



**PARTENAIRE EN CHASSE
DE TALENTS EXÉCUTIFS**

■ WHY THIS GUIDE

Salary is just the tip of the iceberg

When a hire fails in a management role, most organizations count the salary paid, and stop there. It is the most common miscalculation in human resources.

Salary is the visible part. Below the surface lie lost productivity, a disengaged team, poor decisions, missed opportunities and a search that starts all over again. These costs are harder to quantify, and that is exactly why they get ignored: what never appears in a budget ends up costing the most.

Industry analyses converge: a bad hire typically costs **2 to 3 times the annual salary** of the position, and even more for executive roles, where every decision ripples across the organization.

This guide walks around the whole iceberg: the visible costs, the costs below the surface, a worked example, then a grid to run your own numbers. It closes with the five levers that reduce the risk at the source.

“The dynamic range between what an average person could accomplish and what the best person could accomplish is 50 or 100 to 1.”

Steve Jobs, co-founder of Apple

 FIRST CATEGORY

The visible costs

These are the amounts that show up in black and white in your books. Painful, but at least they can be counted.

1. Salary and benefits paid

Every month the wrong person holds the position, the organization pays full price for partial performance. Add 15 to 25% to salary for benefits, contributions and payroll charges.

2. Severance

Parting ways with an executive almost always involves severance: depending on tenure, level and terms, expect anywhere from a few weeks to several months of salary, sometimes with legal fees on top.

3. Recruiting all over again

The first search is a sunk cost: postings, fees, managers' time spent in interviews. And everything starts over, often under pressure, which raises the risk of repeating the mistake.

4. Onboarding, twice rather than once

Training, knowledge transfer, coaching time from leadership and the team: everything invested in onboarding the first person is lost, and will have to be reinvested in the next.

■ SECOND CATEGORY

The costs below the surface

Invisible in the financial statements, they almost always exceed the visible costs. This is where the iceberg reaches its full size.

5. Lost productivity

A poorly held management position produces a fraction of its value for months. Then comes the vacancy: between the departure and the successor's start date, the position produces nothing, and someone else carries the load on top of their own.

6. A disengaged team

A poor leader does not underperform alone: the whole team underperforms with them. Disengagement, lost direction, overtime to compensate, and in the worst cases, the departure of your best people. Replacing a key employee who leaves because of a bad manager is a hiring mistake that breeds others.

7. Poor decisions and missed opportunities

The hardest cost to quantify, and often the largest. Executives make decisions that commit the organization: bad investments, delayed projects, neglected clients, missed turns. While the position is poorly held, your competitors keep moving.

8. Credibility and reputation

Internally, a visible hiring mistake shakes confidence in leadership. Externally, clients and partners notice turnover in key roles. And in the talent market, a revolving door of managers makes the next search harder.

■ CASE IN POINT

A worked example

Take a vice-president role at \$160,000 a year. The hire does not work out, and the organization parts ways after 12 months. Conservative estimates:

Visible costs	
Salary and benefits paid (12 months, benefits at 20%)	\$192,000
Severance (3 months)	\$40,000
First search (fees and expenses)	\$40,000
Second search	\$40,000
Onboarding and training, twice	\$30,000
Costs below the surface (conservative estimates)	
Lost productivity (partial performance, then a 3-month vacancy)	\$120,000
Team impact: disengagement, overload, attrition risk	\$50,000
Poor decisions and missed opportunities (provision)	\$100,000
Estimated total cost	\$612,000

Nearly 4 times the annual salary. And this example remains conservative: it assumes the mistake is recognized and corrected within 12 months. The longer an organization waits to act, the bigger the iceberg grows below the surface.

■ YOUR TURN

Run your own numbers

Think of a failed hire in your organization, or of the position you are about to fill. Fill in the right-hand column with your own figures.

Cost element	Your estimate
Salary and benefits paid over the period	
Severance and legal fees	
First search (postings, fees, internal time)	
Second search	
Onboarding and training, twice	
Lost productivity (partial performance and vacancy)	
Team impact (disengagement, overload, departures)	
Poor decisions and missed opportunities	
Impact on credibility and reputation	
Total	

Quick check: if your total comes in under 2 times the position's annual salary, you have probably missed something below the surface.

■ PREVENTION

Five levers to reduce the risk at the source

A bad hire costs hundreds of thousands of dollars. Preventing one costs a fraction of that amount. Here is where the difference is made:

- **1. Define the need before you search.** Most hiring mistakes are made before the first interview: a vague profile attracts the wrong candidates and makes evaluation impossible. Define the mandate, the expected results and the profile, with every stakeholder at the table.
- **2. Search beyond active candidates.** Limiting yourself to those who apply means choosing from a fraction of the market, and rarely the best of it. The strongest leaders are employed: you have to seek them out, and persuade them.
- **3. Assess in depth, not just the résumé.** A track record says what a person has done; it does not say how they behave, or whether they will fit your culture and your team. A serious assessment measures all three, and takes more than 30 minutes.
- **4. Take care of candidates through to signing.** The best candidates have options. A slow, opaque or impersonal process makes them drop out along the way, and leaves you choosing among those who remain.
- **5. Support the onboarding.** Recruitment does not end at the signature. The first months decide the outcome: a well-integrated executive reaches full performance faster, and stays.

■ IN CLOSING

The real math

The question is not “how much does rigorous recruiting cost?” but “how much does a failed hire cost?”. The first runs in the tens of thousands of dollars. The second, in the hundreds of thousands, not counting the time and momentum lost.

An exceptional leader is recruited once, and creates value for years. That is the math behind the organizations that entrust their most critical positions to specialists, and entrust them again.

Surrounding yourself with the best should never be a compromise.

A management position to fill?

Book a 15-minute call: tell us about the position, and we will tell you frankly how we would approach it. And if we are not the right firm for your need, we will tell you that too.

taveo.ca · info@taveo.ca · 418 990-1637 · 514 257-5199

Taveo is an executive search firm specializing in the recruitment of managers and executives, with offices in Québec City and Montréal. More than 400 mandates completed over more than a decade, for organizations across every sector.

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Siège social

400-1020 rue Bouvier

Québec, Québec

G2K 0K9

418-990-1637

www.taveo.ca

Succursale de Montréal

1020 De Bleury Local 1215 Montréal,

Québec

H2Z 0B9

Tél : 514-257-5199