

The High Cost of Job Vacancies

Monday morning. One of your operations managers walks in and announces that he's leaving for the competition. Tough loss, you think. You review your financials and decide to forgo hiring a replacement. You know you can count on your remaining two operations managers to pick up the slack. Besides, your bottom line needs the boost. Good decision, right? Before you pat yourself on the back, consider the story of Looks Good, a small, direct merchant of women's clothing.

An Expensive Decision

Pat Hammond, owner of Looks Good, recently lost three customer service representatives (CSRs), one of which had been the supervisor. Instead of replacing these employees immediately, she decided to take her time finding new CSRs. By juggling some schedules and paying some overtime, Pat figured she could cut down on her personnel costs. But problems arose immediately:

- Clothes Steed, a retail store planning to offer the Looks Good line, cancelled the deal in frustration. They had been working with the departed supervisor, and his fill-in knew nothing about the discussions. Lost revenue was estimated at \$10,000 per month.
- Remaining CSRs became overworked, and the percentage of order errors increased dramatically. The resulting returns and exchanges for the month cost Looks Good an additional \$900. Emma King, Looks Good's head buyer, resigned to join another company that she believed was more stable. Because Looks Good no longer had access to Emma's overseas contacts, their costs increased by 10%. For the current month, they spent an additional \$8,500.
- As troubles in the workplace mounted, employee frustration increased. Two additional CSRs resigned to take positions with other companies.
- Because Pat Hammond was forced to help answer the phones during busy periods, she put all employee evaluations on hold, which further upset her staff.

For Looks Good, the cost of open positions turned out to be incredibly high. In one month, they lost almost \$20,000 of potential revenue. What's worse, employee morale suffered tremendously, and turnover skyrocketed. If Pat Hammond doesn't right the ship immediately, she could be out of business.

The Real Costs

Looks Good's story may be fictitious, but the high costs of job vacancies are real. Don't

be fooled into believing that open positions cost you only some overtime. The truth is, vacancies can expose your organization to unforeseen and unacceptable expense, including the following:

Revenue Costs

Loss of revenue is the most obvious and most quantifiable cost associated with open positions:

- Delayed revenue resulting from longer Time To Market (TTM)
- Lost revenue resulting from products/services that could never be introduced
- Underutilized equipment
- Decreased output because employees are performing unfamiliar jobs

Personnel Costs

Employees who remain in your organization are hurt by vacancies. The added workload and higher stress levels can result in a number of problems:

- Sending a message that the company isn't performing well
- Greater incidences of illness, absenteeism, and tardiness
- Increased frustration
- Increased scrap and rework/error rates
- No opportunity to receive needed training
- Less chance of employees reaching individual goals
- Higher turnover

Team Costs

Open positions can also cost your work teams:

- Lost experience
- Increased chance that other members will leave

- Lost leadership
- Disruption in team cohesiveness
- Increased likelihood that poor performing team members will be retained
- More difficult to generate new ideas

Management Costs

Managers in charge of departments with open positions must contend with a number of headaches:

- Less time to manage remaining employees
- Increased frustration over lack of corporate support
- Higher turnover in middle management (and often in senior management)
- Increased opportunity costs because managers have to spend valuable time performing fill-in duties

Customer Costs

Vacancies in critical areas can affect customer satisfaction levels, sometimes with serious consequences:

- Loss of sales volume because of inability to fill orders
- Loss of sales volume because of reduced service quality
- Increased chance that customers will conclude you are getting weak or you don't care about them
- Customer attrition

Competitive Advantage Costs

Open positions can affect your ability to remain competitive in the marketplace:

- Sends a message to analysts that you are weak
- Sends a message to competitors that you are vulnerable
- Sends a message to prospective employees that the company is in trouble (this

problem can be especially acute for high-demand positions)

- Erodes your corporate culture

An Ounce of Prevention

Don't let your organization fall victim to the "we'll just make do" attitude. Take the time to evaluate the risks and consequences of vacancies in your workforce. Then, if appropriate, design a plan to eliminate these vacancies. Start by hiring people with the skills and temperament to succeed in your organization. Then make sure you keep these valuable employees satisfied and happy to be working for you. Yes, there are costs involved in developing well-functioning hiring and retention procedures. But the time and money you spend will be far less than the alternative.

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