

Example: Measuring Development

Initiative: Structured Top Talent Development Program

Investment: \$350,000 per year for a 2-Year Program

Why: To reduce the # of people recruited externally for executive positions

Define Success: Progress Measure – Increase % of top talent retention
Outcome Measure – # of CXO roles filled internally

Metrics: Increase in top talent retention %

Year 1 Data:

- Top talent pool = 100 people. Average salary = \$100,000.
- Replacement cost for top talent = 60% of salary*
- Program Results = Top talent retention increased from 81% to 92% (^ 11%)

Convert Metrics to ROI:

- Money saved = \$660,000 ($\$100,000 \times .60 = \$60,000 \times 11 = \$660,000$)
- **Year 1 ROI = 88%** ($\$660,000 - \$350,000 = \$310,000 / \$350,000 \times 100 = 88\%$)

Year 2 Data:

- Top talent pool = 100 people. Average salary = \$100,000.
- Replacement cost for top talent = 60% of salary*
- Program Results = Top talent retention increased to 94% (^ 13%)

Convert Metrics to ROI:

- Money saved = \$780,000 ($\$350,000 \times .60 = \$60,000 \times 13 = \$780,000$)
- **Year 2 ROI = 123%** ($\$780,000 - \$350,000 = \$430,000 / \$350,000 \times 100 = 123\%$)

In the 3rd Year, the first CXO position is filled by someone in the top talent program.

- Total compensation for CXO including bonus, options and other benefits = \$600,000
- $\$600,000 \times 213\%^{**} = \$1,278,000$
- **Year 3 ROI = 83%** ($\$1,278,000 - \$700,000 = \$578,000 / 700,000 \times 100 = 83\%$)

The way I did the ROI calculation, the annual amounts would be cumulative so total ROI for the program after three years would be $88\% + 123\% + 83\% = 294\%$

This program has paid for itself almost 3 times over.

*SHRM 'Retaining Talent' Research Document: "replacement costs can reach as high as 50%-60% of an employee's annual salary"

**Center for American Progress 2012, Boushey & Glynn, "There are significant costs to replacing employees."