

**HIRING**

# **It's Better to Avoid a Toxic Employee than Hire a Superstar**

by Nicole Torres

DECEMBER 09, 2015



Superstar employees are the obsession of the corporate world. They're highly sought after, given the most attention and the best opportunities, generously rewarded, and expressly reassured after setbacks. And while some question whether such special treatment is appropriate, it's clear that this group has outsize influence: high-performers have been estimated to be four times as productive as average

workers, and research has shown that they may generate 80% of a business's profits and attract other star employees. They can comprise the top 3% to 20% of a company's workforce.

But according to a recent working paper from Harvard Business School, there's another group that can have an even greater effect on organizations: toxic workers. These are talented and productive people who engage in behavior that is harmful to an organization, say authors Dylan Minor, a visiting assistant professor at HBS, and Michael Housman, Chief Analytics Officer at Cornerstone OnDemand. They looked at otherwise skilled employees who ended up doing real damage – employees who had been fired for egregious company policy violations, such as sexual harassment, workplace violence, or fraud – and found that avoiding such people can save companies even more money than finding and retaining superstars.

### **The high cost of bad hires**

Their data came from a company that sells job-testing software to large employers, and it combined three things: 1) job assessment scores that captured applicant traits like confidence in their skills, whether they care about others people's needs more than their own, and their philosophy on following rules; 2) attrition data, which included hire dates, termination dates, reasons for termination, etc.; and 3) daily performance data. The dataset spanned 11 global companies and 58,542 hourly workers. Minor and Housman found that roughly 1 in 20 workers was ultimately fired for toxic behavior.

They compared the cost of a toxic worker with the value of a superstar, which they define as a worker who is so productive that a firm would have to hire additional people or pay current employees more just to achieve the same output. They calculated that avoiding a toxic employee can save a company more than twice as much as bringing on a star performer - specifically, avoiding a toxic worker was worth about \$12,500 in turnover costs, but even the top 1% of superstar employees only added about \$5,300 to the bottom line.

The real difference could be even bigger, if you factor in other potential costs, such as litigation fees, regulatory fines, lower employee morale, and upset customers. One 2012 CareerBuilder survey found that 41% of the nearly 2,700 employers surveyed estimated that a bad hire could cost \$25,000, while a quarter believed it was much higher—\$50,000 or more.

## **Who is likely to be toxic?**

The study also uncovered certain personality and behavioral traits predictive of such behavior.

Overconfident, self-centered, productive, and rule-following employees were more likely to be toxic workers. One standard deviation in skills confidence meant an approximately 15% greater chance of being fired for toxic behavior, while employees who were found to be more self-regarding (and less concerned about others' needs) had a 22% greater likelihood. For workers who said that rules must *always* be followed, there was a 25% greater chance he or she would be terminated for actually breaking the rules. They also found that people exposed to other toxic workers on their teams had a 46% increased likelihood of similarly being fired for misconduct.

Overconfidence and narcissism have been associated with negative work outcomes before. What was more surprising was that people who believed rules should *always* be followed (compared to those who answered that you sometimes have to break the rules to accomplish something) were more likely to exhibit toxic behavior. The authors hypothesized that this may be due to applicants trying to tell recruiters what they want to hear. “It could be the case that those who claim the rules should be followed are more Machiavellian in nature, purporting to embrace whatever rules, characteristics, or beliefs that they believe are most likely to obtain them a job,” they wrote. “There is strong evidence that Machiavellianism leads to deviant behavior.”

The toxic employees in their sample were also more productive than the average worker, in that it took them less time to complete a task than it took their colleagues. The authors say this is consistent with other research that has found a potential trade-off when it comes to unethical workers – they may be corrupt, but they are high performers. And aside from performance, bad guys often win at work because they exhibit other valued traits, like charisma, curiosity, and high self-esteem. Still, they aren't likely to help the organization in the long term. Minor and Housman note that although toxic workers may be faster than average employees, they don't necessarily produce higher quality work.

## **Avoiding toxicity**

“We often think of hiring and evaluation as one or two dimensions. We want someone who is highly productive in sales and has good customer service,” Minor told me over email. “However, there is a third dimension: the person’s corporate citizenship. If it is really poor, they are not going to be a good hire. Organizational productivity would likely even be greater if the manager hired the worker that was a bit less productive but had better corporate citizenship.”

The idea that a negative has a stronger impact than a positive has been established in fields like finance (losses have more of an impact than gains), psychology (people remember bad experiences more than good ones), and linguistics (we pay more attention to negative words than positive or neutral ones). If toxic workers have a stronger (corrosive) effect on a firm than even the highest performing non-toxic ones, then it seems fair to say that managers should give the former more thought.

“The medical term *primum non nocere* (first do no harm) I think applies here,” Minor told me. To follow his advice, managers may need a more holistic hiring approach—one that actively focuses on avoiding bad hires at least as much, if not more so, than on attracting superstars.

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Nicole Torres is an associate editor at *Harvard Business Review*.

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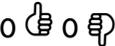
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**ADAM HICKMAN** a year ago

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