



# PART 1: COSTLY HIRES

Human resources expert lays out the costs of a bad hire in Part 1 of his two-part series on dealership hiring practices. **By Dave Druzynski**

It's no secret that employee turnover at auto dealerships far exceeds the average turnover rate in most other industries. Having interviewed hundreds of former dealership employees, I am familiar with — and often surprised at — the hiring practices of many dealers.

Take this story a general manager at a large dealership once told me. One day, he discovered an employee was stealing from the dealership, but the employee, knowing the gig was up, walked off the job before the GM could meet with his manager. Driving home that same evening, the GM saw the former employee greeting customers at a competitive dealership down the street. Apparently, the dealer interviewed and hired this guy on the spot. Makes you wonder who the dealer is going to blame when the employee steals from that dealership.

Properly vetting every candidate is a critical part of the hiring process, but it seems many dealers fail to do so. Why? Well, the thought process seems to go something like this: "If I hire someone and they don't work out, I haven't really lost more than what I've paid them." That couldn't be further from the truth. The costs associ-

ated with a bad hire may not always be obvious, but they can be substantial.

**The Obvious Costs:** In addition to wages paid, the obvious costs associated with bad hires include unemployment insurance and COBRA benefits and administration. Then there is the time spent by the dealer and managers interviewing potential replacements, training the new hire, managing him or her more than necessary, and repeating the process unnecessarily a few months later.

**The Hidden Costs:** The hidden costs of a bad hire are more difficult to quantify, but that doesn't make them any less real. Here are some examples:

- If you hire the wrong salesperson to work the show floor, how many potential vehicle sales do you lose out on?
- For every sale you lose, do you also lose a potential service customer? Extrapolating further, do you lose the opportunity to create a loyal repeat customer? How much does that cost over a lifetime?
- If you hire the wrong person to work in a service position, will he or she alienate any customers? Would your store miss out on referral busi-

ness because of the bad hire?

- If you hire the wrong person for just about any position, will that individual's behavior or attitude affect the morale of other employees? Will those employees gossip or complain to each other? Will they end up doing extra work the bad hire can't or won't perform properly? How much time will be spent on fixing the bad hire's messes? And how much will that impact the team's productivity?

- Could your online reputation be adversely affected because of a public rant or complaint about a wrong hire?

- If a bad hire harasses another employee, the dealership could be vulnerable to litigation costs. Or if a dealer rushes a termination decision, the bad hire could sue the dealership for wrongful termination.

- A bad hire could steal from your dealership or, even worse, your customers. What would it cost if your dealership made the nightly news because an employee stole the identity of one of your customers?

These are all ways a dealership can lose money because of a bad hire. A better question to ask is: How much money could a dealership have made

by hiring the right person?

**The Bottom-Line Cost:** So how much in terms of hard dollars are we talking about here? The Department of Labor estimates the average cost of turnover is 30% of an individual's annual earnings. Other estimates range from 25% to 50%, and that's on top of what you've paid the bad hire.

According to a survey released this year by *Fast Company*, 41% of U.S. employers said a bad hire cost them at least \$25,000, while another 25% of respondents stated that it cost them at least \$50,000.

So why do so many companies make bad hiring decisions? In the same *Fast Company* survey, 38% of respondents stated the bad hire was a result of needing to fill the position quickly, while 21 percent said they didn't test or research the employee's skills well enough.

#### Common Hiring Mistakes

Hiring the right person for the right job isn't difficult, but it does take time and a little bit of effort. Here are the most common mistakes that dealers make during the interviewing process:

- Hiring too quickly to fill a need.
- Believing what candidates say on their resume and during the interview is an accurate reflection of their experience, abilities and achievements. As highlighted in a recent story on 20/20, there are companies that create fictional resumes for individuals to help them land a job. They even create phony companies, websites and will answer the phone and provide a professional reference when called.
- Hiring because you like the candidate or because of a good "gut feeling."
- Over promising and under delivering in terms of the available position's career growth or earnings potential (i.e., telling a potential candidate they can earn \$100,000 when the last three people in that position earned \$60,000).
- Not checking references or properly vetting the candidate.

In Part 2 of this article, I'll share

tips on how to avoid these mistakes, including the importance of having a formal job analysis for every position, interviewing techniques guaranteed to cut through bull, and inexpensive assessment tests and background checks that every dealer should administer to new job candidates and to current employees. ■

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