

Find Your Hire Power

Jun 19, 2007 4:29 PM , Amy Linn

Formalizing hiring practices can help you boost productivity and profitability.

If you run a business, the odds are good that you've made a few hiring mistakes over the years. Well, you're not alone. By some estimates, 75 percent of new hires fail to meet expectations and end up costing companies valuable time *and* money.

The cost of mis-hiring one employee can be staggering. Direct costs of turnover include recruitment and training of new employees. Indirect costs include such things as increased workloads and overtime expenses for coworkers, as well as reduced productivity associated with low employee morale. By some estimates the cost of a mis-hire can run as high as one year of the employee's salary, or more.

Most employers rely on first impressions or gut instincts. Unfortunately, the typical interview—a 50-minute unstructured chat—predicts job performance only about 20 percent of the time, according to Benjamin Dattner, a professor at New York University and founder of [Dattner Consulting](#). “You're better off flipping a coin.”

However, by using a variety of methods and tools, you can dramatically improve your hiring success rates *and* avoid frustrating mistakes. There are no magic bullets. Savvy hiring takes effort and commitment. But there are major payoffs in the long run with lower turnover rates, and less time, energy and money spent on recruitment and training.

Increase Hiring Success Rates

Implement a formal hiring process. Daniel Turner, CEO of [TCG](#), a government technology strategy and IT company, boasts an impressive hiring success rate of over 90 percent. “We've had only two failures out of about 30 hires.”

Turner adheres to a rigorous process called [Topgrading](#) based on the popular book by industrial psychologist and global consultant Bradford Smart. Following the Smart method, Turner and his partners ask job candidates to submit work histories with detailed information about every job and supervisor they've ever had. Top candidates are called in for carefully structured interviews conducted by two people that last as long as four hours. Next, interviewers ask the applicants to arrange reference calls with every boss they've ever had in the past 10 years.

“People who have something to hide won't do it; the rest will provide you with the contacts you really need to find out how they acted on the job,” says Smart.

This is a rigorous process indeed. But it's worth the time and effort for Turner to make sure he's not just hiring workers, but finding superior employees whose skills, abilities, and work ethic are in alignment with his needs and TCG's company culture.

A real key to success, says Smart, is asking prepared interview questions and using a rating system to grade people. Long, structured interviews with systematic assessments may not be as

fun as short, casual interviews, but they're vastly more reliable. Regardless of your hiring approach, to tease out the best responses, Smart recommends asking candidates specific questions about each of their last three jobs, including their successes, reasons for leaving, their bosses' strengths and weaknesses and any mistakes they made. (Note: If an applicant says they never made a mistake, distrust them).

Other employers are having success with simpler, yet effective techniques.

Match skill sets to job requirements. Vanessa Wakeman, the CEO and founder of [Wakeman Agency & Indulgence Events](#), a New York City-based event management and PR firm, was so rushed to find her first staffers she hired "anyone who seemed okay... a warm body was better than nobody." It's not surprising that her first hire lasted less than two months. Today, she prepares a list of all the skills and attributes she needs in an employee. During interviews, candidates complete the checklist. This helps Wakeman easily spot strengths and weaknesses.

Reward employees who help you recruit. What better way to recruit newcomers than to rely on your valued workers? Tim Gase, co-owner of the Groveport, Ohio-based [Peerless Saw Company](#), and author of *The Small Business Savings Plan*, relies on his 51 employees to help fill job openings. "We give people \$500 if we hire the person they've recommended and that person stays for at least six months," says Gase. "We've hired at least seven really good people this way," he says. When Peerless meets revenue goals, profits are shared with all employees. So no one wants a slacker on board who can't help the bottom line.

Avoid Hiring Mistakes

Unfortunately, many bosses fail to take simple precautions in hiring new workers—a practice that can easily result in a team of misfits. To avoid making mistakes, here are a few things to consider:

Don't trust resumes. Resumes are essentially marketing vehicles for job seekers and many people tend to exaggerate or even lie about themselves and their skills. [ADP Screening and Selection Services](#) found that 41 percent of its reference checks in 2006 alone turned up discrepancies.

Utilize background checks. Uncover any potential problems by checking out a candidate's credit, driving record, and any criminal records, and verifying academic degrees. These services are available online for a nominal fee compared to what it costs to hire the wrong person. Personality tests can give you additional insight into an applicant's leadership skills or other qualities. (For more information, see SBR's article [Spend a Little on Employee Testing](#).)

Don't overlook recruitment firms or temp agencies, which do the pre-screening for you. "Temp-to-hire" agencies let you test drive employees before hiring them permanently—a great help for many businesses. Recruitment firms charge 20 percent or more of the new employees' first-year compensation. But if you don't have time for all this hiring work, it could be well worth it.