Matthew Reeves: …records. If you have any technical issues, please feel free to reach out to me directly through the Zoom chat. It's Matthew, and I'm one of the panelists.

That said, I'll hand it over to Marcus to get started.

Marcus Butters: Thanks, Matt. Appreciate the introduction. Again, want to thank everybody for joining us today. Really excited to talk to you about how you can actually measure the ROI of mentorship or really any learning initiative for that matter. So, looking forward to be able to share some knowledge with you and, hopefully, be able to help you guys present your next learning initiative to your stakeholders or whoever handles the budget in a more formatted way.

Just getting started here. This is the agenda that we'll be covering. We'll go through a quick introduction and then we'll discuss a few different ways that you can actually calculate the ROI of your learning initiatives through turnover, performance as well as North Star metrics.

A little bit of an introduction of myself, I'm an account executive here at the Together platform. Joining me today in speaking will be Nathan Goldstein, one of our co-founders as well as the Head of Customer Success. We'll be taking you through all the important points and discussing how to calculate that ROI.

I just wanted to start off here with a quick quote. It's something that I'm sure a lot of you have heard already, but it will improve our culture is not a defensible argument when other teams are proposing projects with clear and measurable impact. We want to be able to provide you with some ideas and ways that you can present any learning initiative with a little bit of backup in terms of numbers, how it will save the company some sort of money in any different sense.

Like I said, staple metrics don't really cut it anymore. Presenting to stakeholders or that people on the finance team with stats behind user/learner satisfaction doesn't really hold any substance. And giving anecdotal cultural improvement stories really doesn't help you much when other teams are proposing different softwares or platforms that might be able to help in a more financial way.

So three things we're going to focus on today are Performance, and Employee Turnover and North Star Metrics in order to give yourself more defendable argument when it comes to securing that budget and accessing more budget through learning initiatives.

Like I mentioned, turnover, we'll be going through a step-by-step guide of how to actually calculate what your turnover looks like and how it can be impacted through mentorship.

And we'll be doing the same for both performance, skill and promotion and North Star metrics walking you through different calculations, understanding what metrics you'll be able to collect from these different topics and how you can present them to other stakeholders within the company, again, whether it's finance, executive leadership or just your supervisor in general.

So starting off with employee turnover, I'm sure all of you know that it’s expensive. It is at a high rate now and it does cost you a lot of time and resources. But in terms of expense, turnover is actually around 50% of your employees’ salary. So to break it down, the cash costs can include termination packages, money going into recruiting, marketing for the new job posting as well as training for new hires, getting your L&D Team involved.

But on top of that, there's non-cash costs that stem from the loss. That could be loss of productivity from someone who was underperforming. When a role is vacant you're, of course, losing cost as well, and when a new hire is being onboarded.

So those are a couple key points that you need to keep in consideration when looking at employee turnover.

Another thing that you should consider is the average tenure is relatively low right now. From age ranges 20 to 24, the average tenure is actually 1.2 years. And from ages 25 to 34, the average tenure is 2.8 years. So the majority of your younger employees aren't sticking around that long and we need to find a way to combat that. How are we going to keep them around? How are we going to keep those turnover costs low? That's what we'll be walking you through right now.

I just wanted to show you this table here quickly. This table basically demonstrates an estimated annual cost of turnover for a range of business sizes and employee salaries at a pretty reasonable turnover rate of 15%. So what you can do is take a look on the left side, find the number of employees that you have within your organization. And then on the top right, you could see your average annual salary. That is the estimated cash cost of your turnover.

I just wanted to kind of digest those numbers a little bit here and take a look at that. Nathan, was there anything that you wanted to add here on this slide going into the chart at all?

Nathan Goldstein: Yeah. So this is the table following the previous one, right, Marcus? The previous one was—if you just flip back to it for one more second, the first table here is going to be what Marcus mentioned, which is recruiting, training, marketing, etcetera, with a 15% annual turnover rate.

So you can see maybe you're a thousand-person organization with an average salary of 90K. That's going to be $7 million a year.

The second table, which looks very similar that Marcus flipped to, is if you then reduced your annual turnover by 20% percent from the previous 15%. So in that case, if you do any initiative, whether it's mentoring or any learning initiative that reduces your turnover by 20% then you can stand to save significant cash costs. Again, a thousand-person company at 90K salary a year, you'd save a million bucks a year, and that's recurrent.

Marcus: It looks like we have a question from Katie. “Will you provide the slide deck at the end of this training? This would be helpful to have in presentation or mentoring or L&D initiatives?”

Yes, we’ll absolutely be sharing the slide deck. One thing that I did mean to mention at the beginning as well, we do have a white paper that does cover all the steps that we'll be breaking down in terms of calculating the costs and we'll be sharing that white paper afterwards as well. That will include examples with numerical values, which should be helpful in presenting to stakeholders as well as for adding to learning for yourself as well.

So this is the kind of five-step approach you can take to actually calculate the cost of your turnover. Like I mentioned before, cash costs can include recruiting, training, termination, and it's usually 50% of an employee's annual salary when they're replaced.

So your average annual turnover is the number of people who actually leave the company within the last 12 months, so that could be voluntarily or involuntarily. And that number should be divided by the average total number of employees for the last 12 months. And typical annual rates range from 10 to 30%, so here you could see we have 50% of annual salary or 50% times $70,000 of course equals $35,000. So that's the number that you're looking to calculate in Step 1.

And Step 2, you're calculating your historical annual turnover rate. So what you do here is you multiply your Step 1 cost by your average employee salary, multiply your Step 2 turnover by your expected number of employees this year. So for 500 employees leaving, divided by 3300 employees, that's a 15% turnover rate.

And Step 3 what you'll do is you'll take those numbers, so 4,000 employees that you have within the company, times your turnover rate, that means 600 people will leave this year.

In order to find that total cost, what you'll do is of course you'll take the number of employees that are leaving, multiply that by the cost of each employee’s salary that is leaving, and that's how much you're losing on a yearly basis. $21 million per year if you have an average of $70,000 in employees and you have 4,000 employees within the company. So that's a pretty substantially large number. That's a lot of money to lose per year.

And the next thing you do is address your turnover. So you take that 21 million dollars per year, times it by 20% turnover reduction and that's $4.2 million in savings, which would be, of course, again a substantial number to present to any key stakeholders, show them what you are missing out on, what you can be saving with any learning initiative, again, whether it's mentorship or anything along those lines.

Do you have any questions on that page before we move forward? I know that's quite a bit to digest but we want to ensure that you're fully understanding the calculations that go into it, where the numbers are coming from and how that really impacts the business.

Great. So we can move on to the next chart here. This chart basically compares the turnover of employees in mentoring programs or learning initiatives versus people that aren't involved. As you can see down on the bottom right of the graph, you could see on a monthly basis you can see that there's a 0.8% monthly turnover rate compared to a 1.25% monthly turnover rate. That would be a huge reduction when it comes to actual turnover.

Then in order to calculate the ROI… sorry, go ahead, Nathan.

Nathan: Yeah, maybe just to add one thing here. Typically, when you run a mentoring program, you might not go full staff on your first go. You might I have 50% of your staff involved, etcetera. So what this is showing is that, historically, your monthly turnover rate, which is just 1 over 12 of your annual turnover rate, is the blue line at 1.25% monthly.

Then at the start of a mentoring program, the people in the program are going be your burgundy line and then the people outside of your program are going to be your orange line. And this is an illustrative graph of just an example of sanitized data, but basically what _____ [**00:10:49**] you're going to have a small _____ in the program and that's what's going to help you find your savings.

Marcus: Thanks, Nathan.

So, moving forward into actually calculating the return on investment through turnover, so let's say your company reduced their turnover rate from 1.25% monthly to 0.8% monthly, as we saw in the last graph. The annual turnover then has dropped from 15% to 9.6% over a year's basis. That's roughly a 32% drop in turnover. And if their annual turnover was $21 million, your company would then be saving $21 million times 32%, which is $6.7 million, if you do roll out that program company-wide. Again, another large number and has a lot of weight behind it in terms of supporting learning initiatives, in terms of mentoring or anything else.

Nathan: And one thing that I'll add, Marcus, here is that on this whole turnover piece of ROI, the shocking thing I find is that talking to L&D folks or HR folks, they usually severely underestimate. Like I'll speak to very, very senior people and say, “You know, taking an average turnover about 15% per year, that's how much you'll save.” And then, “A 15% per year, that's not us. There's absolutely no way.”

And then when you actually look at the numbers, I mean if you're 15% or under, you are doing really well. A lot of organizations are 20 to 25%, and it doesn't seem that way because it's not like they're leaving all in one day. It's over the course of a year, 25% of your people are replaced. And actually when you take into account all the movements, 15 to 20% that's very, very _____ [**00:12:54**].

When you think on that previous table that we showed you that you're doing a lot better than that then do the math and see if that's true. Maybe you are, but most of the time 15% is very normal.

Marcus: Absolutely. So just kind of moving forward, this is a case study we've done with Randstad. A good, formal mentoring program can reduce your turnover costs significantly, as we've demonstrated a little bit here. Could be by as much as20%. But by the results of our mentoring program with Randstad, their 1,000-employee division of the global HR consulting firm, it showed of course these results are possible.

So you could see here $2.8 thousand in savings per employee enrolled in our program. So that's, again, a large number, multiply that by a thousand. As well as a 49% reduction in employee turnover. So, again, some staggering numbers there that could be as impactful for your company as it was for Randstad if you were to implement something like mentoring or, again, anything else in terms of learning.

A lot of the companies that we work with will specifically deploy mentoring as an upskilling or knowledge transfer initiative. In specific in industries, like engineering or construction management, there's a need to pass on knowledge from older, like closer-to-retirement-age folks to their successors in an organized way, something in a secure format where they can actually learn.

But regardless of industry, there are a few common use cases for mentoring, or knowledge transfer for that matter. As people become more competent, performance reviews and the rates at which they get promoted actually improve as well. There's some research done by McKinsey. It showed that among companies with an effective capability-building initiative, 89% of the people enrolled in that tied the success of their initiatives to measurable changes in performance compared to just 53% among companies that don't have an effective initiative in place.

So, again, they hold things like mentorship, any other learning courses in high esteem and do believe that that had a huge say in how they were able to climb the company ladder and how they were able to earn better performance reviews, get those promotions, improve on their skills.

So the first thing I wanted to dive into before we get into skills and promotion and calculating that ROI is understanding the actual dollar productivity and what that is. Performance ROI actually starts with understanding the dollar productivity of your employees and this is a really long-term metric. You'll need about a year or more to understand this but it is, again, super impactful when it comes to continuing to secure that budget for your initiatives.

But more productive employees are, of course, paid more in the long run and this is either through promotion, raises, bonuses or moves into more demanding role that requires more effort, more work. But that's why we suggest using increases in salaries to actually measure the ROI of mentoring due to their performance improvements.

On a shorter-term scale, like under 6 months, it's likely your company won't really be adjusting the salaries or titles for employees fast enough to use this in like an A/B case study. Instead, you may want to use like quarterly or annual bonus data or swap in projected salaries collected through discussions with their managers to understand what those promotions might be looking like, who might be getting them, what the wage increase could look like.

As you can see, in order to calculate the dollar productivity, you take total revenue and you divide that by your total salaries. Let's say your total revenue is $25 billion, divide that by $4.8 billion, you have $5.2 dollars revenue per dollar in salary.

So we'll need this in order to actually calculate the performance ROI.

Similar to the turnover calculation, it is a 5-step process. What we typically suggest is run an A/B test by involving only a subset of your employees in the mentoring program and then finding the baseline and salaries for both of those groups. Once that's done, you can find the average percent change in salaries in both of your cohorts.

Then you'll need to compare your control group with your mentoring group to find the effect that the mentorship actually has on that performance and the increase in the wages and salary.

So I'll give you a breakdown here as to how that will look. I know I just kind of went through that a little bit quick, but if you want some numbers behind that we'll show you on the next slide.

So here you can see you'd multiply the incremental change in salaries, the number of employees in full-rollout and then the current average salary to find the change in salaries attributable to mentoring. And then with that number, you'll multiply it by the dollar productivity which tells you how much additional revenue that change in salaries will actually bring to the company.

So again, this is the breakdown of how you can actually apply that dollar productivity, see how much more revenue you can bring in through performance enhancement through mentorship compared to employees that wouldn't necessarily be in a learning program and have that dollar productivity impacts of business overall.

Nathan: Yeah. This is a really good table, Marcus. The two things to really highlight here are the percent change due to mentoring, the 2.3%. You have to compare that versus people outside the mentoring programs. So maybe everyone's salary went up by 2% annually, but this 2.3 number is on top of that average. People in that mentoring group tended to improve their income.

And then the other thing to note here is when you multiply that by the dollar productivity, that's basically the expected change in revenue on the bottom. If you're dealing with a team like sales or customer success and support, this is really, really effective because their salaries are so tied to performance that you can _____ [**00:19:06**] doing, for example, a sales mentoring program.

Marcus: Absolutely. So moving on, the last topic that we're going to cover is the North Star metric and measuring how employees can have an impact through mentorship there as well.

Every team, whether its sales, marketing, product, etcetera, they all have a different set of metrics that they aim to impact. For this topic, we'll use marketing as an example.

Common metrics there are cost of customer acquisition, number of qualified leads, landing page conversion rates. But if you're running a mentorship program for a specific business unit, this is a really good measurement technique that actually allows you to measure the ROI of your mentoring program. So if the program is doing its job, it should improve the ability of participants to actually do their job as well.

Just want to reiterate, this only works if you're targeting a specific business unit. If you roll it out across the entire company and you're looking to use this tactic, it won't work. It has to be within a single department and all the employees enrolled in the program will be able to dictate those changes in the North Star metric as I'll show you in the coming slides.

So this is just a high-level overview of the steps we're going to take to calculate the North Star ROI. I'm not going to go too in-depth into it on this slide. We have a breakdown with examples in the coming slides here, but what we're going to end up doing is finding the incremental change, find the value of unit change and then multiply that.

So moving on to the next slide here, we're actually able to hop into Step 1. What you do is you run an A/B test. What you want to find, let's say for your marketing team you want to find out how many more qualified leads your team is getting after a 6-month mentoring program.

You can do this one of two ways. First way is by splitting your marketing team into two, figuring out who's in the mentoring program and who is not, and you compare them that way. That would, I'd say, be the best tactic.

Another way you could do it is by including everybody on the marketing team and then comparing it to past performance.

Like I said, if your North Star is qualified leads, the value of a unit change is the value of one qualified lead. The team would know this already but, for marketing, it could look something like this. Let's say your conversion rate to a sale on a qualified lead is 10% and, on average, they're worth $10,000. The unit change value is $1,000. And as you could see above, that's how we've calculated it.

But moving onto the third and final step, like I said, you're running an A/B test and you might find that your marketing team, which normally brings 2,000 qualified leads in a year, they brought in 5% more after going through a 6-month program whether you compare it to their peers or their past performance, you take that number, multiply it out by the baseline and the unit value to get your incremental revenue.

So here you could see the 2,000 times the 5% times that $1,000 we got from the last step, equals $100,000. Again, another great way to calculate the ROI and that's through North Star metrics.

Are there any questions on the North Star metric before I move forward? Great.

So last thing I just want to cover. We have some tips here for starting a mentorship program.

As we went through the webinar, we saw there are a number of different avenues to find the impact of mentoring on your user base. As you saw on the turnover, mentoring tends to bring at least 10 times return on investment from employee turnover alone. And when you factor that in with the cost of running a program, the number is really substantial and can hold a lot of weight, again, when you're presenting to stakeholders, other key decision-makers within the company when it comes to determining budget for certain programs.

But you know sometimes you might already have a program running and simply think it's just a headache to run, might spend days, weeks trying to match people, writing marketing emails, figuring out who might be the best fit for each employee.

Your time is valuable too, right? If you spend two weeks setting up a mentoring program, that could be about 4% of your annual salary and cost. Let's say you're worth $100,000 a year, that's $4,000, and a mentoring software won't only give you those two weeks back but it'll actually improve the overall delivery of your mentoring program, ensuring that your employees are getting the best use out of it, having the best resources when it comes to the program itself.

And depending on the size of your program, the software cost may not greatly exceed the cost of your time but this provides additional justification in buying some help and getting other people on board.

But aside from the tips for starting a mentorship program, that concludes the webinar. We'd love to open this up to questions from everybody. If you have any questions, Nathan and I would love to tackle those for you and see if there's any other ways we could help clarify things that might not have been too clear through the webinar.

Nathan: Yeah, and Marcus, maybe one final thing I'll add as we wait for any questions to come in, is a lot of the times, people think this is daunting to get some of _____ [**00:24:44**]. If you do end up whether you don't work with us, feel free to shoot us an email. We're happy to help you kind of dissect your numbers and help you with your return on investment calculations.

If you are working with us, then as long as we have the data from your employee directory on turnover, etcetera, we will help you find your ROI and kind of present that back to the business. So we, either way, reach out.

Marcus: We have a question here from Katie. “You mentioned a for-profit but does this translate well with nonprofit programs, specifically WBL initiatives for higher learning?”

That is a great question. Nathan, are you able to touch on that?

Nathan: It would be helpful to know a little bit more about the structure of the nonprofit _____ [**00:25:52**] employees that are working at a nonprofit or is it to mentor just people throughout an industry?

In the case that it's the latter, which is associations like programs for mentoring. I know Female Founders is one that we work with, what your ROI is basically your increase in membership _____ [**00:26:18**] associations that we work with and providing the mentoring program as one of their _____ additional revenue and member signups. We have one association that gets a couple of new members every single week joining specifically because they want to be part of the mentoring program. And so that's why they pay the membership fees.

So if you can basically attribute having that mentorship program to an increase in membership fees, that's definitely a huge ROI there. So I don't know if that answers your question, Katie, but let me know if you had a different context.

Marcus: Were there any other questions? Anything that you'd like clarified? Like we mentioned, we'll be able to send all of this out to you afterwards, both the slide deck and the white paper so that you'll be able to break everything down, like I said, the examples within the white paper. Again, hopefully, that'll be helpful.

Katie, we could of course schedule some time offline and discuss things further. We will get that set up after the call.

Nathan: Anyone on the line, really, if you want to schedule more time to discuss offline, happy to do so.

Marcus: Absolutely. You all have my email, especially after I do the followup. And feel free to respond to me. We could get a team together and go through some different numbers for you offline.

But we appreciate everyone joining the webinar today. I hope everyone's staying safe and healthy. And we're looking forward to seeing you on our next webinar.