

PLAYBOOK – Adopting an Investor

Mindset in HR: Measuring and Maximizing Employee Lifetime Value

Tech Talent North

October 28, 2024



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benchmarks to our
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Principal Advisor & Executive Coach: Daneal Charney



- Daneal Charney is a trusted coach and Executive in Residence at MaRS for some of Canada's most promising scale-ups
- She is the recipient of The Top 25 HR Professionals in Canada (2017) and The Best Service Provider in the SME category by KMI Media (2018).
- Co-Author of the MaRS 2021 *"People Benchmark Report for High Growth SaaS companies"*
- In the last 10 years, she has advised and executed on HR projects for early and late-stage companies across multiple sectors
- Diverse experience both the consulting and corporate (in-house) side with high growth companies (NexJ) as well as with mature multinationals (Intel Corporation, Aviva).

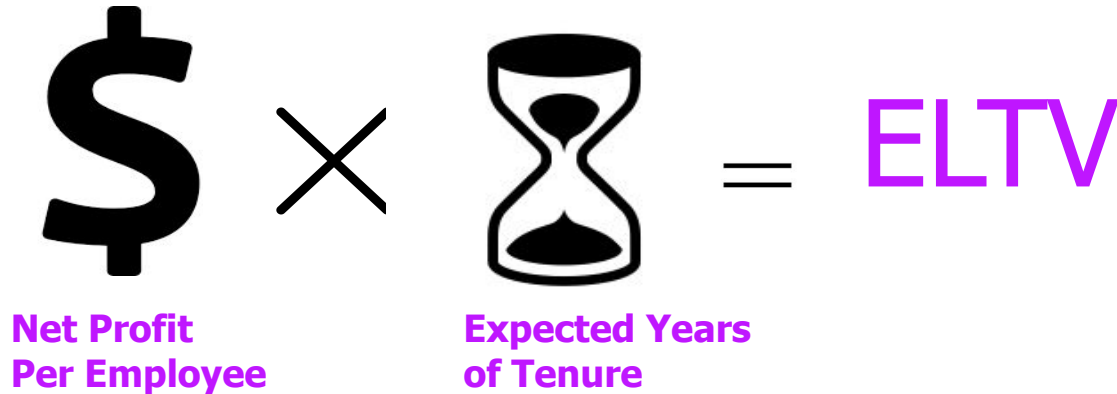
Managing Partner & Founder: Konstantin Tskhay



- Konstantin Tskhay is a management consultant and founder of Tskhay & Associates, Inc., advising global and mid-market Tech clients on HR Strategy, Organization Design, and People Analytics
- He has held strategic leadership and HR roles at Top Hat, a high-growth EdTech SaaS startup, and served as a human capital consultant at Deloitte Consulting
- Konstantin's approach focuses on data-driven impact, producing improvements of greater than 30% improvement in engagement and retention for organizations, and winning awards from the Canadian HR Awards in 2022 and 2023
- With over 1,800 citations and 30+ publications in top academic journals, he is recognized for his research on charisma, social cognition, and leadership

Can we project the business impact of human performance?

Inspired by concept of Employee Lifetime Value (ELTV) which is “a prediction of the net profit attributed to an employee through their tenure in a given role.” Key metrics include performance (contribution), cost and turnover.



The diagram illustrates the formula for Employee Lifetime Value (ELTV). It consists of a large black dollar sign (\$) on the left, followed by a black multiplication symbol (×), then a black hourglass icon representing time, followed by an equals sign (=), and finally the text "ELTV" in purple. Below the dollar sign is the text "Net Profit Per Employee" in purple, and below the hourglass is the text "Expected Years of Tenure" in purple.

$$\text{Net Profit Per Employee} \times \text{Expected Years of Tenure} = \text{ELTV}$$

Tracking & Interpreting ELTV

- Track ELTV after your company achieves consistent headcount and revenue growth which may begins post Series A
- For meaningful insights, track over a 3 year period and review no more frequently then 1x a year
- RPE is a proxy for the utilization of human capital but you can also use net profit and EBITA as a substitute for revenue as you progress to later stage growth or if it's a better fit for your business model.
- Average target may be ~200k for revenue per employee and ~2 years for tenure which is a 400k ELTV. Targets vary based on your business goals, realistic targets and business model.
- ELTV can be looked at on the whole but also segmented by employee cohorts, performance, departments etc. For example how does one product group compare to another over time.
- ELTV may be impacted based on external market and internal labour changes that could cause short-term variances. For example, you hire a lot of new employees that delays revenue for 2 quarters before it goes up, if you have layoffs or high churn your number will be impacted etc.
- Improvements in retention, engagement and time-to-productivity can significantly impact ELTV

Three Questions to Improve Your ELTV

1. How much does it cost to find, train, and keep an employee in this role?
2. How much does an employee in this role contribute to the business top line? (how much could they?)
3. How long do people tend to stay in this role? (want/aspire this to be in the future and what would we need to invest to get there)?

A Simple 4-step Approach to ELTV

Data

Establish a data framework

Define “good data:” completeness, quality, accuracy, and timelines

Collect data consistently

Tenure, engagement, retention, performance

Trending

Establish a data dashboard

Build a data reporting mechanism that will allow you to stay ahead

Review data

Work with your leadership team to review the data over time

Watch for trending

Look out for patterns and deviations

Change

Commit to action

Commit to proactive, continuous improvement

Action

Act on your commitment to see how data change over time

Assessment

Collect data over time

Track data over time to establish a consistent standard

Iterate

Drive improvement within your organization

Talent Benchmarking Databases for High-growth Companies



RPE & ELTV Research

- [Revenue Per Employee - The People Metric Making it Into Executive Conversations](#)
- [How to get the most from your eNPS](#)
- [SaaS employee productivity is filling the layoff gap](#)
- [ELTV Explained](#)

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