



Let's Talk About Your Most Expensive Mistake

Every company struggles with the challenge of consistently hiring the best talent to fill their key positions.

Studies show that, on average, companies get the superstar (A or A- player) executives that they were looking for approximately 50% of the time. That's essentially a coin toss! In fact, 40% of new CEOs are fired or "retired" within 18 months of being hired from outside the company. This disruption at the top of the house is alarming and expensive.

So how much will it cost you if you hire the wrong person?

We recently interviewed our clients with the explicit goal of estimating the true cost of a mis-hire. Our results showed the costs range from 2x of the executive's first year salary to over 15x! Direct costs incurred from such a mistake include the salary (base and bonus), benefits (approximately 20% of salary), search firm retainer (typically 33% of first year salary), relocation costs, severance (likely 25-50% of salary), and the miscellaneous costs often incurred from Legal or HR partners. It's easy to see how these figures can quickly add up! Moreover, there are the indirect costs of interruptions to the business which can be even more significant, including missed opportunities, doing poor deals, lost business, and the mis-hired executive hiring other inferior talent to the company as B players don't tend to attract many A players underneath them. To read more on this topic, email us at info@greenpeakpartners.com with "Mis-hire Study" in the Subject line to have us send you a copy of our brief study.

What does this mean for you? Several implications follow.

First of all, we always encourage our clients to keep the bar held high when examining potential candidates for their important roles. "Search fatigue" is just that – exhausting! Not only is it time-consuming to hold out for just the right person, but it also distracts your focus from the core responsibilities of your job. Nonetheless, the cost of hiring the wrong person is so high that it's nearly always worth your time to wait.

Secondly, you really have to know exactly what you are looking for in a candidate or you will likely find someone you don't want! We coach our clients to create a human capital scorecard



that identifies the 8 to 10 most important “accomplishments” that you need them to achieve. Don’t rely on your search firm’s job description. Instead, opt to create a one- or two-pager that spells out the “to-do’s” as specifically as possible. We’re not particularly concerned with how many years of experience a candidate has in the ERP software industry – that is only an indicator of what you really want. Be specific with scorecard terminology. For example, don’t use “grow revenue” but rather “source and close 6 to 8 new integrator deals of at least \$10 Mil each and decrease churn from 6% to below 4% within the first 12 to 18 months.” It is surprising how many companies don’t take the time to really define who they are looking for and are surprised when they don’t find the appropriate person.

Email us at info@greenpeakpartners.com with “Sample Scorecard” in the Subject line to have us send you a sample of a professionally created scorecard to use as your template.

Finally, it’s critical that you use the best practices available when it comes to choosing a finalist from among your slate of candidates – making hiring much more of a science than an art. It is crucial to get lots of data on a candidate’s actual “prior performances,” not just their nice sounding answers about what they will do “going forward.” Whether that means working with Green Peak Partners to provide a hiring recommendation or leveraging our course that teaches you to how to conduct a selection interview internally, it’s important to make the investment up front that will pay multiple returns down the road. Contact us (these two words will link to our website’s contact page) to discuss how we can help you avoid the painful cost of making a mis-hire on any future critical roles.