

# ROUND 1

## Understand the Cost of Hiring Recklessly



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## **Let's Start with Tough Talk**

Have you ever given serious thought to the cost of hiring just one poor performer in your organization? I don't think you can quantify it with any degree of accuracy. Oh, I suppose you can quantify the cost of lost production between a top and bottom performer. That's the easy part. But how do you calculate the cost of broken momentum that the wrong people inflict on your team? You know what I mean by broken momentum: when dysfunctional employees create distractions and make messes that you have to clean up; or the extra time you must spend trying to motivate them or getting them up to speed. And what about the cost of lower morale? Nothing personal, but the fact is that poor performers lower the collective self-esteem of the whole team. Everyone, especially top performers, feels a bit cheapened and diminished when they're forced to share the workplace with those who can't cut it, don't do their share, or refuse to help the team reach their goals. As high as these costs are—lost production, broken momentum, and lower morale—I haven't even presented the highest cost yet that the wrong people inflict on your organization. Care to take a guess as to what it is? It is your own personal credibility as a leader. That's right. Your employees hear you talk big: "We're number one," "we have high standards," "not everyone can be one of us," and "this is a special place to work." But then they take a look around at the

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People are not your greatest asset—the *right* people are. The wrong people are your greatest catastrophe. Mediocre people are your greatest drain on resources. We may all have equal value as human beings but we don't all bring equal value to the workplace.

As costly as poor performers are, there are certain times when they hurt you far more than other times. Think of it this way: If you're the driver of a bus that is idling in neutral and one of your tires blows out, you will certainly have some damage but

## Right Hook RULE

Train your managers how to recruit, interview, and hire. Hiring should not be a “learn-as-you-go/trial-and-error” experience.

**TKO Tale*****My Old Strategy***

In my first management job, I received very little training for the first 18 months I was in charge of my department. Thus, I had no real hiring strategy. Well, I guess I did have a strategy, it just wasn't very effective. Let me share it with you: I'd wait until we were short-handed. Then, I'd run a dumb ad in the newspaper. The ad would bring in a bunch of morons and then I'd lower the bar so a few of them could clear it. I could then declare that we were fully staffed and had "coverage." Unfortunately, I've noticed that many managers have stolen my strategy over the years!

it won't be too drastic because you didn't have much speed or momentum. However, if your bus is humming along at ninety miles per hour and you have a blowout, you have a disaster on your hands. And that's the way it is with poor performers: They hurt your business most when you're rolling along because when you lose your momentum while traveling at a high speed it devastates your results and diminishes your culture. Bearing this fact in mind, please understand that the problem is compounded by the fact that it is precisely when we're doing well that we're also least likely to deal with the derelict, dismal, or depressed, thus ensuring they hang around long enough to bring us down right about the time we're at the top of our game.

***The Toll Keeps Rising***

One cost for hiring the wrong people that many leaders fail to consider is the price paid when they must divert their time, attention, and resources away from their best people in order to try and rehabilitate poor performers. When key employees are ignored they can become indifferent and lose their passion.

When you neglect your best people their attitudes become negative and their productivity declines. Since all business leaders and organizations have limited resources they are obligated to invest them where they gain the highest return, but this is made impossible when you are forced to engage in damage control and in plugging holes created by the lazy, the lousy, and the lost.


### **Misery on the Installment Plan**

The American Management Association estimates it costs 3.5 times the annual salary of a departed employee to replace him or her. This includes time and resources spent in recruiting, interviewing, and hiring; lost production of the person while he or she gets up to speed; lost customers the departed employee takes with him or her; and lower productivity from other employees while they help the newcomer.

Yes, the cost of hiring recklessly is staggering! And it's not a one-time penalty either. It is misery on the installment plan! You and the rest of your team—and customers—pay for it over and over. This is why *TKO Hiring* will suggest to you that hiring should be an elimination process, not an inclusive process, and that the best time to fire is before you hire. Quite frankly, you must make it more difficult for the marginal, mediocre, and moronic to sneak on board your team.

In my book, *Up Your Business: 7 Steps to Fix, Build, or Stretch Your Organization* (Wiley, 2003), I titled the first chapter, "Always Remember: It's the People Stupid!" I inserted this not-so-subtle reminder to put in perspective that until you bring the right people on your team everything else is mostly irrelevant. After all, training, coaching, and motivating the wrong person brings little or no return on your time and energy. Think about it: Regardless of how brilliant your vision and strategy may be, you won't be able to attain it or execute it

when burdened by bunglers. This makes hiring the highest leverage center of gravity on your job description. And that fact makes *TKO Hiring* your newest best friend.

A graphic with a grey header bar containing 14 white stars and a white silhouette of a boxer in a right hook pose. Below the header is a white box with a grey border containing the text "Right Hook RULE" in a bold, sans-serif font, followed by the quote "Hire slow and fire fast." and the attribution "—Harvey Mackay".

**Right Hook RULE**

"Hire slow and fire fast."

—Harvey Mackay

***Standing Eight-Count Questions***

1. Do you have a written hiring policy for your organization?
2. What is the average annual salary in the job positions where you have the highest turnover?
3. What is the most noticeable cost that poor performers have on your organization: lower production; broken momentum; diminished team morale; lost personal credibility; other?
4. Do you normally wait until you're desperate before you look for employees to hire?
5. Does your organization have more voluntary or more involuntary turnover?
6. What can you do right away to begin making it tougher for the wrong people to get on board your team?
7. Do you personally get as involved as you should in the hiring process?
8. Do the hires that don't work out in your organization normally fail because of production issues or failing to live the values issues?



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