



greenhouse

Applying employee lifetime value (ELTV) to articulate the ROI of people practices

An interactive proposal template

Introduction

Articulating the return on investment (ROI) of people practices is extremely challenging. Unlike other departments in the organization, the output of the people team isn't as directly tied to business outcomes and has few measurable outputs. Because of this, it's difficult to demonstrate the absolute value of making investments in your talent or people practices. However, even small improvements in hiring, onboarding, and managing talent can result in significant ROI for the business – and this is something you can articulate to executives when getting buy-in for the resources and tools you need. How? With a new concept – using employee lifetime value (ELTV) to compare the relative return of people practices.

The following proposal template can be used to take the concept of ELTV and apply it to real-world situations by framing people initiatives in terms of ROI and ELTV. There is also supporting data that you can use in the appendix to further support your case.

Overview

Basic framework for framing investment proposals

Situation analysis

What's the current state of things? Use data and information from your company and supporting data from external studies.

Proposed solution

How do you “combat” the problem, or leverage the opportunity?

Return on investment (ROI)

Investment required and business impact.

Obstacles, challenges and open questions

No plan is free from obstacles. Be upfront about what those are.



Sample template

An example of a proposal for hiring a data analyst to the recruiting team.

Situation analysis

Our recruiting process is not currently set up to make data-driven decisions. Because of this, hiring managers often have to rely on gut-feel when making hiring decisions.

At [our.co], the recruiting team has no easy way to track basic recruiting metrics like days to offer or candidate satisfaction

At [our.co], 15% of new hires are classified as “not the right fit for the job” at their six month check-in

A study by the BCG group showed that excellent recruiting practices contribute to more than 2x profit margins

Industry studies show that hiring decisions based on gut-feel are more likely to be influenced by unconscious bias, which adversely impacts a company’s diversity and inclusion initiatives

Proposed solution

Transform the recruiting process to facilitate evidence-based and data-driven decisions.

Develop a set of recruiting KPIs to send to all stakeholders at a regular cadence. Set goals and targets around the KPIs and communicate progress.

Hire a data analyst to develop recruiting reports, analyze metrics and recommend continuous optimizations on the recruiting process.

Create “offer packages” to share with department heads before approving offers. Offer packets should include all feedback and scorecards submitted about the candidate.



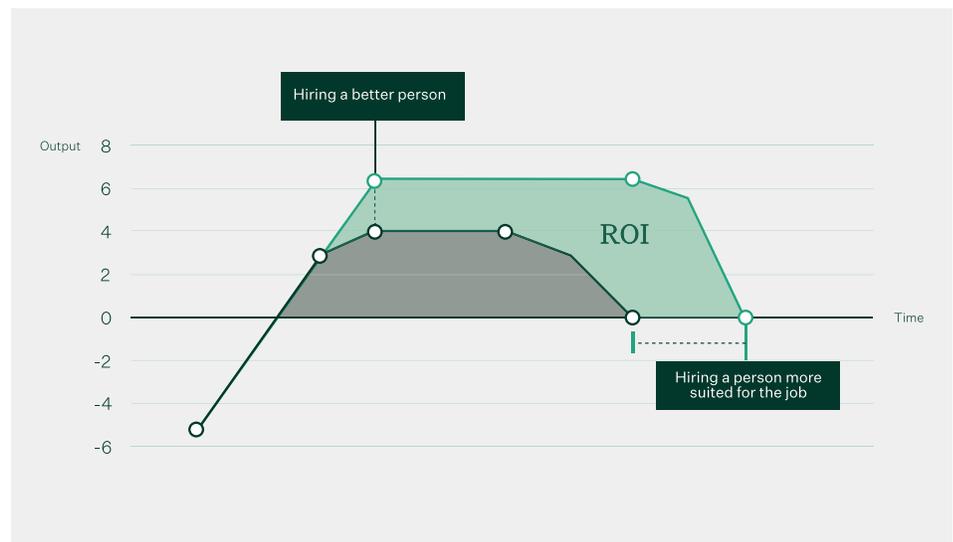
Return on investment (ROI)

Investment required – Data analyst to manage initiative (\$60K/year)

Business impact – By using data to inform process improvement and hiring decisions, we can make a significant impact on the employee lifetime value (ELTV). Specifically:

Increase quality of hire

Increase percentage of employees who stay past six months



Obstacles, challenges and open questions

Like with any data project, the first step will be ensuring data integrity. It is likely that our data is not complete enough to report on as-is and will need an extensive “data clean-up” before we’re ready to start reporting regularly.

The program will need hiring manager buy-in. In order to create offer packets and track all of the data, interviewers will have to input their feedback in a timely manner. Hiring manager support in this initiative will be very helpful.



Template

Try one of your own.

Situation analysis

Proposed solution



Return on investment (ROI)

Obstacles, challenges and open questions



Appendix

Supporting data

Google began onboarding new hires using a short checklist sent to managers the week before the new hire started. The result was 25% less time to get full productivity (one month). ([Work Rules](#), Laszlo Bock, p. 295)

Organizations with a strong onboarding process improve new hire retention by 82% and productivity by over 70%. ([The Cost of a Bad Hire](#), Brandon Hall Group)

Recruiting is the HR function with the highest impact on revenue. Excellent recruiting practices contribute to more than 3x revenue growth and 2x profit margins. ([Realizing the Value of People Management](#), BCG)

Companies that hire managers based on their management skills saw a 48% increase in profitability. ([State of the American Manager](#), Gallup)

67% of millennials believe it is management's job to provide accelerated development opportunities to encourage them to stay. ([Why and How People Change Jobs](#), LinkedIn)

1 in 2 of employees left a job because of their manager, according to a survey measuring the engagement of 27 million employees. ([State of the American Manager](#), Gallup)

36% of people switching jobs left because they were “unsatisfied with the work environment/culture” of their previous employer. ([Why and How People Change Jobs](#), LinkedIn)

About the author

Maia Josebachvili has spent her career building and growing high-performing organizations.

Maia is the former Vice President of Strategy & People at Greenhouse and is part of the executive team that led the company through 8x growth in just two years. She's pioneered the concept of combining the strategy and people functions and doing away with the traditional HR department. Maia's team is reinventing and elevating the role of the people department in organizations – from driving the conversation on new people teams to introducing the concept of ELTV (employee lifetime value) to measure the ROI of people practices. Those initiatives help Greenhouse maintain an award-winning culture with a 5.0 Glassdoor rating and several “best places to work” awards.

Maia's background gives her a unique approach to business. She's a data-driven engineer with a deep understanding of finance from her time as a derivatives trader on Wall Street. As the CEO and Founder of Urban Escapes, Maia aggressively scaled the business, ultimately selling it to Amazon-backed LivingSocial and growing it to a \$12MM business under the new structure.

Maia has received numerous awards, most notably being named Inc. Magazine's 30 Under 30 and Workforce Magazine's Game Changer of 2016. She's a regular speaker at industry conferences and her ideas have been featured in Business Insider, CEO World, and Fast Company. In a previous life chapter, Maia was a pro skydiver with 750+ skydives. She holds a Bachelor in Mechanical Engineering from Dartmouth College.



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