

Reducing the High Cost of Talent Turbulence

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How many times in a year do you have to replace someone who was a bad hiring decision? If you know the answer to that question, the next question is how much are those bad hiring decisions costing your business? A common complaint from human resource managers is, "Our new hire had all the right experience, good references, and interviewed like a champ, but here it is six weeks later, and he's not working out. We can't ignore the fact that he's wrong for the job, and we made a hiring mistake. Now, we have to start all over again!"

Another scenario that creates just as much angst as a new-hire mistake is when your top performer takes a position with a competitor for better pay, better benefits, or a better work environment.

Both of these situations are a result of turnover or "talent turbulence."

The Cost of Turnover

Many businesses are not aware of *actual* turnover costs, which can be a major drain on any business. Depending on the value of the position, calculations reveal substantial costs related to losing and replacing talent. Conservative estimates are 120 percent of salary and go up to 900 percent for a knowledge worker with several years of experience with your organization.

According to research by Michigan State University, the typical interviewing process used by most companies is only 14 percent effective at best in predicting successful job hires. The remaining 86 percent keeps your recruiting manager extremely busy managing the proverbial revolving door of resumes, applications, hires, and fires.

In turn, your business profits suffer from lapses in staff coverage that equate to lost opportunities, erosion of customer satisfaction, continual hiring and training expenses, and lowered employee satisfaction and burnout for remaining employees. Add to the list your plummeting business reputation as seen by your current and potential customers. The negative impact from continual talent churn is so serious that studies now show it is a major contributing factor to the decline of company value—a reason for quality employees to carefully avoid working for those companies.

Equating all of these factors using a turnover calculator will give you a realistic number of what turnover is costing your organization. How many thousands of dollars is your dealership losing to talent turbulence?

(For a free turnover calculator to clarify these costs, go to www.insightsystemsconsulting.com and click on the turnover calculator)

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The Performance Differential

Another major financial consideration is the performance differential between your top performers and your lowest performers.

There are three types of performers in every business: top performers, potentially top performers, and those who will never be top performers no matter what you do. So what is the value of the performance differential between your top and lowest performers? For example, if your top performing sales reps are averaging 18 units per month, and your lowest performer is selling 6 units per month, your differential is 12 times your margin per unit. Let's use an example of \$2,000 margin per unit. If you could improve the low performer's average by five units a month, that would be worth \$10,000 a month to your business for the improved performance of just one person!

Right People in the Right Jobs

How do you find the right talent for your jobs and keep your top talent committed to working for YOUR company and continually improving their performance? The best strategy to achieve this goal begins with putting the RIGHT PEOPLE with the RIGHT TALENT into the RIGHT JOBS and then creating a workplace culture of performance improvement.

That's a logical statement. But how do smart companies actually put it into practice? First, they understand that to effectively select, hire, coach, and retain top performers, managers must first have an accurate and complete understanding of the position they must fill and manage, and second they must be able to identify the right people they need to fill those positions.

Winning Through Talent Development and Job Benchmarks

Companies who avoid talent turbulence select and hire people for their team using a proven assessment system. This system enables the organization to have a "blueprint" or benchmark for the job position that needs to be filled. Existing employees and job candidates are assessed individually and compared to the position's blueprint. Hiring managers are then equipped with a complete position profile, including recommended interview questions and comparison reports for each job candidate.

Next, the assessment system provides management personnel with a series of coaching and development tools that support the assessment findings. All employees can work to further develop their talents and to mitigate potential barriers to success, thus narrowing the performance differential.

Today's economy is still an employer's market. But forecasts are pointing to an impending EMPLOYEE'S MARKET. This is prompting many companies to take a serious look at developing their recruiting and retention strategies. Companies should be prepared for tough competition as talent turbulence becomes the norm. In the end, the organizations who can recruit and retain top talent will be the winners.

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