

# Cost of Mis-Hires Form

**Job Title of Person Mis-Hired or Mis-Promoted:** \_\_\_\_\_

**Dates person was in position:** \_\_\_\_\_ to \_\_\_\_\_

(If person was successful in previous job, but failed in a new job, just calculate costs for the years the person was in the new job.)

**Reason for leaving:**

Quit \_\_\_\_, Fired (or forced to resign) \_\_\_\_, Transferred \_\_\_\_, Demoted \_\_\_\_, Retired \_\_\_\_, Died \_\_\_\_, Other \_\_\_\_.

**1. Total costs in hiring the person \$** \_\_\_\_\_

- Recruitment/search fees (any guarantee? if so, was money recovered?)
- Outside testing, interviewing, record checking, physical exam
- HR department time and administrative costs (for all candidates)
- Travel costs (for all candidates, spouses, other executives traveling to meet candidate)
- Time/expenses of non HR people (all candidates)
- Relocation (moving household goods, purchasing house for candidate)

**2. Compensation: (sum for all years person was in job) \$** \_\_\_\_\_

- Base (\$ \_\_\_\_\_ x number of years)
- Bonuses ("signing," performance, etc.) for all years
- Stock options (realized for all years), benefits (insurance, 401k, etc.), car, clubs
- Other forms of compensation

**3. Maintaining person in job: (sum for all years person was in job) \$** \_\_\_\_\_

- Administrative assistant for all years
- Office ?rental? (incl. electricity, etc.) for all years
- Furniture, computer, equipment, travel for all years
- Training
- Other ?maintaining? costs

**4. Total severance: \$** \_\_\_\_\_

- Severance fee (salary, benefits, use of office), lawyer fees
- Outplacement counseling fee
- Costs in lawsuits caused by the person (EEOC, harassment, EPA, OSHA, etc.)
- Administrative costs in separation, wasted time of people in separation
- ?Bad press? (loss of corporate good will, reputation)

**5. Mistakes/Failures, missed and wasted business opportunities: \$** \_\_\_\_\_

(i.e. drove a key customer away, mis-hired three people at total cost of \$300,000, impaired customer loyalty, failed to enter new "hot" market, wasted \$10M on software that had to be scrapped, embezzled \$1M, launched three "dog" products)

**6. Disruption: \$** \_\_\_\_\_

(Costs of inefficiency in the organization, lower morale, lower productivity, impaired teamwork)

**7. Other: \$** \_\_\_\_\_

**8. SUM OF ALL COSTS (#1-#7) \$** \_\_\_\_\_

**9. Estimated Value of Contributions of the mis-hire: \$** \_\_\_\_\_

(Even if a \$50,000 per year store manager drove away customers and stole \$1M, perhaps he contributed something — hired five excellent employees, came up with a merchandising idea worth \$500K per year to the bottom line.)

**10. NET COST OF MIS-HIRE (#8 - #9)**

Sum of all costs (#8)

— Value of Contribution (#9)

NET COST OF MIS-HIRE