

Lesson 10: Hiring mistakes

 By [Alon Raiz](#)

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One never stops making hiring mistakes. As growing businesses, we simply start getting better at hiring, at firing and at reducing the impact of bad hires. As a result of affordability, we most often don't pay salaries that are comparable to the equivalent medium-sized business or corporate role. The result is that the skill pool we are able to attract is generally of a lower quality. Sometimes we get lucky and find people who prefer working in a smaller environment and are passionate about the purpose of the business.



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There are many reasons a hire could be inappropriate for your organisation. The two main reasons, though, are bad performance and lack of alignment.

I find that many small businesses often don't have well-constructed role descriptions with key performance areas (KPA's) and well-designed targets. This makes it difficult for new business owners to detect performance issues for some time. Even when they finally do pick up these issues, there is no "legal" basis to exit the individual as the performance criteria were never agreed to or contracted.

Alignment is even harder to manage. When interviewed, potential employees will say almost anything to make you believe that they are aligned to your business's purpose and to the company values. It is only after a while that this can be tested. And, then, how do you legally exit an individual who might be performing but who is not aligned?

Small businesses most often end up with an eclectic grouping of people who fall into one of the following four categories: perform well but are not aligned; perform well and are aligned; perform badly and are not aligned; and perform badly but are aligned.

Managing this concoction is time-consuming and energy draining. This time and energy can be far better put to use elsewhere in the business. Unfortunately, small businesses don't have the financial tolerance for low-performing individuals and this – combined with the time, effort and defocus resulting from trying to manage bad hires – can lead to the demise of a business.

Think before you hire

It is therefore vital for small businesses to take the hiring process seriously from the get-go.

The first place to start is to spend time and effort on building the role profile or job description. This should be done in as much detail as possible and should always include KPAs, well-defined targets and any other possible means of measurement.

Secondly, the employment contract should be comprehensive, clear and well-constructed (and preferably constructed by a labour law specialist). If you cannot afford a labour lawyer, tap into your network of other entrepreneurs to find a comprehensive contract and adapt it to your specific context.

Thirdly, the recruitment process should always include background checks. Be very sceptical about references and rather do your own investigations as to whom the individual actually reported to in their previous job. A common practice is for job applicants to include references from colleagues and not from their superiors in their CVs.

Your background checks should include verifying of academic qualifications as well as criminal checks if possible (you will need their permission for this). I cannot tell you how many times it happens that the most convincing, compelling applicant has turned out to be a complete fraud.

Fourthly, your recruitment process should also test for competency. This could take the form of a case study, an assessment or a portfolio of evidence. Bear in mind that CVs often don't tell the whole truth about competency. Portfolio pieces also do not tell the whole truth as they may hide the fact that the work being presented was done by a team, by someone else or at a snail's pace.

In the rush to employ staff, many small businesses make costly mistakes which, as I mentioned earlier, can lead to a good chance that the business shuts its doors. Investing time and effort into a recruitment process to better select your employees will result in a more aligned and higher-performing team that takes less time to manage. Simply put, putting time and effort into your recruitment process creates a virtuous cycle. Not taking the time and effort creates a vicious cycle. Your choice.

ABOUT ALLON RAIZ

Allon Raiz is the CEO of Raizcorp. In 2008, Raiz was selected as a Young Global Leader by the World Economic Forum, and in 2011 he was appointed for the first time as a member of the Global Agenda Council on Fostering Entrepreneurship. Following a series of entrepreneurship master classes delivered at Oxford University in 2014, 2015 and 2016, Raiz has been recognised as the Entrepreneur-in-Residence at the University of Oxford's Saïd Business School.

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