

The Real Cost of Hiring Average Performers

By: Michael Beek

If I asked you if your goal is to always hire top performers, what would you say?

My guess is that you would enthusiastically say "yes!"

But, in reality...and let's be honest here...what percentage of new hires actually turns out to be top performers? I'll bet it's a lot less than you were shooting for.

There are a lot of reasons why this happens, and for those of you who know me and read my blogs and articles, you know that I am a strong believer in using pre-hire assessments to know you are "really" hiring.

In this article we are going to reveal just how much you stand to lose when you hire only average performers instead of top performers. You will be blown away when you see this.

My hope is that it wakes you up and you say, "I've got to make sure I really do hire top performers...not just talk the talk."

OK, here we go...

A study (1) was done some time ago that resulted in a model that employers can use to calculate just how much it costs when you have less than top performers.

For example, if you are looking at your management and professional workers, the study found that top performers produced 48% more than average workers! That means if the average salary of a manager or professional employee is \$60,000, it's costing you 48%, or \$28,000 a year, by hiring an average worker instead of a top performer! Let's say you are a small company with only 10 people at this level--that means the potential exposure to your bottom line could be up to \$280,000 per year if you only have average employees!

That could have a devastating effect on your ability to stay in business long term.

It gets even worse if some of your employees at this level are less-than-average-performers (non-producers). They produce 96% less than your top employees! For each of these, your cost using the same average salary above would be a whopping \$57,600!

What about your skilled workers?

Well, for skilled workers, the study found that the top performer is 32% more productive than the average performer and 64% more productive than the non-producer!

And, if you have unskilled or semi-skilled workers, the top performers outperformed the average worker by 19% and the non-performer by 38%!

Employers Overload 1-800-757-2902

The following summarizes these numbers:

Management / Professional Workers

'Average' workers output = 48% more than 'Non-producers'

'Superior' workers output = 48% more than 'Average'

'Superior' workers output = 96% more than 'Non-producers'

Skilled Workers

'Average' workers output = 32% more than 'Non-producers'

'Superior' workers output = 32% more than 'Average'

'Superior' workers output = 64% more than 'Non-producers'

Unskilled / Semi-unskilled / Semi-skilled Workers

'Average' workers output = 19% more than 'Non-producers'

'Superior' workers output = 19% more than 'Average'

'Superior' workers output = 38% more than 'Non-producers'

Let's look at an example of how this plays out for a small company with:

> 50 Unskilled / Semi-skilled Workers with an average annual wage of \$20,000

> 25 Skilled Workers with an average annual wage of \$40,000

> 10 Managers with an average annual wage of \$60,000

The cost of having 'Average' versus 'Superior' performers using the assumptions about their average salary would look like the following:

Unskilled-- $(\$20,000 \times 19\%) \times 50 = \$190,000$

Skilled-- $(\$40,000 \times 32\%) \times 25 = \$320,000$

Management-- $(\$60,000 \times 48\%) \times 10 = \$288,000$

Total Potential Exposure = $\$190,000 + \$320,000 + \$288,000 = \$798,000$ or 31% of the total payroll!

What these numbers tell you is that unless you are hiring top performers, you are pouring money down the drain. No matter if your company is large or small, the potential impact to your bottom line can be huge. It's even larger if some of your employees are 'non-producers'.

Every time you replace an average performer with a top performer, you have a positive, measurable financial impact on your bottom line. Your challenge is to make every effort you can, whether it's hiring, promoting, or developing people, to focus on choosing top performers.

So, what can you do today to help assure you dramatically improve the odds of hiring top performers?

Employers Overload 1-800-757-2902

Hire or promote people who fit the job and the company. What does this mean? I'm talking about using assessment tools to help you determine just how closely a candidate comes to meeting the profile of your top performers already on the job. I'm not just talking about their skills, education, prior work history and the other pieces on their resume...I'm talking about their fit with the job and with the company based on the following:

- * their learning style, which is tied to their cognitive abilities;
- * their core behavioral traits (this is different from what they say about their personality using tools like DISC and Myers-Briggs--which should never be used for hiring because they have never been validated for predicting success in the job);
- * their occupational interests.

Using this information along with reference checks and background checks will dramatically improve your chances of hiring top producers who fit your company's culture and the job--really important for productivity and retention.

In fact, studies have shown that without doing these things, you only have a 15% chance of hiring the right person versus at least a 75% chance if you use these tools.

Not only will you be hiring the best for your company, you will have an easier time of retaining them because they fit the culture of your company and the job.

Cautionary Note: not all assessment tools are created equal. Make sure the tool you choose is being tested continually for its reliability and validity in predicting success on the job. This is critical! Even the Department of Labor says so!

Follow this method in your hiring and promoting process and you will prevent losing real dollars. The increase in productivity per employee and the reduction in expenses due to costly turnovers will result in a stronger and stronger bottom line over time.

(1) Source: "The validity and utility of selection methods in personnel psychology: Practical and theoretical implications of 85 years of research findings" Psychological Bulletin, Sept 1998, Vol. 124, No. 2, pp 262-274.

About the Author:

Mike is an internationally recognized expert helping employers meet their business objectives by teaching them how to get and retain the right people into the right seat on their bus. In his over 30 years of professional experience, he has been a successful leader with several high-tech companies helping them enter new markets in the U.S. and Europe while building top-ranked sales, support, and consulting teams. Prior to creating eAssessments, Mike built a high-performing regional sales organization for Blue Pumpkin Software, a Silicon Valley-based start-up company that eventually was acquired by Witness Systems. Prior to that, he served in various management positions with companies such as Oracle Corporation and Bolt, Beranek & Newman as well as

Silicon Valley start-ups. Over the years, his clients have included: General Electric, Bankers Trust, Mellon Bank, Avaya, Lucent, Pfizer, Smith Klein Beecham, Sandoz, Bristol-Myers Squibb, and many others. Mike recognizes that most employers face continuing challenges in hiring, developing and retaining their best employees. He guides his clients through this maze using his many years of successfully dealing with those same issues and his more recent experience in helping others do the same. He earned his BS in Finance from the University of Maryland and his MBA from the Arthur T. Roth School of Business, Long Island University. One of Mike's more unusual achievements is that his name landed on the moon in the first Lunar Module along with astronauts Neil Armstrong, Edwin 'Buzz' Aldrin, and Michael Collins. Ask him about that when you get a chance.