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Companies must be careful to make right decisions during hiring process

by Lori McGinnis Black

Companies must act cautiously when making hiring decisions because the wrong decision could potentially be very costly.

Most companies don't calculate the direct and indirect costs of hiring or replacing employees, said Chris Carlson, regional manager of Aureus Group, a division of C&A Industries.

Companies that make bad hires often can determine the hard costs involved, but several other costs come into play, said Josh Berry, chair of client relationships with Lincoln-based Talent Plus.


Berry

A company has many methods for recruiting top talent, said Elizabeth Ambri, branch manager of Celebrity Staff in Lincoln.

Determining a potential employee's "learning agility" will help determine if they are a good fit for a position, said Mike Echols, executive vice president of Strategic Initiatives and director of the Human Capital Lab at Bellevue University.

Making bad employment decision costs employers money, Carlson said. Direct costs include advertising a job, staff expenses, relocation expenses and internal referral bonuses. Indirect costs include time spent on hiring.

"Some new hires are bad fits," Carlson said. "Mistakes happen. Spotting mistakes early saves time and money."

A new hire who does not ask questions throws up a red flag, Carlson said. Not asking questions may mean the person does not understand the job, does not know who to ask or may not care if the task is done well.

The most important part of hiring is to understand what is needed before recruiting starts, Carlson said. This will help employers understand the target candidate pool and create a plan.

Hard costs involved in making a bad hire generally include the cost to recruit, hire and train the individual, Berry said.

"A lot of HR people understand there are soft costs also," he said.

A bad hire can cost companies business. For example, an employee who provides bad


Ambri


Echols

customer service may result in a lost customer, and the lifetime value of a customer can be tens of thousands of dollars, Berry said. Some industries have determined that one bad hire can cost companies hundreds of thousands of dollars, he said.

According to Berry, retaining good employees and building loyalty can be aided through employee stock ownership and flex time, but the most powerful component is the relationship the individual has with colleagues and supervisors.

Companies that do the best job of finding top talent keep their talent pool full and never stop recruiting, Celebrity Staff's Ambri said. Some of the best methods for finding top talent include attending networking events, talking to customers and other agencies in the industry, friends, family, using outside recruiters and creating buzz on social networking sites.


Regional Manager Chris Carlson of Aureus Group.

More companies are using sites such as LinkedIn, Twitter, Facebook and MySpace to recruit, as it is an effective way to get the word out about a company, Ambri said.

Retaining top talent requires being a great company, she said.

"Employees are wanting to work for great companies," Ambri said. "In return, companies need to take the time to communicate with their employees."

Recruiting employees from outside the company or promoting from within is essentially the same thing, Echols said. The only difference is a company has more information on existing employees.

According to Bellevue University's Echols, a company needs to determine the "learning agility" for each prospect, no matter if they are already employees. Learning agility represents how well a person can learn to do a job when put in an unfamiliar situation. It is gathering information about an unfamiliar task and deciding a course of action.

"Learning agility is not what they have done in the past," he said. "Data is pretty compelling that prior performance is turning out to not be a very good prediction of job ability.