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The 5X Cost of Wrong Hiring: Blind Spots Every CEO & CHRO Must Address

“You don’t have a hiring problem. You have a **wrong** hiring problem.”

Shift from ‘cost per hire’ to
‘cost per **right** hire.’

Imagine you’re running a relay race. Each runner represents a key employee in your business. Now, picture handing the baton to someone who isn’t trained, isn’t aligned, and doesn’t have the stamina to finish the race. They drop the baton halfway. You not only lose time but also the race itself.

This is what poor recruiting does to your organization—slows you down, costs you dearly, and leaves you scrambling to recover.

Low Quality Hiring is Costing You Millions — Here's How.

The consequences of poor recruiting are well-known but shockingly under-appreciated:

- 1. High Infant Attrition:** Nearly 80% of employees who quit within the first year leave within the first six months.
- 2. Zero Performance Hires:** 15% of new hires don't make a single sale or hit their primary KPI in the first six months—yet, the company pays their salary without return.
- 3. Productivity Chasm:** After 12 months, the bottom 10% performers deliver results that are 10X lower than the top 10%, wasting up to 30%-40% of the HR budget on underperformers.

The Top 5 Blind Spots in Recruiting

1. Underestimating the Cost of a Wrong Hire

A wrong hire is not just someone who quits. It's anyone who fails to meet performance expectations, gets disengaged, or is forced to exit—before they've delivered the return on

the salary and effort invested.

Most organizations calculate recruitment cost superficially—cost of sourcing, onboarding, or induction. But what they miss is the massive hidden cost:

- Cost of underperformance (salary without delivery)
- Cost of business disruption
- Customer dissatisfaction
- Cost of rehire and retraining

According to Quanta People's Centre of Excellence (CoE) on Frontline Workforce Performance (FWP), the cost of a wrong hire is conservatively estimated at 5X the cost of hiring in BFSI frontline roles in India.

2. Minimizing Cost of Hire Without Thinking Systemically

Procurement and HR departments are often tasked to minimize line-item costs. They're measured on cost per hire, creating pressure to reduce sourcing fees, assessments, or onboarding expenses.

Reducing hiring costs blindly leads to higher wrong hires, skyrocketing attrition, poor performance, and eventually higher operational costs.

Shift the metric from Cost per Hire → Cost per Right Hire.

3. Underestimating Recruitment Analytics' Power

Many companies rely on instinct, outdated job descriptions, or basic assessments. What's missed is data-backed profiling. By studying patterns across thousands of hires, companies can predict which profiles are likely to deliver consistently over 12 months, show early attrition risks, and handle specific customer segments better.

4. Feeding AI Models with Wrong Data

AI-driven hiring sounds like the silver bullet—but if you input wrong, incomplete, or biased historical data, AI only amplifies your past mistakes. AI models must integrate longitudinal data on residency length, sales/productivity metrics, and exit reasons.

5. Undercutting Recruitment Process Integrity

Quick fixes—shortlisting from the same talent pool, skipping critical evaluation steps, or pressurizing recruiters to fill quotas fast—often backfire. Invest in a robust, repeatable



recruitment process with clear accountability for post-hire outcomes—not just offer rollouts.

How to Calculate Cost of a Wrong Hire (Step-by-Step)

1. Determine average tenure of hires in the last 24 months.
2. Calculate cumulative average performance of those hires during their tenure.
3. Categorize hires:
 - Achievers: Those above performance norms

- Underperformers: Those consistently below the norm
4. Calculate cumulative performance gap of underperformers till their last month.
 5. Monetize this gap: Assume fixed salary is paid to achieve a set performance level—every missed target equates to wasted salary.
 6. Add backfill cost: Hiring + Onboarding + Induction = ~1.5 months salary

7. Sum total = True Cost of Wrong Hire

Final Thought

The hiring process isn't a procurement exercise. It's talent architecture. Every wrong hire is not just an operational hiccup—it's a leak in your revenue engine. Organizations that stop treating hiring as a cost center and start seeing it as a strategic investment in performance will win the long game.