

## **BAD SELECTION = BIG EXPENSE**

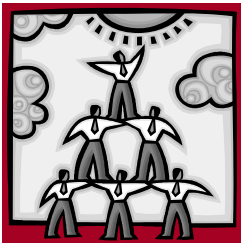
It's not hyperbole. Selection errors can cost four to five times annual salary. Hire the wrong person for a \$30,000 per year job and it eventually can cost upwards of \$150,000. Tangible costs of a bad hire are often quoted as ranging from 25-35% of annual salary. Costs stretch beyond direct salary and benefits; they can include materials, recruiting expenses (fees, travel expenses, management time, and advertising), training time and materials. Less obvious costs could include spoilage of materials, products or other resources, lawsuits and even damage to key customer relationships. All of these costs are quantifiable. And that's before consideration of the need to repeat your recruiting and selection process and then training of another hire.

### **INTANGIBLE COSTS OF BAD SELECTION ARE FIVE TIMES TANGIBLE COSTS**

Intangible costs are not as easy to quantify; nor are they as easy to repair. These are some examples of intangible costs – losses – identified by various company owners:

- ◆ Potential clients and referrals
- ◆ Company reputation
- ◆ Employee morale
- ◆ Team productivity and turnover
- ◆ Credibility with other team members

### **SELECTING THE WRONG MANAGER IS WORSE**



Bad management selection decisions are worse. Select the wrong manager and turnover costs balloon to the number of people managed times the average cost per turnover. Consider a 'bad' hiring decision, placing a manager over a team of five who produce \$1 million in revenue annually, and then losing this team due to bad management. That is an opportunity cost loss of \$1 million dollars. Does your organization budget for turnover like that? Probably not; yet the cost directly impacts bottom line profit.

The message is simple: when you have the need, select the best talent you can find. Evaluate experience and capability thoroughly against your job description and expectations. Consider not only is the candidate capable of doing this job, but also what potential does the candidate possess to contribute in bigger ways in the future.

At [Vernon Roche and Hodgson](#) we have been assisting our clients with those questions for almost 75 years. Customized evaluations are utilized to give you just what you need to know to make decisions with assurance that this is the right person for the job. This means pre-hire evaluations can be brief and specific or comprehensive depending on your need. Whatever you choose, the associated fee pales in comparison to costs that could be incurred. Contact us now at 414-259-9722 to discuss your selection needs.