candidate is right for the job.

**3. Use a tandem interviewer.** Two

heads are 10 times better than one. Interviewing is complex, and a "tag team" of you and another interviewer assures a smooth, professional, valid interview.


**4. Ask candidates to arrange reference calls with former bosses.**

This works, 90% of the time ... for *high* performers. High performers love the chronological interview, recalling all their great accomplishments, and they happily arrange for the reference calls. Level C players for some reason just can't get their former bosses to talk to you. Wonder why ... hmmm.

**5. Use the Cost of Mis-Hires Form.**

In 10 minutes, estimate your cost of mis-hiring someone and you'll want to be more rigorous in your hiring methods. You can get the form free by visiting [www.SmartTopgrading.com](http://www.SmartTopgrading.com).

These topgrading methods are not just for big companies. Actually, small companies can be hurt much more than large companies by a costly mis-hire.

One more small tip: try the tandem chronological (topgrading) interview first on an "easy" interviewee, perhaps someone in your company—just to work out the bugs. After that one interview, you'll get the hang of it and do a great job in the next one. 

*Dr. Brad Smart is president of Smart & Associates, Inc., Chicago, and is widely recognized as the leading expert on hiring high performers. He has written five books including the best-selling, Leading Companies Win by Hiring, Coaching, and Keeping the Best People. Contact him at +1 847 244-5544 or [www.smarttopgrading.com](http://www.smarttopgrading.com).*