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## Sub-Optimization in Talent Acquisition: Learning What NOT to Do from Toyota vs GM

In business, it's tempting to optimize every process, every department, and every metric in isolation—*believing that if each part performs well, the whole system will too.*

**Nothing could be further  
from the truth.**

One of the clearest demonstrations of this fallacy comes not from the HR world, but from the auto industry—specifically the stark contrast between **General Motors' (GM)** and **Toyota's** approach to manufacturing at the Fremont plant.

This story has a direct, urgent lesson for how most companies today are (mis) managing **Talent Acquisition.**

## The Cautionary Tale: GM Fremont vs Toyota NUMMI

### GM Fremont: Optimizing Components, Breaking the System

In the early 1980s, GM's Fremont plant was the epitome of dysfunction:

- **Low productivity**
- **High defect rates**
- **Toxic labor-management relations**

Management's strategy?

They focused relentlessly on optimizing individual components:

- **Worker output metrics**
- **Speed of production lines**
- **Cost-cutting in isolated departments**

Departments worked in silos—**engineering, manufacturing, quality control—each chasing its own KPIs.** Quality control happened after production, trying to catch defects instead of preventing them.

### Result:

Despite hitting individual department targets, the entire system was broken. Poor

quality cars, labor disputes, and massive inefficiencies became the norm.

### Toyota NUMMI: Systemic Optimization, Seamless Success

In 1984, Toyota partnered with GM to reopen the same Fremont plant as **NUMMI (New United Motor Manufacturing, Inc.)**.

But Toyota took a very different approach:

- **Empowered workers:** Every worker had authority to stop the production line at the first sign of a defect.
- **Cross-functional collaboration:** Departments worked together, focusing on end-to-end system performance—not local KPIs.
- **Respect for people:** Employees were treated as problem-solvers, not cogs.

### Outcome:

- Same plant, same workforce—but productivity soared.
- Defect rates plummeted.
- Labor tensions disappeared.
- NUMMI became one of GM's best-performing plants.

### Key Insight:

GM's mistake was trying to **optimize isolated parts.**

Toyota's success came from **optimizing the system as a whole.**

### The Relevance for Talent Acquisition:

#### Are We Hiring the Toyota Way or the GM Way?

At first glance, hiring processes in many companies, especially in high-attrition sectors like BFSI, appear efficient:

- Recruitment teams minimize **cost-per-hire** and **time-to-fill**.
- Onboarding teams maximize **completion rates**.
- Training teams optimize **cost-per-trainee**.

**Each team hits its KPIs. But the system still fails.**

### Symptoms of System Failure in Talent Acquisition:

- **Infant attrition at an all-time high.**

Over **80% of employees who quit within the first year leave in the first 6 months.**

- **15% of new hires are Zero Performers.**

They haven't made a single sale in six months, but the company has already sunk six months' salary into them.

- **Massive performance gaps.**

The bottom 10% perform 10x worse than the top 10%.

A staggering **30%-40% of HR budgets are wasted** on underperformance and churn.

## What's Going Wrong?

Each department is laser-focused on **local metrics**:

- Recruitment teams optimize **cost of hire**, ignoring the **cost of a wrong hire**.
- Training teams reduce **training costs**, but aren't accountable for post-training performance.
- Onboarding teams focus on **completing checklists**, not ensuring readiness.

## Result:

The system fails to deliver its real objective:

Hiring people who perform and stay.

## The Real Cost:

At Quanta People's **Centre of Excellence ON Frontline Workforce Performance**, we've estimated that:

**The cost of a wrong hire is 5X the cost of hire in BFSI frontline roles.**

## The Solution: Systemic Optimization in Talent Acquisition

Here's what needs to change:

### 1. System Outcome Metrics:

Shift from siloed KPIs to metrics that force collaboration:

- % of new hires who stay AND perform in the first 6 months.

### 2. Redefine KPIs Across Teams:

- **Recruitment Team:**
  - Cost of Right Hire, not just cost of hire.
  - Cost of wrong hire.
  - Time-to-fill right hires, not just anyone.

- **Training Team:**

- Time to first sale.
- % of trainees hitting **50%+ target** in first 3 months.

- **Onboarding Team:**

- Measured by readiness to perform, not checklist completion.

## Conclusion:

The HR and Talent Acquisition world in BFSI and similar industries is dangerously close to repeating **GM's mistake**—focusing on sub-optimization, while the system leaks value.

If we want to build sustainable, high-performing workforces, we must shift to the **Toyota Way**:

**Harmonize all parts toward the ultimate goal—performance and retention.**

Otherwise, we are just being, in classic terms: "**Penny wise, pound foolish.**"