



“THE HARSH CONSEQUENCES OF A BAD HIRE”

EXECUTIVE TALENT SEARCH PARTNERS WHITE PAPER

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INTRODUCTION: “THE HARSH CONSEQUENCES OF A BAD HIRE”

Let's see if this sounds familiar... You've spent months going through multiple levels of an internal head count budget approval process, then weeks drafting job description and then posting “We're hiring!” ads across numerous job boards, social networks and internally encouraging current staff to make referrals. You've sifted through countless mostly unqualified resumes, evaluated hard/soft skills and conducted numerous phone interviews then bringing a select few onsite for a face-to-face interview involving 6+ interview team members in a multiple step interview process to deeply evaluate and verify candidates' professional histories. And finally you are ready to make an offer. The total value of the compensation package is explained in detail including benefits and everyone involved holds their collective breath as you wait, hoping you have done everything to meet the candidates expectations and then you receive an “*I accept!*” response.

Now you are on the clock. The on-boarding process needs to begin, references need to be checked, background check process needs to be conducted and drug tests need to be confirmed. You submit internal work orders requesting workspace and computer IT support to be in place by the start date. You create a day one orientation plan and establish calendars for everyone the new employee will meet and have lunch with. Training will last several weeks, but it is all worth the long wait to get this person in the role and the expected positive impact they will make. Everyone believes you have just found the purple unicorn. You did it! Then three-six-nine months later, this employee is gone. A Bad Hire!

BACKGROUND:

What is the real cost of a bad hire? Why is it important to carefully choose who you hire and understand the financial and culture stakes that are in play if you hire the wrong person?

The average cost of a bad hire is up to 30% of the employee's first-year earnings according to the U.S. Department of Labor. According to a 2023 CareerBuilder survey, companies lost an average of \$18,700 on each bad hire they occurred. About 75% of employers say they've hired the wrong person for a position.

Poor hires can result in lost productivity and negatively impact expenses in hiring, recruiting, and training replacements. The Society of Human Resources Management (SHRM) states that the average cost per hire in 2023 was \$4,700, an increase of 14% from 2019. But when you consider positions that have high talent shortages like cybersecurity, engineering and/or nursing the average cost per hire for executive positions would be in the range of \$28,329. (Elena Prokopets 2/1/24)

Edie Goldberg, SHRM Foundation chair and co-author of the book, *The Inside Gig*, highlights that when calculating the cost of a bad hire you need to

consider both hard and soft factors. She estimates that 30-to-40 percent are hard costs and the other 60+ percent are soft costs. Soft costs are direct and indirect expenses incurred when onboarding a new employee, scheduling interviews, low morale and HR support services along with “sweat equity”. Although harder to quantify, soft expenses can increase the cost of hiring by 2X to 3X times. Hard costs are easier to quantify such as compensation, training costs, job boards, HR software, background check and legal costs with contract review. (<https://www.shrm.org/executive-network/insights/how-to-win-battle-talent>)

Beyond the financial cost of identifying a replacement, the consequences from a bad hire for a company are far reaching including but not limited to lost productivity, loss of clients, damage to reputation in the marketplace, damage to the employer brand and decreased teamwork.

A recent CareerBuilder and Mindflash report indicated a bad hires have significantly impacted companies in the following ways:

- Lost worker productivity (41% of respondents reported this consequence)
- Lost time due to recruiting and training another worker (40%)
- Expense recruiting and training another worker (37%)
- Negative impact on employee morale (36%)
- Negative impact on client solutions (22%)

Foverrpro partnered with the economists at Lightcast to get a better understanding of the impact of unfulfilled positions across various industries. (<https://lightcast.io/resources/research/fiverr-pro-open-jobs#download-report>)

The cost on the economy is a staggering and businesses are paying the price. Open positions in the following highly skilled professions are costing businesses even more:

- Computer & Math \$42,458 a month
- Engineering & Technicians \$37,173 per month
- Business & Finance \$33,800 per month

The cost of open roles also shifts based on the industry the job category is in. Specifically, just one open position in the IT industry can cost a business, on average, \$60,586 per open role per month.

And these cost assessments do not take into account the cost of overtime or contractor help needed to cover an open role, the loss of time in training and the additional training to come. Additionally, there are the recruiting costs and the man hours it takes to redo the entire recruiting and interview processes.

Take for an example, the specialty area of Cybersecurity, The Center for American Progress found the cost of losing an employee could be up to 213% of

the salary for a highly trained position. There's also the loss of productivity of when high performers leave which has a much more disproportionate effect on an organization than typically reported. This is estimated to be the equivalent of losing 400% more productivity than the average performer.

Cybersecurity professionals on average command 9% higher salaries than already well-paid IT professionals. So if a highly needed cyber professional is making \$120,000/year, the cost of the loss of that employee to a company could be up to \$265,000. In addition, a 2023 ISACA report on the State of Cybersecurity cites that 55% of organizations take at least three months to fill their open cybersecurity positions, 32% said they take six months or more, and 27% said they are unable to fill cybersecurity positions at all. As of May 8, 2024, the average annual pay for a Cyber Security Engineer in New Jersey is \$132,742. The average base salary in the US is \$117,578. (Zip Recruiter 5/2024)

According to Simone Petrella, founder and CEO of online training firm CyberVista, an experienced security analyst commands an average annual salary of about \$100,000. And when that analyst leaves a company, it typically takes eight months to replace that person and almost four months to train a replacement. She states that nearly a full year of productivity is lost. Then it's always possible the company could lose a second employee because that person became overloaded while the new hire was getting hired and up to speed.

PROPOSED SOLUTION:

In effort to avoid making the same mistake in the future, it's imperative that staffing professionals understand how the bad hire happened in the first place. An autopsy needs to be conducted. Was it pressure to hire quickly that led to hasty hiring decision making? Did the candidate exaggerate their qualifications? Could a better job have been done to screens the candidates?

At the recent SHRM Talent Conference & Expo 2024 in Las Vegas (Talent 2024) Industry expert Tim Sackett, SHRM-SCP, in response to the current climate, picked apart common ideas about recruitment and advocated that business leaders should heed the expertise of talent acquisition teams who work in the trenches and have an up-close view of what works and what doesn't when it comes to recruiting and hiring talent. (<https://www.shrm.org/topics-tools/news/talent-acquisition/5-recruiting-reality-checks-tim-sackett>)

SHRM President and Chief Executive Officer Johnny C. Taylor, Jr., shared "When I talk with CEOs about what keeps them up at night, it's talent," Leaders say that the No. 1 thing we can do is get the right people into our organizations - people with the right technical expertise and who are also culturally aligned." Taylor went on to say that hiring is hard now, and it won't get easier anytime soon. Every organization is saying, 'We can't find the right talent,' " he said. "That's an amazing opportunity for talent acquisition. The war for talent is not

over. The work is not done." (<https://www.shrm.org/executivenetwork/insights/seven-trends-defining-ongoing-talent-war-shrm>)

Shannon Taylor, Director of Talent Acquisition at JCPenney, highlighted the importance of personalized engagement. "We've had to focus on relationships and try to evoke feelings in people to get them to want to join the organization," he said. "Organizations have different things they provide, and from the talent acquisition perspective, it's up to us to highlight those things that set us apart."

Hiring is an investment for any company in itself and its future. It is also an investment in its greatest and most valuable asset, their people!

In a time of market uncertainty, internal corporate recruiting teams have seen major downsizings across the country and in all industries. The internal recruiter finds themselves at a crossroads. They are faced with unemployment at historic lows (3.9% April 2024), job openings at record highs, and more people voluntarily leaving their jobs than ever before. The competition for top talent has never been fiercer! Each job posting has hundred(s) of applicants responding to review and carrying requisition loads many times 20+ that need to be managed through time consuming and cumbersome ATS systems. Even internal recruiters that "specialize" in a specific job specialty area are challenged to give the needed focus and dedication because of these competing responsibilities.

The decisions on what methodologies and resources to invest in can have a significant impact on how an organization will recruit and the type and the quality level of candidates they will see and evaluate.

The emergence of Artificial Intelligence, commonly referred to as AI, within the last couple of years, has become the new buzzword and hottest topic throughout the staffing industry that has everyone talking. Not a day goes by without seeing opposing views online and at conference forums on the pros and cons of AI's role and its influence on recruiting today and in the future. I think it is fair to say, that the reach and speed associated with AI capabilities is equally exciting and concerning.

There is no denying the impact and contribution artificial intelligence potentially can have with challenging historical recruiting norms and practices. And while the need to change is key for any survival, pivoting to a relatively new, unknown and untested technology without established professional guidelines and protocols has its concerns. Specialized and focused talent acquisition teams can be a strong option and should be considered.

CONCLUSION:

I advocate for responsible AI usage and caution those looking to remove the human element out of human resource services as a miscalculation.

I propose that the need for more personalized and customized attention and focus throughout the entire recruiting process is needed more, not less, than ever before in this generation's latest War on Talent.

The need to learn the nuances beyond a posted job description that identifies the core qualities that separate good candidates from the right candidate is vitally critical. Equally as important is taking the time to learn each candidate's story and their personal and professional intricacies that make them uniquely qualified with the proper motivations and right cultural fit.

It is these intangibles that often become just as critical of a factor as one's professional background or experience in making the right hire and avoiding the harsh outcomes of a bad hire.

ABOUT THE AUTHOR:

For the better part of the last 25 years, Sean Fitzmorris has been the strong talent acquisition support behind several world-class recruiting organizations with an emphasis on leadership-level and down within sourcing and full cycle recruiting. His expertise is executing a relationship driven approach with learning the nuances of multiple specialty areas while understanding every element of full cycle recruiting from requisition development through onboarding, with a special emphasis on all the intricate sourcing details in between. He has a Master's Degree in Public Relations/Communications from Rowan University. He is currently the President and Founder of a boutique search firm, Executive Talent Search Partners (ETSP).

ABOUT EXECUTIVE TALENT SEARCH PARTNERS

Executive Talent Search Partners (ETSP) is a boutique search firm driven by a dedicated focus and value delivery model for the technology / cybersecurity supporting community. ETSP partners with clients, as an extension of their business to resolve problems within talent acquisition program by providing customized, client focus expertise offering solution to address their talent needs and challenges by identifying real obstacles with their recruiting practices, supply and demand and/or the inevitable challenges they should expect.

Through a collaborative hands-on, consistent daily tenacious commitment to a 15 step relationship driven full cycle sourcing and recruiting process, ETSP learns critical needs and nuances to represent double vetted candidate's experience and story as solutions addressing the critical client needs and requirements.

Our passion is to build meaningful relationships with highly skilled and experienced technology & cybersecurity professionals and their supporting teams and connects with forward thinking client partners needing liked minded talent for their rapidly changing landscape within multiple industries.

Executive Talent Search Partners provides an alternative to traditional search, successfully bridging the gap between retained and contingent recruiting models.