



MAY 2022

# THE IMPACT OF MAKING A BAD HIRE

Exploring the knock-on effect for tech teams in Germany



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# Foreword

The hiring landscape in Germany has changed phenomenally in the past two years – especially for tech talent.

Now, the situation is even more candidate-led than pre-pandemic. But this is not a bad thing. This is healthy. However, companies must adapt their hiring practices, processes and strategy to keep up.

Our report provides a deep-dive into the experiences of hundreds of senior tech leaders, entrepreneurs, CEOs, HR managers, and CTOs throughout Germany.

Their responses will, we hope, provide both a fascinating insight and an invaluable roadmap to help you make better informed tech hiring decisions.

We hope you enjoy reading this whitepaper and can take some actions to implement in your own tech hiring.

**– John Lennon, Founder**

# Introduction

The global tech talent shortage is no longer headline news but a challenging reality facing all businesses who hire technology professionals.

Rapid digital transformation has proliferated the demand for technical skills across the board, however, it has been left wanting in the absence of an abundant tech talent pool.

According to 2021 research by German development bank, KfW, information technology services is one of the main sectors in the country reporting severe skills shortages.

As businesses continue hunting for the in-demand talent they rely upon in a hugely competitive market with

increasingly high salary expectations, there's little margin for error in the tech hiring process.

Our research explores the critical areas within the existing tech hiring cycle in Germany, examining the associated costs, time investment and current hiring methods, with a focus on the implications of taking on a bad hire for tech teams.

Moreover, this research supports a growing bank of studies that expose the extent to which employers as a whole are approaching their hiring strategies in an antiquated and anti-competitive way.

*Take McKinsey, for example.*





In an article published in September 2021, McKinsey stressed the urgent need for employers to “properly re-examine the wants and needs of their employees” and to “reimagine how they lead” so as to effectively attract (and retain) the talent they need.

It isn't just the approach to hiring that employers are getting wrong, they often fall down at the most basic part of the process. Indeed, in 2018, CIO Magazine spoke with a community of tech professionals to canvass their experiences of applying for positions.

They cited a lack of understanding among employers as to precisely what it is they are hiring for, and the specific skills and abilities needed to be successful in a role.

Poorly written job descriptions were cited as deterrents for those applying for positions, while a lack of awareness or appreciation for diverse and inclusive hiring were other key criticisms.

Recruiting does not require a scientific approach, but to achieve its desired outcome (i.e. a successful hire) all the key constituents need to be applied and operating in sync with one another.

Team culture, fit, personality, values, personal motivations and aspirations all are critical elements to a successful hire, yet most companies ignore them and focus solely on a candidate's hard skills instead.

This is a mistake and as we will show in this whitepaper, such mistakes can come at a significant cost to the business – both reputationally and financially.

# Who we surveyed

We posed key questions to 162 respondents of German-based businesses hiring for tech personnel, ranging in size from 1 to 500+ employees.

The sample included a very wide range of businesses, some of which included blockchain, SaaS, FinTech, robotics, gaming and consumer tech specialists, as well as businesses from conventional sectors such as pharmaceutical, automotive, travel, energy, health and sports, construction and agriculture.

The vast majority of the respondents had hired for a technical position within the last six months. Over half of survey respondents (**55%**) were in C-level positions, just under a third were tech team managers, while **14%** classed themselves as hiring managers or HR professionals.



# HIRING THE RIGHT TALENT

# The importance of hiring the right tech talent

Finding, hiring and retaining the right people for the right roles at the right time is getting harder.

The COVID-19 pandemic saw fewer new vacancies created, but as restrictions began to ease and business confidence returned, hiring activity resumed once more.

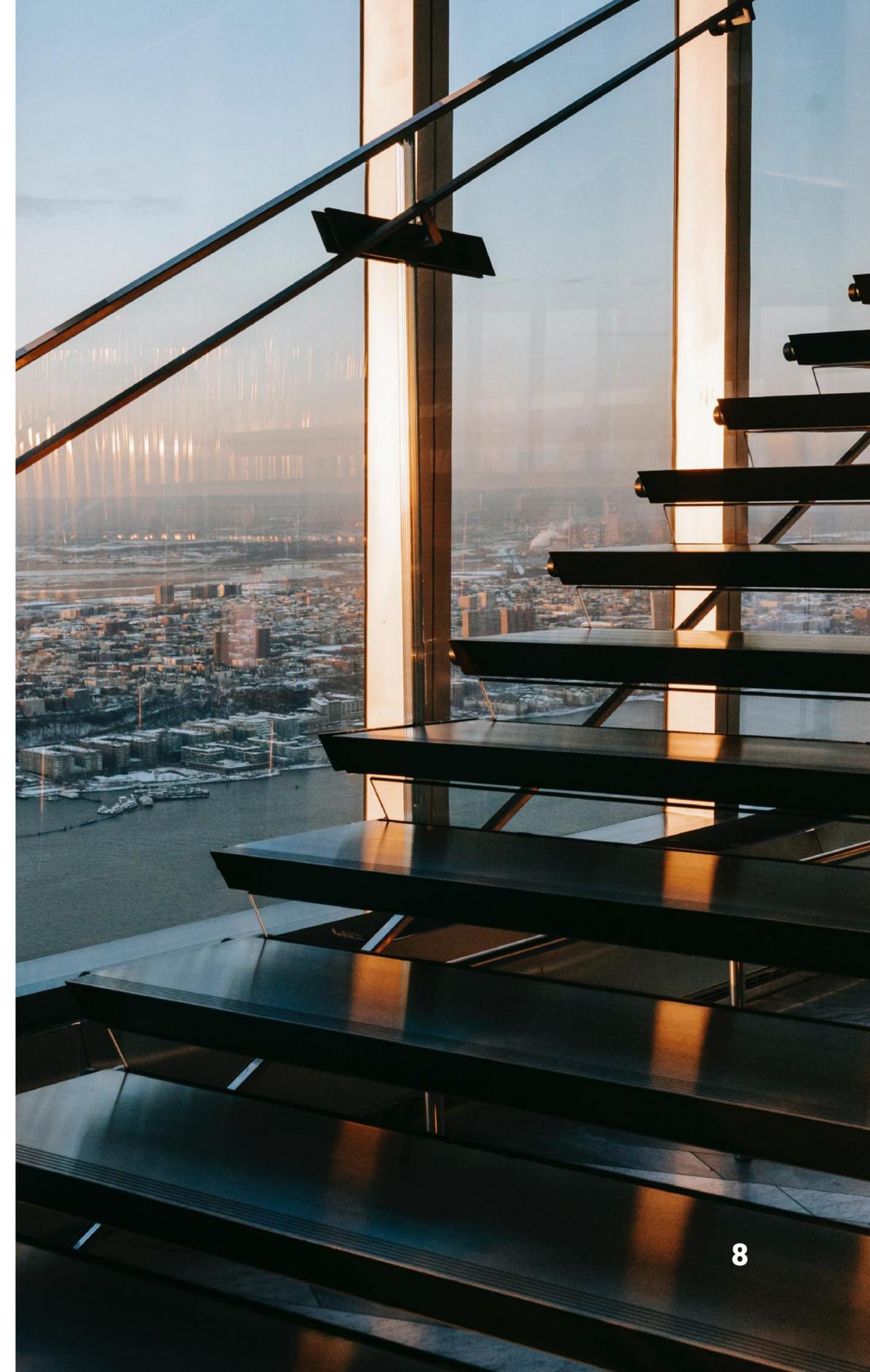
However, while demand for talent is rising, the availability of suitably skilled people is lagging behind the curve. It is a nightmare for hiring managers. The pressure on their shoulders has never been greater.

They understand the needs of the business and the responsibility they

have in ensuring the right people are found who can enable the organisation to continue along its upward trajectory.

Indeed, the lion's share of businesses recognised the importance of the hiring process, with **91%** rating it between 8-10 in the weight of importance. When asked about hiring the 'right' talent, **69%** regarded this as a '10' in terms of importance, with the majority of other responses rating 8s and 9s.

This is all very well when said and done. But the lack of movement in the jobs market is creating a wealth of issues and dilemmas for hiring managers – all of which come down to three things: time, quality, and cost.





# The ‘why’ behind the importance of hiring

Our survey wanted to better understand the reason why hiring was important to businesses, a question which returned a diversity of unique responses.

Delivering quality products, developing new functionality, improving the customer relationship, meeting rising demands and driving innovation were just some of the reasons highlighted. By far the most prominent theme was the acknowledgement of the fundamental role people play in the success of a business, with **30%**

specifically alluding to this. Another notable result was the link between hiring and growth, with over one quarter citing the need for their business to grow as a reason for hiring tech talent. Acquiring a candidate who fits in with an existing team and culture was also highlighted as an important part of getting it right when it comes to hiring.

Yet, against this backdrop, a remarkably high number of hiring managers are getting their recruitment all wrong, and the cost to the business both in terms of staff retention and the bottom line itself can be significant.

# The time cost of hiring the wrong people

The cost of hiring does not exclusively equate to paying a salary, holiday pay and potential bonuses. According to the findings in our survey, it also costs time.

Of course, spotting a potential poor hire is not easy. After all, candidates only show their best selves when attending an interview which makes it remarkably easy (and commonplace) for hiring managers to make a misdiagnosis. They also fail to act quickly enough to remove the said poor hire from the business.

Indeed, according to our findings, **4 in 10** (39%) of people surveyed said

that they had employed a bad fit for their company between 1-12 months ago, with **30%** stating that bad hires had stayed on in the business for 3-6 months. Worryingly, a staggering **11%** remained in the business for over one year.

A critical factor attributing to the wrong hiring decision being taken appears to be the length of the hiring process.

For some respondents, the process took between a week, and up to eight weeks or more. Almost one quarter of these companies took eight weeks or more to take on a tech professional, and around **28%** took between 4 – 8 weeks to complete the hiring process, with just three respondents taking less than a week to hire.

Average time to hire for **1 in 4** German-based tech employers?

**2 months**

Proportion of employers whose average time to hire is between **1-2 months**?

**28%**



#### HIRING THE RIGHT TALENT

Out of those businesses taking less than two weeks to recruit, only **3.7%** of their bad hires stayed in the post beyond a year, whereas those taking longer in the hiring process saw a higher percentage of ill-suited candidates staying for over 12 months.

For example, of those that took more than eight weeks to recruit, over **20%** of bad hires remained in their position after a year.

**39%**  
of German tech hiring managers report making a **bad hire** over the last 12 months

**41%**

of hiring managers admit to retaining a bad hire for too long – **30%** lasted 3-6 months and **11%** stayed over a year in the job

## The takeaway?

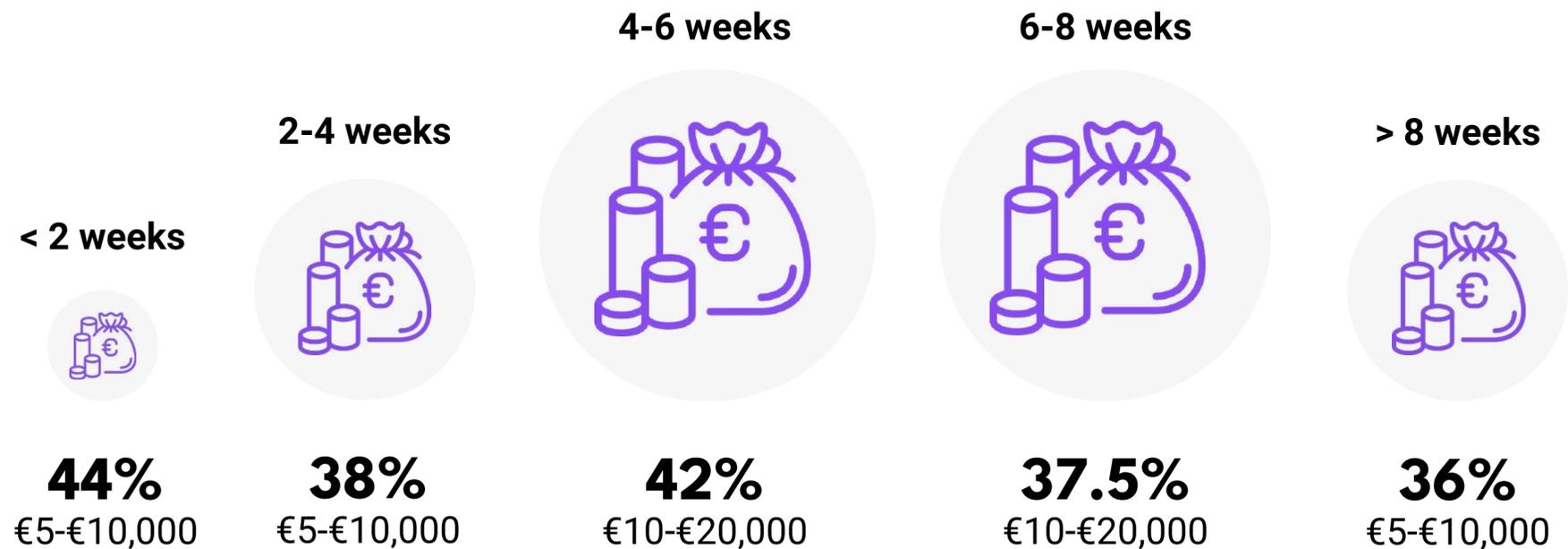
This indicates that **just because businesses are taking longer to recruit, it does not guarantee they are getting it right.** In actual fact, these companies are retaining bad hires for longer, longer than those who take less time to recruit. This therefore points to a problem in the hiring and interview process itself, and not the length of time companies earmark for recruiting.

# Time vs. cost when hiring a new employee

When looking at the relationship between the typical length of time taken to hire one tech recruit and the average cost, there was an increase in average spend the longer a process took.

This trend does plateau after a **six to eight week** recruitment timeframe, however, the longer time frame doesn't necessarily equate to a reduction in hiring costs and could be explained by extended notice periods with existing employers, or longer vetting processes.

So, on average, how much are people spending, in relation to their time to hire?





# ‘Bad hire’ trends

Our data also revealed several themes behind the reasons a tech hire had not gone as planned.

A common trend was the poor suitability of a candidate in relation to a company’s culture, mission and their way of working – all of which were mentioned as reasons for the wrong fit in just under a third (**31%**) of responses.

The businesses who identified ‘culture’ as a reason for a bad hire, were diverse in size, ranging from 1-500+ employees, suggesting culture fit is a key requirement across the board.

The notion of ‘hiring for culture and personality fit’ has been banded along the corridors of HR for several years. Yet, despite this, a certain degree of apathy appears to have set in with many employers overlooking its importance in the context of hiring. But this is arguably the most critical factor when it comes to recruiting tech talent.

However, to focus on ‘culture fit’ would be a mistake. Rather, energies need to be afforded to ‘culture add’ and hiring managers need to be aware of the differences. Recruiting people with the same set of values and backgrounds creates a ‘people like us’ environment – that is ‘culture fit’.

Its counterpart, 'culture add', is an altogether different proposition where the employer seeks candidates who can bring something to the table that isn't already there. In doing so, you create teams that are creative, adept, and curious – three things that combined support innovation.

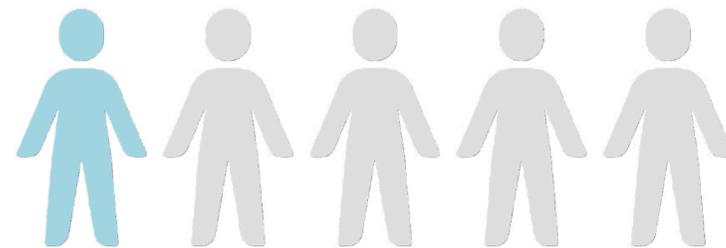
In a study conducted by Northwestern University, hiring managers were found to look to their own backgrounds and experiences when determining a candidate's potential fit for a role, whilst discounting those who didn't share the same qualities. "Sometimes," they told the BBC, "this was done unconsciously, other times it was overt."

Our findings show that around **1 in 3** (31%) of hiring managers believe that culture fit is the primary reason for a bad hire, and they continue to leave this out of the interview process.

Of course, lack of focus on culture add is not the only determinant of a poor hire.

Indeed, **12%** of companies pointed to a lack of necessary skills, including not just technology proficiencies but management, people and communication skills too, a similar portion of responses indicated a mismatch in expectations.

Significantly, it seems there are often multiple reasons why a single hire has had a negative result, with companies in the survey stating more than one reason for a bad hire.



Just under **a fifth** (17%) of respondents provided why the candidate they had chosen was not right for the position.



# The financial impact of a bad hire

The detriments of a bad hire to a company are widely understood, and the results within our research confirmed some expected themes.

One third of businesses pointed to the impact on team morale as a result of a bad hire, and a delay in projects and general financial impact were two further notable consequences, almost equal in their prominence.

Further to these more intangible consequences of a bad hire, we wanted to know more about the specific financial effects. We asked

respondents to tell us the estimated total cost of the bad hire they had previously referred to.

Out of those who had attributed a cost, **35%** said they had spent €20,000 or more, with responses ranging from €0-€250,000 and average spend totalling €28,706.

**18 respondents** from the survey said that they had spent over €100,000 on a bad hire, but perhaps more tellingly, the companies who had spent €250,000, had seen that poor fit employees stay in the position for over a year and had spent between 4-8 weeks recruiting them.

**18 respondents**  
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on a **bad hire**





Those who typically invest more financially into the recruitment process showed a tendency to retain a bad hire for longer.

For example, those who retained poor recruits for less than six months most commonly spent **less than €5,000** on the process, as opposed to those who retained the employee for more than six months - they typically spent in the region of **€10,000-20,000**.

This would suggest that hiring managers are looking to justify their recruitment spend, even when they know that the investment made has not delivered the intended returns.

That time and monetary investment can be significant when all the elements of the hiring process are taken into consideration: internal meetings to discuss and agree the job description, advertising on trusted websites, reaching out to existing candidate pools, interviews, meetings to make a final decision, the job offer and salary negotiations, drawing up of contracts, briefing line managers, setting up workstations, procuring equipment, onboarding and training...The list goes on.

# Length of time a bad hire stayed vs. cost

It stands to reason that the longer a bad hire stays within a business, the more it will cost financially.

Putting the numbers from the research into focus reveals that the average cost of a bad hire who stayed in the business for less than a week was **€2,333**.

Bad hires who stayed less than a month cost the business an average of **€9,778** and those who stayed less than 2 months cost **€11,708** on average. The pattern continued reaching an average spend of **€77,778** for those who stayed over a year.

Those who retained bad hires for less than **six months** most commonly spent less than

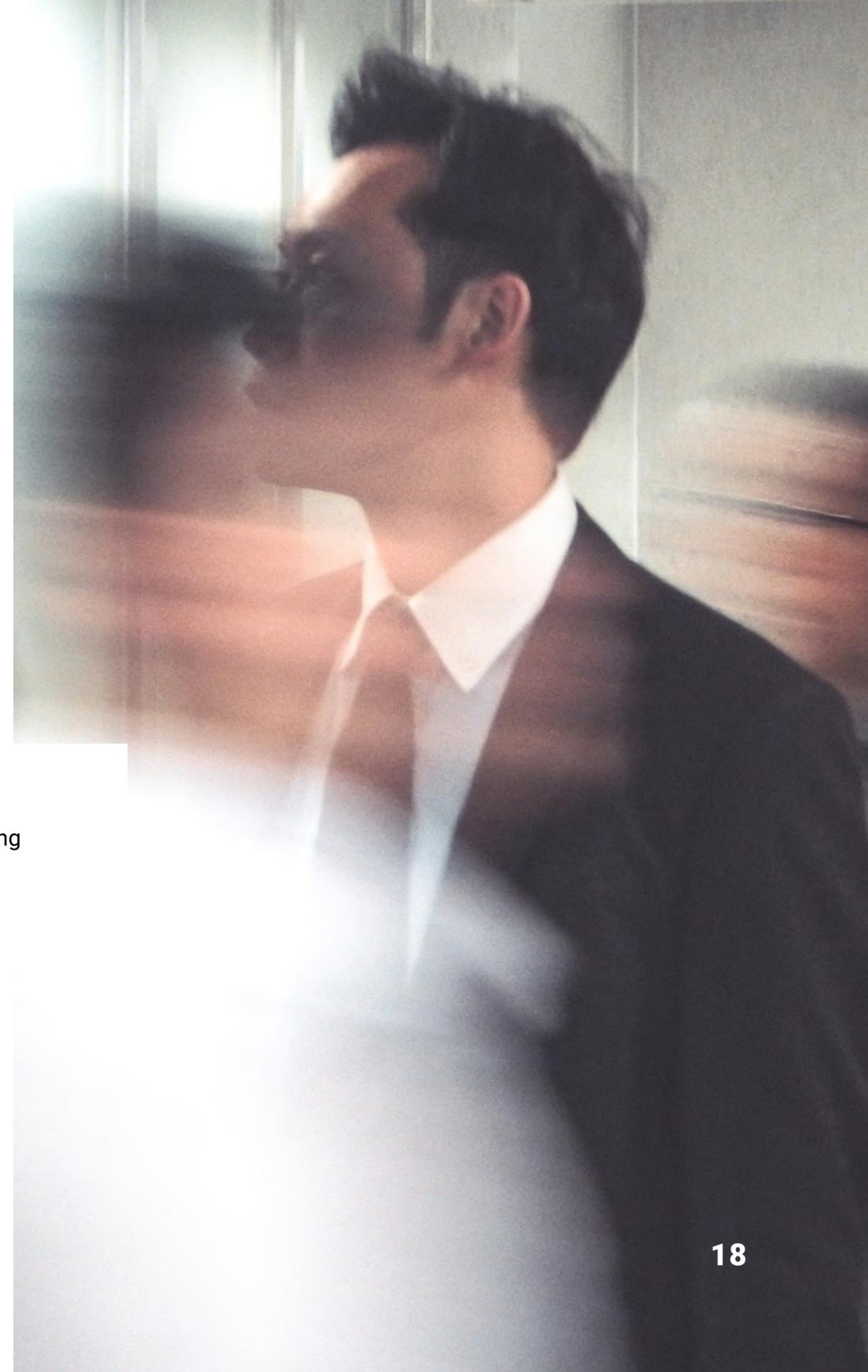
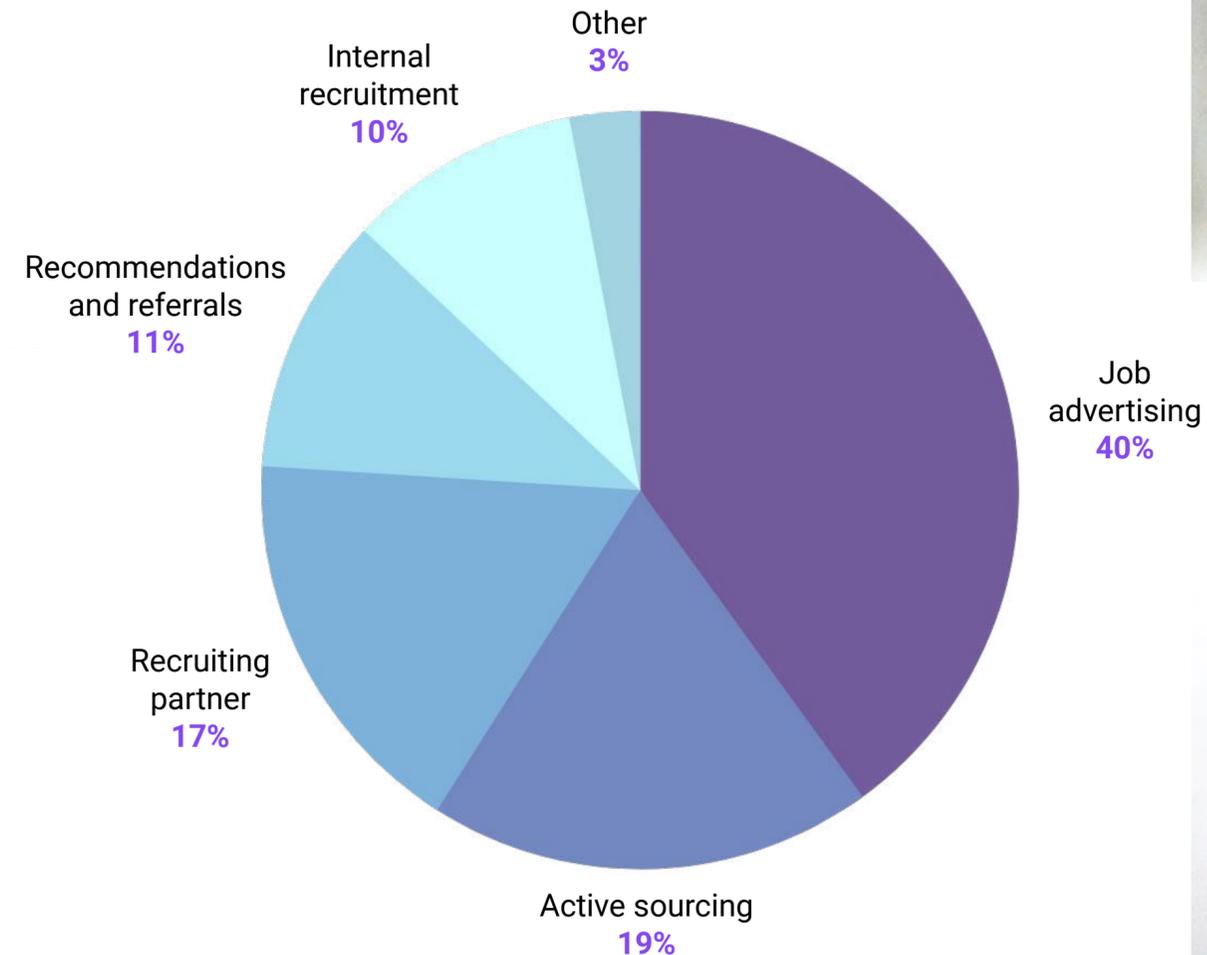
**€5,000**  
on the process

# Dissatisfaction with existing approaches

There are multiple channels for recruiting tech employees, the choice of which is critical to the efficiency of the hiring cycle.

In our survey, we asked what a company's main existing method is for hiring tech talent.

The divide of the single key and 'existing' recruiting method adopted by businesses hiring for tech talent revealed an interesting split, as illustrated on the right.



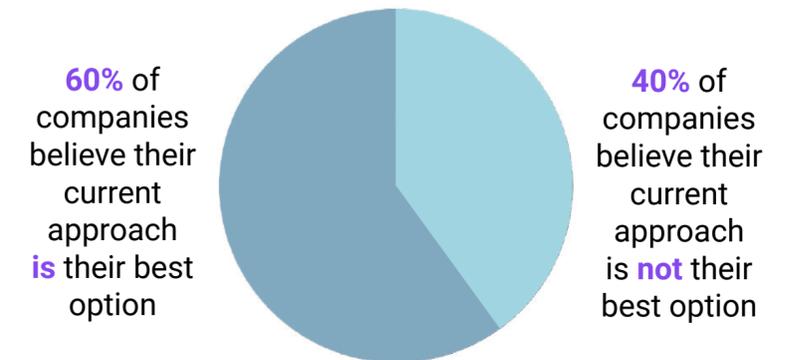


In a separate question, we asked what companies believe to be the 'best' form of hiring tech professionals.

Compellingly, in **40%** of the responses, there was a discordance between a company's current key approach to hiring, and what they thought was the most effective hiring method.

This signifies a clear dissatisfaction with current hiring processes within a large portion of businesses hiring tech talent, it also hints those businesses are aware their current hiring process is not working.

In addition, **17%** of the overall respondents believed that working with a recruiting partner is the best method, however, only **12%** actually had adopted it, and around one third are still not using this approach despite considering it to be the optimal hiring process.



**1 in 3**  
respondents still choose to **not** work with a recruiter, despite believing it's their best option

**THE SOLUTION**



# Are recruiters the solution?

When analysing the results of the research that THRYVE conducted, there was a moment of confusion.

On the one hand, it was good to generate real-time insights into the state of tech hiring in the German market.

However, on the other hand, there was a sense of frustration in that our findings simply served to reinforce what we have seen for ourselves in helping more than 300 companies in Germany with their hiring strategies over the last eight years.

The notion of utilising the services of an external recruitment provider can be something of a taboo subject for some hiring managers.

But at a time when time itself remains a precious commodity for hiring managers coupled with competition for the best talent being more intense than ever before, talent movement remaining frustratingly slow, and existing candidate pools rapidly drying up, streamlining hiring processes without sacrificing quality of applicants remains a primary challenge for employers that recruitment agency partners can help them to overcome.

Every role within the organisation has seen a change of some sort over the last two years, especially that of the hiring manager. Not only are they charged with running their own departments, theirs is a role that can make one of the greatest impacts on the success (or failure) of the organisation based on the quality of the hires they make. So, why leave it to chance?

As we have seen, employers are facing a plethora of challenges when it comes to talent. Add increased workloads and with more recent developments such as the rise of cost of living, and salary inflation, it is easy to see why finding the right people for the right roles isn't always as successful as planned.

This is precisely where a recruitment agency like THRYVE really comes into play and the reason why the demand for outsourced hiring is increasing among tech hiring managers in Germany. The reasons for doing so

are aplenty, and chief among them is the ability of agencies like THRYVE to leverage their extensive networks and deep-dive into the heart of the organisation's market to find the tech talent with the right experience and expertise to meet the criteria of the hiring manager's ideal candidate.

As we discussed earlier in this whitepaper, the primary reason why employers struggle to find the right people for their organisations is because their hiring process is not right. Or, put another way, **it isn't good enough for its intended purpose.**

For some, it is too slow and that can see good candidates drop out of the process. For others, the process is too fast yet that can result in both candidates and hiring managers lacking the details they need to make an informed decision. But for many, the hiring process is too convoluted where in practice it needs to be streamlined to be more effective.





Hiring managers don't need to work with a recruiter who simply sends them resumé after resumé. That makes the process too transactional.

Rather, what is needed is a personal approach that is consultative in nature – one that shapes the entire hiring process around the specific needs of the role and the hiring organisation, which in turn delivers results.

There is no one size fits all tactic – that simply doesn't work, and regrettable it is an approach that many hiring managers continue to take.

The benefit of outsourcing the hiring function is that it frees up the time for managers to focus their energies on those other day-to-days tasks

that carry often-equal priority while having the peace of mind that the searching and attracting top talent process is being undertaken. Some of these candidates will be known to the recruitment consultant and open to new opportunities.

Others may have had no intention to move on from their current role, but by understanding the precise nature of the role being recruited for the consultant is invariably able to 'sell' the opportunity to them. They then screen and assess these candidates and only present a shortlist of those candidates who have demonstrated the greatest potential to be successful in the role.

Perhaps the most important factor when using an external provider is that they effectively enable the employer to practice what they preach.

Indeed, the needs of both employers and employees have changed markedly not just since the pandemic but over the last 10 years.

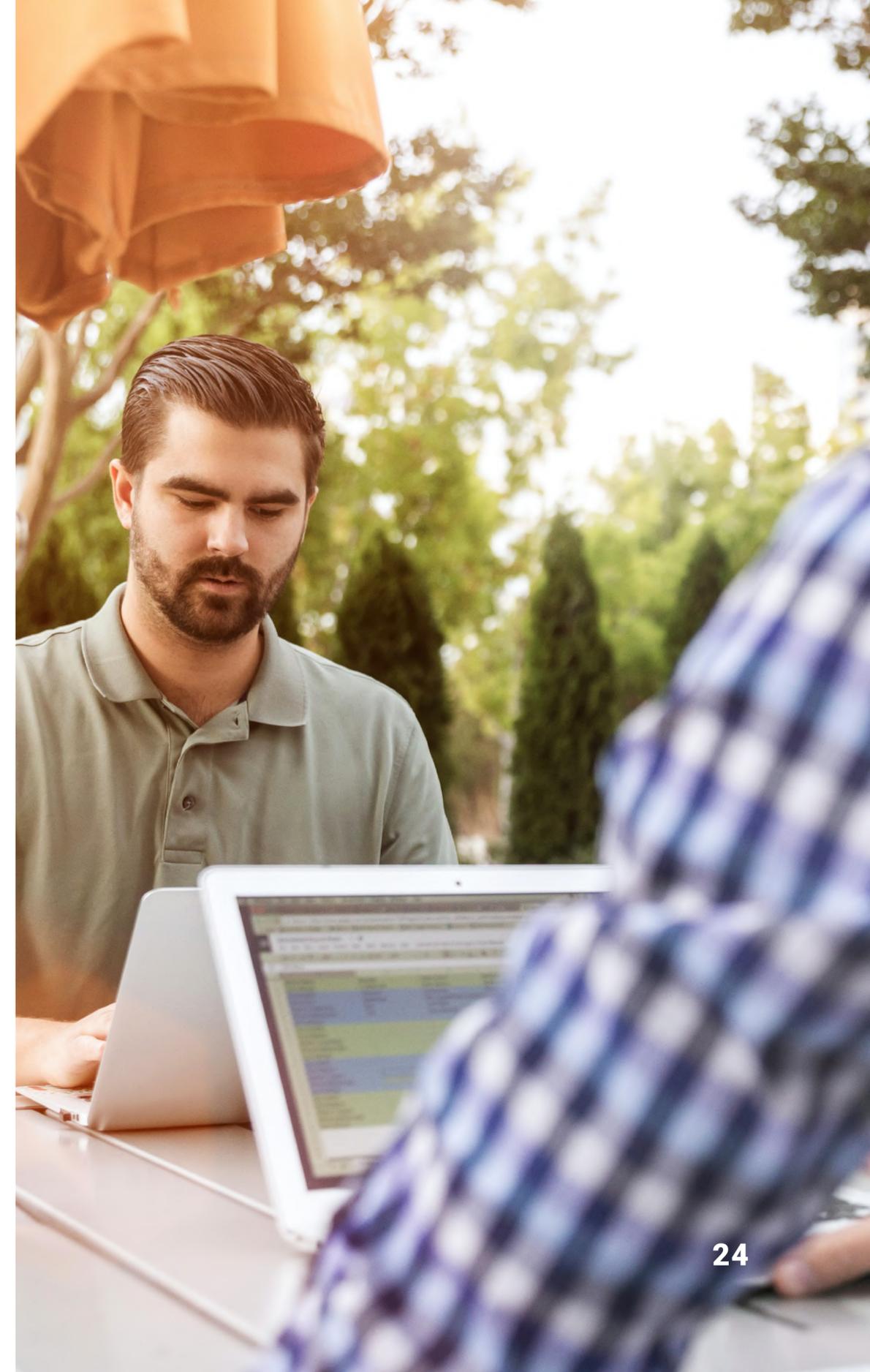
From the drive to become a better engaged, more diverse, and inclusive employer, to one that provides the flexibility and support to enable true personal and career development. Hiring never stands still and nor should the way in which the process is undertaken. After all, just how effectively can a candidate be judged if the only opportunity they have to demonstrate their suitability for a role is the technical expertise stated on their resumé or ability to perform well in a coding task at interview? Skills can be taught, but attitude and behaviour cannot.

Our experience of almost a decade of working in close partnership with some of Germany's most exciting and forward-thinking tech employers has

shown us that the most successful hiring managers are those who practice what they preach. In doing so, the outcomes extend beyond simply filling a role with a great candidate to improving the organisation's overall business performance; people really are an organisation's greatest asset.

Ultimately, all employers value expertise – people who truly understand their sector and the nuances of the discipline they are looking to fill. By working with a recruitment partner that has its finger on the pulse of the industry with an in-depth knowledge of its machinations, tech hiring managers can save time and mitigate the risk of a bad hire.

THRYVE is one of Germany's biggest providers of technology professionals across the emerging and critical technology sectors. We have operated in the German market longer than most and have a deep working knowledge of the sector that ensures the right hire is made at the right time, every time.



# SUMMARY



The breakneck speed of technological progression is dictating the pace for companies making tech hires and is set to do so for the foreseeable future.

Deloitte's ***The German Technology Sector, from Hardware to Software Services Report*** states that by 2022, sales revenue in the German technology sector will have grown **20%** to €280 Billion.

The effects of the pandemic have condensed the typical timeframe of technological advancement and adoption to just a few years. As a result, this has made technology talent imperative to the aim of staying competitive now and in the future, while also placing pressure on businesses to fill pivotal tech positions with the right people.

At the moment, hiring processes are costing businesses in Germany the critical commodities of time and money, due to poorly executed processes which are quickly becoming obsolete. According to our data, companies are placing too much value on the time and money spent hiring tech professionals via traditional processes, and less on the refinement and sophistication of their approach. As a consequence, they are often retaining poorly suited recruits with no discernible benefits from their investments.

Ultimately, it is the process itself that needs attention. A new approach is required. One that recognises the inherent drawbacks with the current systems, one that adopts modern and ethical sourcing techniques and one that understands the need to hire the kind of tech talent that helps businesses thrive.

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