
NEWSLETTER, FEBRUARY 2010

THE REAL COSTS OF A VACANT POSITION

With a healthcare crisis upon us, balancing budget deficits while maintaining cost containment and quality patient care remains a focus. Faced with this complex array of priorities, talent acquisition seems to have gone to by the wayside.

Talking among healthcare leaders nationwide, there seems to be a false sense of security with retaining their key players. True the economic downturn has led people to cling to their positions, but the tides are turning and it's coming fast!

With current trends forecasting a 25% increase in leadership openings over the next 12 months, NOW is the time to look at critical leadership vacancies with more discernment than ever. In fact, the current number of vacancies could well surpass this estimate if the industry's top performers continue to resign from their current organizations at the rate we have seen in the first quarter of 2010.

With such a heavy focus on cost containment, it is surprising to see that the cost of a critical leadership vacancy commonly goes unaccounted for. Some argue there is no means to tangibly measure the losses that occur due to such a vacancy. The direct costs of a bad hire are easy to measure however they only equal 20% of the total damage done to the organization (*Deciding Who Leads*, Joseph Daniel McCool). The total costs multiply exponentially when looking at all areas within the organization that are negatively affected.

These indirect costs are the factors that are hardest to measure but attribute for the majority of the overall cost of a bad hire.

Highlighting some direct and indirect costs reveal just how vulnerable an organization is to the effects of a critical leadership vacancy. Remember the "Indirect Costs" account for 80% of all costs associated with a bad hire.

Direct Costs:

- Total Compensation including benefits, severance pay and stock incentives
- Doubled employee replacement costs
- Search consultant fees
- Relocation expenses
- Advertising fees
- Legal fees
- The hiring of an interim consultant

Indirect Costs:

- Decline in work performance and patient relations
- Lack of compassion resulting from work burnout
- Loss of market share
- Loss of efficiency in leadership team; time spent onboarding vs. leading initiatives
- Decrease in high-performer excellence
- Loss of confidence and trust with inter-organization decisions
- Damage to company reputation



In summary, a vacancy costs your organization far more than what it appears at first glance. As the war for talent will only get more intense in the upcoming years, it is important more than ever to have a well defined strategy for identifying and attracting new talent to your organization as well as retaining your current staff.

IN THE NEWS

Top 10 Health Industry Issues in 2010

<http://www.pwc.com/us/en/healthcare/publications/top-ten-health-industry-issues-in-2010.jhtml>

Eight Roadblocks to Moving Best Practices

http://www.studergroup.com/home/quints_blog.dot

Hospital Mergers Looming

<http://www.businessweek.com/news/2010-02-02/hospital-mergers-loom-as-u-s-health-overhaul-fails-centers.html>

BOOK WORM'S READING CORNER

We speak with leaders every day and often catch them off guard when we say "What's on your bookshelf?"

Here are some of the favorites:

1. "Eat That Cookie" by Liz Jazwiec
2. "Five Leadership Essentials for Women" by Linda Clark
3. "One Hundred Percenters" by Mark Murphy
4. "Execution: The Discipline of Getting Things Done" by Larry Bossidy

The HealthCare Initiative

6855 S Havana St, #650

Centennial, CO 80112

T (303) 799-8188

admin@thehealthcareinitiative.com

www.thehealthcareinitiative.com

www.wheretalentmeetsopportunity.com