

Avoid Astronomical Turnover Costs

Hiring and Retaining the Best People



Sheila, an employee of only six months, has decided to call it quits with your company. After a lightning-fast trip through shock, anger and disbelief, you quickly settle on acceptance. Oh well, it didn't work out. It's not like you invested a lot of time and energy with Sheila, right?

Wrong. Do you know what this bad hire is really costing your company? Most organizations cannot cite exact costs of losing an employee. Conventional wisdom is all over the board, from two to 15 times the person's salary.

Many companies think about the direct and indirect costs associated with a new hire, such as advertising, sourcing, screening, interviewing, training/orienting, etc. But what about the costs of losing an employee? Legal fees, severance, knowledge loss, productivity loss, client relationship management, team morale issues, and lost time on core business issues? In addition, there are the opportunity costs, such as the cost of the time taken to manage the severance and hiring processes at the expense of other activities. Although, many of these costs are 'hidden,' they can have a significant effect on your bottom line.

A generally accepted estimate is that the real cost of losing an employee is three times their salary plus 25 to 30 percent. If we apply this in Sheila's case, assuming her salary was \$50,000 per year, losing her cost the company more than \$187,500! Now let's use a more conservative estimate of 150 percent of the employee's salary. A company of 400 employees had a 20 percent turnover rate, losing roughly 80 people per year. If the average salary is \$50,000, that is \$6M per year! Clearly, ensuring that you have the right people in your organization from the outset is an important element of organizational success and good financial stewardship.

Here are a few tips to help you keep the great ones in and the 'not so great' ones out:

Make the right choice the first time.

Using a compendium of hiring tools (recruitment, screening, interviewing, psychological assessments, behavioral interviewing, background checks) will increase the likelihood of making the best choice for your organization from the outset.

Effective onboarding.

When a new employee begins, ensure they are quickly and well-integrated into your organization. Give them a chance to 'learn the ropes,' understand the culture, etc., and set realistic expectations so they can thrive in the new environment. Avoid 'sink-or-swim' strategies.

On average, US companies
spend roughly \$25 BILLION
in turnover-related
costs per year.

Focus on development and management to increase commitment and retention.

Show new employees that they have the commitment of your organization to help them grow and develop. Ensure goals and objectives are clear, that succession plans are shared, and that individuals have regular feedback about their performance and development goals. This will increase not only retention, but commitment and loyalty to the company.

Create a unified framework.

Use processes and tools interdependently and as part of a bigger picture human capital management strategy. Attracting, selecting and retaining the best talent should reflect your organization’s business and people strategies. Matching these with metrics will underscore the value of such activities on the bottom line.

Measure, measure, measure.

The more ‘hard data’ you can collect on the costs associated with hiring decisions, the more you will understand the bottom-line impact on your organization. For example, what do retention rates look like in one to two years? Are there particular jobs that are harder to fill or keep filled? How long does it take to fill a given position? This will not only reveal current trends but provide excellent information for future hiring.

Losing an employee can be very costly to your organization. But with some focus on the front end a long-term view of development and performance management good hiring can make a big difference in your company’s financial success.

TalentQuest Assessments complement interviews, allowing you to quickly, cost-effectively, and objectively evaluate a candidate’s suitability



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