



Add dollars to your bottom line by hiring well

Many business owners don't take the time to calculate the cost of hiring the wrong person against the benefits of hiring the right one. **Simon Boulton** explains how to choose the right staff, first time every time, and how to keep the ones you already have

IT'S NOT DIFFICULT TO PIN A DOLLAR value to your HR decisions. The effects of hiring, retention, training and remuneration can, and should, be measured. Get it right and you can make your business a substantial amount of money. Get it wrong and watch those dollars disappear.

CALCULATE HOW MANY STAFF YOU'LL NEED TO HIRE THIS YEAR

Have you heard the saying 'The best time to look for a job is when you already have one?' Well, the best time to look for an employee is when you don't need one. By calculating how many and the type of staff you'll need, you will actively search for and find the best rather than just settling for what's available when you have a vacancy. First, find out what your historical turnover rates are.

Do this by working out:

- employees lost/total employees; or
- employees with one or more years' service/total employees.

Next, how many extra staff do you need to grow as planned? Add that to the turnover number, and that's how many new hires.

WORK OUT WHO TO HIRE

Calculate the ratio of 'fast-trackers'—that is, those people who want to zip to the top—to 'plodders', that you want. After all, you don't want everyone vying for the boss' job. Next, quantify the cost to your business of hiring a substandard employee. If you know what the average employee returns, and assume a second-rate employee is, say, 20 percent less productive, you can get a good measure of what bad hiring decisions cost your company. A good incentive to get it right first time, every time.

LEARN HOW TO HIRE THE BEST-QUALITY STAFF FOR YOUR COMPANY

Once you have a thorough understanding of the number and type of people you want to hire, use all available resources to do so. These include recruiters, job websites, your network of contacts, and social networking sites such as LinkedIn.

We may be in a downturn, but quality candidates are still getting multiple offers and you need to do what you can to attract the best. To that end, make sure that all hiring managers have been trained on interviewing skills. Bad hires are typically made because hiring managers do not know how to interview appropriately. It's also important that they can all articulate the company's vision, mission and growth plans similarly.

Prepare for interviews by determining which skill sets are needed for the role. Develop questions where the candidate must demonstrate previous success in that area instead of telling you what they might do when faced with that situation.

Once you decide to hire someone, you need to figure out what to pay them. Knowing market rates for remuneration is vital to attract the best employees. Salary surveys help, but they are out of date soon after they are published. The best way is to call your local recruitment consultant, who will know what the going rate is now, rather than four months ago, especially in this volatile market. Offering incentives can also help you attract good staff. A bonus system, or incentive-based pay, can be a very powerful tool. Identify key performance indicators, measure an employee's performance against them and reward them for achieving or surpassing those figures.



BEST YET, RETAIN YOUR EXISTING STAFF

Losing employees costs time and money. In addition to the actual costs, consider the cost of using company and staff resources to replace an employee when instead resources could be focused on increasing profits.


For example, calculate the cost of hiring, then think of how your business could improve if that money was available to enhance profit. Let's assume the average salary in your business is \$50,000. A conservative cost of staff turnover at 1.5 times salary equates to \$75,000 for each employee who leaves. For a company of 50 employees with a 10 percent annual turnover, that's \$375,000 a year.

“A BONUS SYSTEM, OR INCENTIVE-BASED PAY, CAN BE A VERY POWERFUL TOOL”

That's the simple bit. What you really need to do is weight those costs for high performers. Businesses can afford to lose average performers, but what is the cost of losing an above-average performer? Some roles or employees will have a greater impact on your business than others. So before worrying about general turnover, focus on specific employees first and determine their value.

You can also measure flight risk, so you will know when someone is thinking about leaving and can take steps either to prevent them leaving or replace them. Consider events that might encourage employees to resign. Are they due a bonus? About to complete a project? Does this employee have a history of moving on after two years? Identify the signs and manage them.

The next area is training. World-renowned consulting firm Accenture, formerly Andersen Consulting, found its employees in the top half of those who had received the most training were 17 percent more productive, performed at 20 percent higher levels, and stayed with the company 14 percent longer than those in the bottom half. Ask your employees and find out what training and development they require, then set goals to deliver those requirements.

Finally, make sure that your company has solid retention programs in place. Once you go to all the trouble to hire the right people, you want to make sure that you keep them, if for nothing else than not having to go through the whole process again. 

TOP 10 TIPS TO HIRING THE RIGHT STAFF

1. Be prepared: calculate the number of new staff and ratio of 'fast-trackers' you'll need this year.
2. Determine who the best people are in the marketplace for when you need to start recruiting.
3. Remember, the best time to keep an eye out for good employees is when you're not hiring.
4. Use a range of resources to find candidates, including recruiters, networks, job boards, and social networking sites.
5. Make sure those interviewing candidates are trained to do so.
6. The purpose of the role, company values, vision and goals should be clear to every interviewer.
7. Make sure you get the culture fit right. One bad apple truly can upset the whole cart.
8. Determine the appropriate pay for the position by obtaining the latest market information from a recruitment agency.
9. Induct and train well.
10. Create programs to retain the staff you want to keep.

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