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Leadership IQ Study: Why New Hires Fail

WASHINGTONS, D.C. – September 20, 2005 -- According to a new study by Leadership IQ, 46% of newly-hired employees will fail within 18 months, while only 19% will achieve unequivocal success. But contrary to popular belief, technical skills are not the primary reason why new hires fail; instead, poor interpersonal skills dominate the list, flaws which many of their managers admit were overlooked during the interview process.

The study found that 26% of new hires fail because they can't accept feedback, 23% because they're unable to understand and manage emotions, 17% because they lack the necessary motivation to excel, 15% because they have the wrong temperament for the job, and only 11% because they lack the necessary technical skills.

The three-year study by Leadership IQ, a global leadership training and research company, compiled these results after studying 5,247 hiring managers from 312 public, private, business and healthcare organizations. Collectively these managers hired more than 20,000 employees during the study period.

While the failure rate for new hires is distressing, it should not be surprising: 82% of managers reported that in hindsight, their interview process with these employees elicited subtle clues that they would be headed for trouble. But during the interviews, managers were too focused on other issues, too pressed for time, or lacked confidence in their interviewing abilities to heed the warning signs.

"The typical interview process fixates on ensuring that new hires are technically competent," explains Mark Murphy, CEO of Leadership IQ. "But coachability, emotional intelligence, motivation and temperament are much more predictive of a new hires' success or failure. Do technical skills really matter if the employee isn't open to improving, alienates their coworkers, lacks drive and has the wrong personality for the job?"

The study tracked the success and failure of new hires and interviewed managers about their hiring tactics and new hires' performance, personality and potential. Upon completing the 5,247 interviews, Leadership IQ compiled, categorized and distilled the top five reasons why new hires failed (i.e., were terminated, left under pressure, received disciplinary action or significantly negative performance reviews). The following are the top areas of failure, matched with the percentage of respondents.

- Coachability (26%): The ability to accept and implement feedback from bosses, colleagues, customers and others.
- Emotional Intelligence (23%): The ability to understand and manage one's own emotions, and accurately assess others' emotions.
- Motivation (17%): Sufficient drive to achieve one's full potential and excel in the job.
- Temperament (15%): Attitude and personality suited to the particular job and work environment.
- Technical Competence (11%): Functional or technical skills required to do the job.

In addition, the study found no significant difference in failure rates across different interviewing approaches (e.g., behavioral, chronological, case study, etc.). However, 812 managers experienced significantly more hiring success than their peers. What differentiated their interviewing approach was their emphasis on interpersonal and motivational issues.

"Highly perceptive and psychologically-savvy interviewers can assess employees' likely performance on all of these issues," explains Murphy. "But the majority of managers lack both the training to accurately read and assess candidates, and the confidence to act even when their assessments are correct."

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"Hiring failures can be prevented," he notes. "If managers focus more of their interviewing energy on candidates' coachability, emotional intelligence, motivation and temperament, they will see vast improvements in their hiring success. Technical competence remains the most popular subject of interviews because it's easy to assess. But while technical competence is easy to assess, it's a lousy predictor of whether a newly-hired employee will succeed or fail."

"The financial cost of hiring failures, coupled with the opportunity cost of not hiring high performers, can be millions of dollars, even for small companies," adds Murphy. "And the human cost can be even worse. If a hospital hires a nurse that won't accept feedback and alienates pharmacists and physicians, the result could be a medical error. This one bad hiring decision could cost a patient their life."