



# CALCULATING THE **ROI OF RPO**

*Learn how Ropella can save you money by avoiding costly hiring delays and mistakes.*



## CALCULATING THE **ROI OF RPO**

As strategic talent advisors, one of the most common objections we hear from companies reluctant to engage our services is the cost of our search fee. However, the truth is that the value ROPELLA can save you by avoiding costly hiring delays and/or mistakes far exceeds the upfront cost.

Our proprietary SMART Search System has been described as “Six Sigma for Executive Search”, because of the way it drives quality and reduces time to hire. It is this system that allows us to drive talent acquisition results for our customers, saving them hundreds of thousands – sometimes millions – by removing delays and/or preventing common hiring mistakes. Your initial search fee investment can actually bring you returns of more than 5,000% in savings.

Based on our own conversations with clients spanning about 35 years, we have determined that there are three primary costs that follow a poor hiring process:

- 1. The Cost of a Vacant Position**
- 2. The Cost of a Rejected Offer**
- 3. The Cost of a Bad Hire**

Each of these costs can appear complicated to calculate, as the issues they affect are much more complex than a simple number-tracking exercise. In addition to bottom-line losses associated with a loss of productivity, there are other negative impacts that are more difficult to measure, especially as they pertain to the stress levels inflicted on employees affected by the vacancy or a toxic co-worker that is determined to be a bad hire. These impacts result in lower morale, increased frustration, greater incidences of illness, reduced creativity and higher turnover. As such, it is important to keep in mind that the numbers calculated within this article serve as estimates – and that the actual cost may be much higher. The point is to get you thinking and talking about solving systemic hiring problems – by applying the SMART Solution!

## STEP 1: EVALUATING THE COST OF A VACANT POSITION

The average organization typically requires at least 90 days (often much longer) to close each vacant position. ROPELLA, on the other hand, has an average speed to placement of only 60 days.

For this evaluation, we will assume a \$150,000 salary for various leadership positions. Based on our Cost of Vacant Positions calculator, this comes out to:

POSITION	VACANT POSITION COST OVER 90 DAYS	VACANT POSITION COST OVER 60 DAYS	SAVINGS
Director/General Manager	\$490,909	\$327,273	\$163,636
Sales/Marketing Executive	\$490,909	\$327,273	\$163,636
R&D Executive	\$368,181	\$245,454	\$122,727
Manufacturing Executive	\$254,454	\$169,636	\$84,818
<b>Average</b>	<b>\$401,113</b>	<b>\$267,409</b>	<b>\$133,704</b>

ROPELLA'S standard search fee is 30% of the position's total compensation. For a position paying \$150,000, that would equate to a \$45,000 fee. An average savings of \$133,704 less a \$45,000 fee shows that **ROPELLA still saves you \$88,687 - and 30 fewer days of overworked, overstressed employees filling the gap.** That's almost *double the return on your investment.*



## STEP 2: EVALUATING THE COST OF A REJECTED OFFER

To determine the cost for this evaluation, you need to work through the following two steps for any offer you make that is rejected:

1. Determine how long the position was already vacant before the offer was rejected. For this evaluation, we will assume the average time-to-fill of 90 days.
2. Add to that the expected number of days it will now take to close the still vacant position.

If you do have a viable back-up candidate, it's our experience that it will typically take at least two more weeks to navigate through the offer and acceptance process once again. For this evaluation, we'll assume 15 days.

POSITION	VACANT POSITION COST OVER 90 DAYS	REJECTED OFFER - 15 ADDITIONAL DAYS VACANT	SAVINGS
Director/General Manager	\$490,909	\$327,273	\$163,636
Sales/Marketing Executive	\$490,909	\$327,273	\$163,636
R&D Executive	\$368,181	\$245,454	\$122,727
Manufacturing Executive	\$254,454	\$169,636	\$84,818
<b>Average</b>	<b>\$401,113</b>	<b>\$267,409</b>	<b>\$133,704</b>

In a worst-case scenario, with no viable back-up candidates, you are essentially starting the search process from scratch. That's typically another 90 days of lost productivity and increased workplace stress.

POSITION	VACANT POSITION COST OVER 90 DAYS	REJECTED OFFER - 90 ADDITIONAL DAYS VACANT	SAVINGS
Director/General Manager	\$490,909	\$490,909	\$981,818
Sales/Marketing Executive	\$490,909	\$490,909	\$981,818
R&D Executive	\$368,181	\$368,181	\$736,362
Manufacturing Executive	\$254,454	\$254,454	\$508,908
<b>Average</b>	<b>\$401,113</b>	<b>\$401,113</b>	<b>\$802,226</b>

As we see in the tables above, in the worst-case (but more common) scenario, without a viable back-up candidate, the average cost is \$802,226. Meanwhile, ROPELLA would only incur the cost over 60 days of vacancy (\$267,409), as well as the 30% search fee (\$45,000), for a cost of \$312,409. **This results in a savings of \$489,817 by working with ROPELLA.** That's *more than a 1,000% return on your investment.*



### STEP 3: EVALUATING THE COST OF A BAD HIRE

Perhaps the most difficult cost to estimate is the cost of a bad hire. That said, there is a logical process. It starts with the cost of recruiting, onboarding, training and paying an underperformer. As well, there are severance or unemployment fees after termination and ultimately still being left with a vacant position. More damaging, though, are the trickle-down effects of failing to act on the presence of a toxic bad hire. Bad habits of toxic, terrorist or unethical employees tend to spread fast across the organization. This has the effect of decreasing morale, satisfaction and innovative thinking. Bad hires also increase turnover among high-performing employees, while increasing the likelihood that other poorly performing team members will be retained.

Estimates for the cost of a bad hire range from 1.3 times the annual salary to 15 times the annual salary. For evaluation, let's assume the middle of this range - about 8 times the annual salary. For our calculations, we will continue to assume a salary of \$150,000. Again, assuming it typically takes you 90 days to fill the opening, and you invest 6 months with the bad hire in the position, then you are left again with a vacancy that takes 90 more days to fill.

POSITION	A) First 90 Days of Vacant Position	B) 180 DAY BAD HIRE TENURE	C) Second 90 Days of Vacant Position	Total Cost of A, B & C
Director/General Manager	\$490,909	\$600,000	\$490,909	\$2,181,818
Sales/Marketing Executive	\$490,909	\$600,000	\$490,909	\$2,181,818
R&D Executive	\$368,181	\$600,000	\$368,181	\$1,936,362
Manufacturing Executive	\$254,454	\$600,000	\$254,454	\$1,708,908
<b>Average</b>	<b>\$401,113</b>	<b>\$600,000</b>	<b>\$401,113</b>	<b>\$1,402,226</b>

Engaging ROPELLA from the start, you could have made the right hire in just 60 days. As before, the total cost to your organization - of the vacant position (60 day average of \$267,409) plus ROPELLA'S search fee (\$45,000) - would be \$312,409. **That's a potential savings of \$1,089,817 - and almost a 2,500% return on your investment.**

## BRINGING IT ALL TOGETHER AND CONSIDERING R.O.I.

Things only get worse when you consider the ways these costs can begin to compound. To calculate the compounding effect of these three issues, consider this realistic scenario:

Bob, a Vice President of Sales (making \$200,000 per year) at your organization decides to retire. It takes 90 days to go through the recruiting process before you are finally ready to present an offer to your finalist candidate, Mary. Unfortunately, she rejects your offer. You had already dismissed your only other viable backup candidate, Bob, and he accepted a position elsewhere, so you have to start the search all over again. Ultimately, it takes you another 60 days to receive an accepted offer from Jill. By that time, you were desperate to fill the position and ended up making a bad hire, as Jill just doesn't fit the culture, and now is bucking against policies and creating great stress. She lasts a full year, though, with the organization before you decide to and/or are able to build a solid case to dismiss her. Once again, you are left with an open Vice President of Sales position. Thankfully, this time around your new first-choice candidate, Scott, accepts your offer after a 90-day search and he's looking like the right hire.

In addition, during Jill's tenure, your top Sales Director, Sam, (making \$150,000 per year) resigned due to conflicts with Jill. By the time you began the search for a new Director, word was out about the new toxic culture in your Sales department. You spend 60 days on an initial search campaign without generating any qualified interest. At this point you decide to bring in a recruiting firm (other than ROPELLA) to fill the Sales Director position. You pay a 30% retainer, and it takes another 90 days to move through the hiring process and make an offer. The initial offer is rejected, but you have a viable back-up candidate in place, so it only takes 15 additional days to secure an accepted offer.

Now let's look at the compounding effect the math has in this scenario...

Position & Salary	90 Vacant Position Days to First Offer	60 VACANT POSITION DAYS TO SECOND OFFER	1 Year Bad Hire Tenure	90 Vacant Position Days to Offer Acceptance	Total Cost
Vice President of Sales, \$200,000	\$654,545	\$436,364	\$1,600,000	\$654,545	\$3,345,454
Position & Salary	Initial 60 Day Vacancy	Search Fee	90 Days to First Offer	15 Days to Second Offer	Total Cost
Sales Director, \$150,000	\$327,273	\$45,000	\$490,909	\$81,818	\$945,000
					<b>\$1,402,226</b>

Meanwhile, ROPELLA would have taken you through the SMART Search System (a very high quality hiring process) faster and helped ensure you assessed and secured the right VP candidate the first time:

Position & Salary	60 Vacant Position Days to Acceptance	ROPELLA SEARCH FEE	Total Cost
Vice President of Sales, \$200,000	\$436,364	\$60,000	\$496,364
Sales Director, \$150,000	Good news: Because of ROPELLA'S consulting and professional system, this position was never vacated, because you avoided the toxic culture associated with the bad VP hire		

So by engaging ROPELLA from the start, you could have saved **\$3,794,090** - a **6,325% return on your investment...** And you'd still have your top-performing Sales Director!

## ROPELLA'S PROVEN RESULTS

ROPELLA'S proprietary SMART Search System has been described as Six Sigma for executive search, because of the way that it drives quality and speed.

This 3-stage, 12-step system has been developed specifically to combat the costs outlined above by helping you hire the right candidate quickly, with deep assessment to ensure you make the right hire. Our proven results speak for themselves.

Here is how effective ROPELLA is at avoiding the costs associated with poor hiring processes:

### Filling Vacant Positions

- ROPELLA presents your **first slate of qualified candidates typically in just 10 days.**
- Our **average speed to placement is only 60 days** – 33% less than the industry average of 90 days.

### Preventing Rejected Offers

- We have a **95% first offer acceptance rate**, compared to a 60% industry average.
- ROPELLA'S Executive Search Consultants assist you in **properly courting candidates** and in **managing your relationships** with highly qualified, top-quality passive candidates, so they are excited about joining your organization when they receive your formal offer.
- ROPELLA'S proprietary **Compensation Comparison Calculator** helps you ensure that your first offer is one your finalist candidate will be excited to accept. This extremely comprehensive tool allows our clients to lay out all the complex factors associated with compensation (i.e. salary, health benefits, bonus, retirement benefits, relocation packages and more), then compare them mathematically one-by-one to determine pluses and minuses and to develop a clear strategy to ensure the creation of an employment offer that will get an enthusiastic "Yes."

### Making Good Hires

- ROPELLA'S **Skill Survey and Scorecard** are designed to help you identify superstar candidates who meet all of your Must Have qualifications and fit into your corporate culture.
- ROPELLA helps you **analyze assessments, evaluations and reference checks.**
- Our placements have a **98% longterm stick rate**, and a **36% one-year promotion rate.**





## ABOUT ROPELLA

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*As the world's leading Executive Search Firm specializing in the chemical, consumer products and technology industries, we understand the challenges you face in trying to find the perfect fit for those highly specialized and complex executive positions.*

*Ropella excels at finding those select few executive candidates with the right skills, qualifications, background and management style, who fit your compensation parameters and are ready to relocate.*

*We believe nobody should have to waste time screening resumes of candidates who aren't qualified, don't fit your compensation parameters, aren't serious about the role or aren't ready to relocate. That's why we developed the SMART Search System® to provide our clients with precise and predictable hiring results, giving them a huge competitive advantage.*