The New Metric: Return on Influence

ROI is a term much in vogue these days in the recruiting field. Defined as "return on investment," it is typically used to evaluate how much value we receive from the money we spend. It's a way of both gauging the financial or quantitative benefit derived from a particular course of action and evaluating the relative benefits of alternative courses of action.

We use ROI, for example, to determine the effectiveness of our recruitment advertising. If we spent $5000 on job board A, how many applicants did we receive? And, if we spent the same amount of money on job board B, did we receive as many or fewer applicants?

Admittedly, the analysis would be more rigorous if we also assessed the quality of those applicants, but quality of hire is still a largely subjective measure and thus difficult to use in quantitative analysis. Even more problematic, ROI—at least as it is currently defined—does not provide an effective way to assess investments made in currency other than money. It does not help us to evaluate behavioral investments.

What's a behavioral investment? In recruiting, at least, the most prevalent form is networking. Most recruiters believe it is the single best way to acquire high caliber talent so it has long been a staple of their sourcing toolkit. And today, social media sites have made networking easier and less time intensive than it has ever been.

But what's the benefit derived from that investment? And how do you measure it? The answer, I believe is best determined with a new kind of ROI, one I call "return on influence."

Return on influence measures the financial or quantitative benefit derived from a recruiter's use of their most precious asset: time. Given the limits of human activity, that time is just as scarce an organizational resource as the budget for recruitment advertising. Therefore, it's entirely appropriate—indeed, it is the recruiting team's fiduciary responsibility--to ensure that it's being invested wisely.

Evaluating Your Behavioral Investments

As with traditional ROI, return on influence can be used to assess both a particular course of action and the relative merits of alternative courses of action. For example, if a recruiter invests 6 hours of their time networking with prospects on LinkedIn, how many people did they influence sufficiently to apply for or at least express an interest in their opening? And, if they invest 6 hours in networking on LinkedIn and 6 hours on Facebook, where are they most influential?

Calculating the objective measure of that return is simple enough. The math is rudimentary. Determining the actual value of the numbers, however, requires much more rigorous evaluation. Moreover, there is no commonly accepted scale or schedule with which to gauge a recruiter's influence so the analysis will necessarily be idiosyncratic to each organization and the kinds of talent it is seeking.

For example, if the recruiter influences just one candidate to apply for their opening, that outcome may be viewed as effective by one organization and a dismal failure by another. The first organization may have a less appealing employment brand or be located in a less desirable location than the second organization so it is a huge feat to persuade even one person to apply.

Similarly, if a recruiter is able to talk just one heart surgeon into applying for their opening, that return is likely to represent real success. On the other hand, if they are trying to source investment bankers or lending officers, it would probably be viewed as inadequate.

Perhaps the best use of return on influence, however, is in evaluating the relative merits of alternative sourcing strategies. While networking is often confined to a single source, it can also take a recruiter to multiple venues in the course of the same search for candidates. They might start on LinkedIn, for example, and a contact there might send them to a discussion board on an association site where another contact might lead them to Facebook. In this situation, it would be difficult to assess the merits of each networking site, but it is possible to do so for the entire investment of time. The return on that total investment, in turn, can (and should) be compared to the yield generated by other sourcing activities, including recruitment advertising, campus visits, and job fairs. There is no other way to ensure organizational resources are being expended correctly.

Some, of course, will say that recruitment advertising generates too many applicants and their quality is too poor. They turn to networking as a result. I would respectfully suggest that the logic in that decision is flawed. Networking may indeed be a better sourcing strategy, but it's impossible to know if that's true until recruitment advertising is accomplished effectively, and in many organizations today, it's not. If you have any doubt about that, read some of the job postings that appear on job boards. They're a sure-fire cure for insomnia.

Return on influence isn't a substitute for return on investment. The two ROIs are actually complimentary. They will both help a recruiting team to ensure that it is deploying its limited resources as effectively as possible. Traditional ROI measures the value of its financial investments—the advertising power of its budget—while the new ROI measures its behavioral investments—the influential power of its recruiters' time and talent.

Thanks for reading,
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