



Tempted to Hire at the Low End of  
the Range? Consider the Risks First.

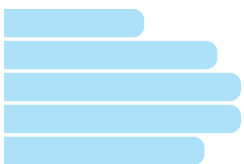
Scott felt fortunate his job requisition was approved at a time when his peers were laying off, so in an effort to do his part to help the company contain costs, he made his top candidate an offer near the bottom of the range. He was astounded when she accepted it. A top performer in the industry, Sandy came with a strong recommendation from a former colleague whose opinion Scott respected. She must know that her power to negotiate would never be greater than it was when he called to offer her the job. Puzzled but pleased, he rationalized she took the first offer because she really wanted to work for the firm and knew he had several equally-qualified candidates. Still, Scott's feeling of elation was tempered with the intuitive sense that something was amiss.

Six months later, Sandy resigned under pressure.

The temptation to hire “on the cheap” because candidates have fewer choices in today’s economy is understandable given the current conditions of supply exceeding demand, but be aware the dollars saved today may have to be repaid – and then some - tomorrow. While it feels like a smart decision to take advantage of the opportunity to upgrade talent without adding incremental cost because talent is abundant, a real superstar paid below market value is likely to be courted heavily by competitors willing to pay her what she’s worth. And according to PwC Saratoga, a leader in workforce measurement, the cost of replacing an employee is estimated at up to 1.5 times the annual salary. That means for every manager making \$60,000 a year who leaves, a company could incur up to \$90,000 in cost due to lost time, productivity, replacement, and training. Given this logic, it makes better fiscal sense to direct more effort to minimizing the risk of making a bad hire than to attempt to hire under market value simply because current economic conditions make it a possibility.

But the cost of turnover isn’t the only risk. Scott found himself in the unfortunate position of discovering his “A” player, well, wasn’t. When Scott reflected on what went wrong, he realized that in his excitement about Sandy after his first meeting with her, he overlooked subtle but important red flags that pointed to gaps in core competencies required to do the job well. Key aspects of the job were a constant struggle for Sandy, and Scott found himself continually picking up her work. Frustrated, both parties agreed it was time to move on.

Ever hired someone for a sales position you were as confident could close business as you were surprised that his salary requirement was so low...only to find yourself putting him on a performance improvement plan 90 days in? Or brought a “junior” manager on board only to discover she didn’t have the most basic people skills when her direct reports start complaining? These common scenarios suggest something important went undiscovered during the screening process.



Here are some potential explanations for a candidate willing to take a job at the bottom of the range:

1. She lacks critical competencies for the position
2. She's seeking any port in the storm – even if it means taking less money
3. She hasn't done her homework and doesn't know what the position is really worth in the marketplace
4. She lacks confidence in the value of her skills

Any of these can result in turnover trouble for a hiring manager down the road, so how does one mitigate the risks?

For starters, resist the urge to conclude a candidate is perfect for the job after just one or two conversations. In the employment industry we refer to this as “falling in love on the first date.” Just like marrying someone you know very little about can backfire, so can hiring them!

Before you extend a job offer, do your due diligence from a screening standpoint. Today's candidates are better prepared to answer situational interview questions since the behavioral interviewing technique has become commonplace and the questions asked tend to be similar from employer to employer. Add to that the ease of locating sample interview questions and suggested responses on the internet, and what is otherwise a very reliable tool to predict future behavior can be somewhat compromised. Your candidate may tell you exactly what you want to hear, but is it authentic? If you're not satisfied with the initial response to the question, continue to probe until you are able to validate a skill is present.

With respect to references, obtaining real validation of job performance can be challenging because fearing lawsuits, many organizations strictly prohibit their line management from providing any information beyond verifying dates of employment and positions held. An article recently published in Human Resource Executive Online addresses the challenges of obtaining authentic information on an external candidate. “As good a screening as you can do, you will still overlook certain character flaws or people skills that you don't hear about or that don't show up in all of your checking,” says Richard Reinhardt, vice president of F&H Solutions Group, an Atlanta-based affiliate of the Ford & Harrison law firm. He recalls a situation in which a client hired a new president, a man who, it turned out, had ethics issues. “They did all sorts of background checks and everything checked out,” he says, “but the things he was doing would be totally unethical in

any business.” However, if you contact not just the standard two supervisory references, but several others affiliated in some way with the candidate, you should be able to glean enough insight into the individual to rule out serious deficiencies.

Employment specialists hiring thousands each year, Talagy recruiters approach screening like sleuths trying to solve a mystery. Seeking as much information as possible about each candidate, recruiters know they'll mitigate the risk of unpleasant surprises later for their clients that can result in costly turnover. Here are some time-tested tactics for getting to the heart of a candidate's DNA:

5. Google the candidate to see LinkedIn, Facebook, MySpace and blogging presence to gain insight into the individual's character and common sense. If the person's posts are full of grammatical errors or are otherwise inappropriate, this tells you a lot.
6. Request references beyond just those of prior supervisors. Former subordinates, peers, and even client references will provide you with diverse perspectives. For example, how the candidate's leadership skills are perceived through the eyes of a subordinate would be important to know when filling a management job.
7. Ask around in the industry to locate someone who knows the individual who can provide an unsolicited reference. Feedback obtained from someone who has no vested interest in whether the candidate is or is not hired is likely to be genuine.
8. Ask for W-2s to confirm earnings. This is essential when hiring anyone in a sales role.
9. Verify education. Unfortunately, some surveys have shown as many as 40% of applicants have lied on their resumes, and one of the most common is claiming to have degrees they don't possess.

Offering a candidate less money can be tempting in these economic times, but the biggest risk you run if you choose that route is that you actually get an acceptance to that offer since it likely means the candidate lacks key skills or behaviors that separate average players from top performers. Far from saving you money, making a mediocre or bad hire can cost you more in the long run as it will likely result in turnover. Performing the due diligence associated with an effective screening process will provide you with the confidence that your candidate is equipped to succeed. Armed with that comfort, you'll want to offer compensation attractive enough to ensure a mutually profitable arrangement for both parties.

