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Unfilled jobs cost more than money: lost opportunities, morale

Editor's note: To inquire about submitting a column, contact Managing Editor Mark Reilly at (612) 288-2110 or mreilly@bizjournals.com.

The owner of a local company thought he had things all figured out. For two full months, three of his staff accounting jobs went unfilled. Even though that meant that employees with already full workloads had to pick up the slack, it seemed manageable enough, at least for a while. The HR department kept promising that the positions would be filled soon, but also made it known that strong candidates were hard to find. Initially, the owner shrugged this off — work was getting done, after all, albeit slowly — then he saw the light. The price of not filling those jobs was higher than he'd ever imagined. Tax season was around the corner, customers weren't being attended to, receivables were stacking up, and morale was sinking fast.

The above scenario is fictitious, yet couldn't be more real. Every company experiences turnover and lag time in hiring. But having positions sit vacant for extended periods is akin to opening a window next to a pile of cash. Valuable assets are quickly diminished.

For starters, consider lost opportunity. Great ideas and products come from people, not equipment, buildings or capital. So if you don't have great people, you can forget about building a great company.

Vacancies also place a burden on current employees, who are often required to do double duty. The problems that can stem from this are considerable, including stress, decreased productivity, lost opportunities, a rise in absenteeism and, ironically enough, an increase in resignations.

Then consider the impact of vacancies on customers and suppliers. Unless someone steps in immediately to manage the relation-

ship, they're likely to feel like a ship adrift at sea. And even if someone does step in, it takes time to cultivate a good relationship, reducing stability all the way around.

Vacancies also may send a message to competitors that the company is vulnerable, leading to increased competitive pressures. Vacancies can even affect recruiting. News travels fast and few people want to join a company that appears to have problems keeping its people.

Hiring managers must recognize and be able to communicate that leaving a position unfilled is terrible for the company. The open desk, cubicle, or office represents money lost every day. In fact, there are so many variables related to an open position and the domino effect it has on the workplace that it's almost impossible to assign an exact cost to it. And all the while, of course, hiring costs continue to climb.

That being said, it is possible to get a ballpark idea of costs. The following two-step formula will help you calculate the daily hard costs of not replacing staff and determining an acceptable future loss level:

R = Annual Company Revenue

E = Number of Employees

Step 1 - Calculate Revenue per Employee

$R / E =$ Revenue per Employee

Step 2 - Calculate Daily Revenue per Employee

Revenue per Employee/365 = Daily Revenue per Employee

For example, let's say that Step Two reveals that your daily revenue per employee is \$300. If you can manage a future lost revenue of \$10,000, you have about 33 days to fill your open position ($\$10,000/\$300 = 33.33$ days).

But if you're not OK with that kind of revenue loss — and most entrepreneurial and small- to mid-sized companies won't be — here are several strategies to consider:

One is taking steps in advance to reduce vacancies. Keep employees motivated by empowering them and providing consistent performance feedback and rewards. There's huge ROI potential in avoiding a vacancy,

especially if a former employee goes to a competitor with your ideas, causing their revenue to increase and yours to drop.

Second, recruit former employees. If you hated to see a particular employee go, chances are you'll be glad to have him or her back. What's more, since many employees resign to gain additional education or experience, they might even be more valuable to you the second time around.

Third, use temporary staffing to back-fill vacancies until the right person comes along. Contract consultants not only alleviate the escalating costs of unfilled positions, they give businesses breathing room, easing work loads as well as hiring timetables, and safeguarding both the budget and the bottom line.

Fourth and finally, have good relationships with the University of Minnesota and the University of St. Thomas. Both have innovative programs designed to help the local business community with recruiting efforts. And both are training exactly what you need: a ready work force. By ensuring that your pipeline is always filled with potential candidates, you can reduce the time to fill open positions.

All of these ideas are especially applicable in Minnesota, where, according to the National Association of Colleges and Employers, there's an acute talent shortage in a number of fields. And it's not going away anytime soon. Fewer graduates in key fields and droves of aging baby boomers on the brink of retirement all point to a painful fact of life in the years ahead: a significant lack of the very talent companies need to operate, to say nothing of gaining and maintaining a competitive edge.

In short, you need to have a plan to minimize and fill vacancies. Broadening the range of solutions and/or strategies you employ will ensure productivity, a competitive edge and opportunities for growth.

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Bottom Line
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