

A Forrester Total Economic  
Impact™ Study

Commissioned By  
LinkedIn

Project Director:  
Jonathan Lipsitz

April 2016

# The Total Economic Impact™ Of LinkedIn Talent Solutions

FORRESTER®

## Table Of Contents

Executive Summary .....	3
Disclosures .....	5
TEI Framework And Methodology .....	6
Analysis .....	7
Financial Summary .....	21
LinkedIn Talent Solutions: Overview .....	22
Appendix A: Total Economic Impact™ Overview .....	23
Appendix B: Glossary .....	24
Appendix C: Endnotes .....	24

### ABOUT FORRESTER CONSULTING

Forrester Consulting provides independent and objective research-based consulting to help leaders succeed in their organisations. Ranging in scope from a short strategy session to custom projects, Forrester's Consulting services connect you directly with research analysts who apply expert insight to your specific business challenges. For more information, visit [forrester.com/consulting](http://forrester.com/consulting).

---

© 2016, Forrester Research, Inc. All rights reserved. Unauthorised reproduction is strictly prohibited. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. Forrester®, Technographics®, Forrester Wave, RoleView, TechRadar, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective companies. For additional information, go to [www.forrester.com](http://www.forrester.com).

---

## Executive Summary

LinkedIn commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realise by deploying Talent Solutions. The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of Talent Solutions on their organisations by improving the quality of hires and by reducing key metrics such as cost-to-hire and time-to-hire.

To better understand the benefits, costs, and risks associated with using Talent Solutions, Forrester interviewed three existing customers with multiple years of experience using Talent Solutions. All three were headquartered in EMEA and using the full range of Talent Solutions components — Recruiter, Job Slots, Career Pages, and Work With Us Ads.

Prior to Talent Solutions, customers had decentralised and ad hoc recruiting processes that often varied from one geography to another. This resulted in excessive costs from using traditional methods like job posting boards. Additionally, there was little visibility into how effective recruiting was and how well the new hires worked out within the organisation. With Talent Solutions, customers were able to coordinate recruitment activities across divisions and geographies and provide better candidates faster to the hiring managers. Said one interviewee: “We survey our hiring managers every year. Since adopting LinkedIn, they have said that the quality of hires has increased by 20% and that their overall perception of the HR recruiting function has increased by 18%.”

**LinkedIn Talent Solutions significantly increased the quality of new hires whilst streamlining recruiting operations and decreasing cost-to-hire and time-to-hire.**

**Specific improvement realised include:**

- **A one-third increase in direct hires.**
- **A 17% increase in internal movers versus external hires.**
- **Eight days faster time-to-hire.**

### LINKEDIN TALENT SOLUTIONS IMPROVES QUALITY OF HIRE, INCREASES BUSINESS INSIGHTS, AND OPTIMISES RECRUITING OPERATIONS

Our interviews with three existing customers and subsequent financial analysis found that a composite organisation based on these interviewed organisations experienced the risk-adjusted ROI, benefits, and costs shown in Figure 1.<sup>1</sup> The organization is an EMEA-headquartered company that initially deployed Talent Solutions in one division that fills 1,250 roles per year. See the Analysis section for a description of the composite organisation.

The composite organisation analysis points to benefits over three years totalling €7 million versus total costs of €2.4 million. Discounted back to present day, the resulting net present value (NPV) is €3.6 million. This translates to a net benefit of €973 per each of the 3,750 roles filled over the three-year life of the study.

**FIGURE 1**

**Financial Summary Showing Three-Year Risk-Adjusted Results**

**ROI:**  
**182%**

**NPV per  
position  
filled:**  
**€973**

**Payback:**  
**four months**

**Increased  
direct hires:**  
**▲ one-third**

Source: Forrester Research, Inc.

› **Benefits.** The composite organisation experienced the following risk-adjusted benefits that represent those experienced by the interviewed companies:

- **Time-to-hire was reduced by eight days, which results in greater value creation by new hires.** Open positions were filled more quickly, which resulted in greater value delivery. How this manifests itself varies by role. For example, filling an open sales position results in more sales, filling an accounts receivable position means invoices are paid faster, and hiring developers means new products can be brought to market faster. Assuming a 50% contribution margin on an employee's salary, the three-year risk-adjusted benefit was €1.71 million.
- **New, better quality recruits became fully productive six days sooner once hired.** By filling open positions with candidates who were a better fit in terms of skills, interest, and culture, they came up to speed faster and delivered value to the organisation sooner. Assuming a 50% contribution margin on an employee's salary, the three-year risk-adjusted benefit was €1,485,360.
- **The portion of positions filled from direct hires increased from 85% to 90%.** More positions were filled through direct sourcing because of the greater candidate pool available through Talent Solutions. Additionally, internal recruiters were able to identify those who were likely a better fit, in terms of both skills and culture. This benefit is further enhanced because more of the senior and mid-level positions were filled by internal candidates than previously. The three-year risk-adjusted savings was €2,160,000.
- **Use of third-party recruiting solutions was greatly reduced.** Prior to using Talent Solutions, there was greater use of external recruiting tools such as job posting boards. This has been reduced as more of the recruiting function is consolidated onto the Talent Solutions platform. The three-year risk-adjusted savings was €199,500.
- **Better hiring and business insights streamlined recruiting and reduced the number of recruiting trips.** There were a wide range of business insights made by using information available in Talent Solutions. One that was quantified for the study was better targeting geographies and universities for recruiting, which resulted in fewer recruiting trips. The three-year risk-adjusted savings was €39,600.
- **Ten percent more positions were filled with internal movers, which reduces the salary costs associated with more senior positions.** Filling more senior positions with internal movers results in lower salary costs compared with recruiting external candidates. Assuming a 10% salary premium for external candidates over internal movers, the three-year risk-adjusted savings was €1.35 million. Interviewed companies also specifically said that retention rates and longevity have improved. This was evidenced by the increase in internal movers, as opposed to candidates looking for career progression opportunities at other companies.

› **Costs.** The composite organisation experienced the following risk-adjusted costs:

- **Talent Solutions licenses.** A mix of solutions and licenses are used as part of a comprehensive candidate sourcing programme. These include Career Pages, Recruiter, Recruitment Ads, and Job Slots. The types and quantities of licenses that best suit a company's needs vary greatly. Forrester estimates that for an organisation filling 1,250 positions per year, the likely annual risk-adjusted cost would be €517,500.
- **Talent Solutions internal team.** The internal central team required to manage Talent Solutions is pretty small. The team consists of three resources working part-time — a solution manager supporting recruiters, an HRIS representative, and a community manager. This results in a team of 1.2 full-time equivalents (FTEs). During the two-month initial deployment, these individuals worked full-time on the project. The three-year risk-adjusted cost totalled €365,925.
- **Media content creation.** To take full advantage of Talent Solutions and build as large a pool of high quality Company Followers on LinkedIn as possible, companies are creating social media-type content to share via Talent Solutions. This includes content such as videos, testimonials, and graphics. Some content was created as part of the initial launch, and the amount of ongoing content created increases over the life of the study. The total three-year risk-adjusted expenditure was €484,000.

## Disclosures

The reader should be aware of the following:

- › The study is commissioned by LinkedIn and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.
- › Forrester makes no assumptions as to the potential ROI that other organisations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the report to determine the appropriateness of an investment in LinkedIn Talent Solutions.
- › LinkedIn reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.
- › LinkedIn provided the customer names for the interviews but did not participate in the interviews.

## TEI Framework And Methodology

### INTRODUCTION

From the information provided in the interviews, Forrester has constructed a Total Economic Impact (TEI) framework for those organisations considering implementing LinkedIn Talent Solutions. The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision, to help organisations understand how to take advantage of specific benefits, reduce costs, and improve the overall business goals by sourcing better employees.

### APPROACH AND METHODOLOGY

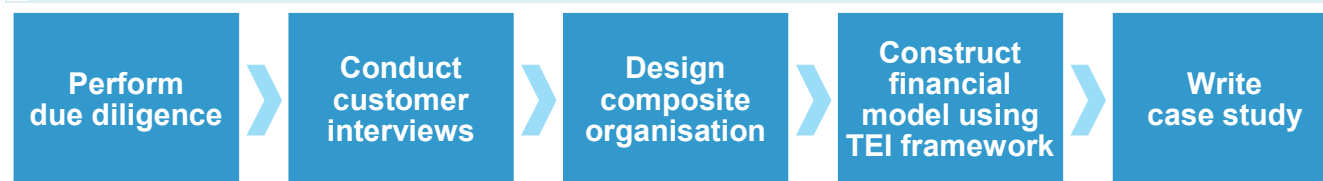
Forrester took a multistep approach to evaluate the impact that LinkedIn Talent Solutions can have on an organisation (see Figure 2). Specifically, we:

- › Interviewed LinkedIn marketing and sales personnel, along with Forrester analysts, to gather data relative to Talent Solutions and the marketplace for recruiting solutions.
- › Interviewed three organisations currently using LinkedIn Talent Solutions to obtain data with respect to costs, benefits, and risks.
- › Designed a composite organisation based on characteristics of the interviewed organisations (see the Analysis section).
- › Constructed a financial model representative of the interviews using the TEI methodology. The financial model is populated with the cost and benefit data obtained from the interviews as applied to the composite organisation.
- › Risk-adjusted the financial model based on issues and concerns the interviewed organisations highlighted in interviews. Risk adjustment is a key part of the TEI methodology. While interviewed organisations provided cost and benefit estimates, some categories included a broad range of responses or had a number of outside forces that might have affected the results. For that reason, some cost and benefit totals have been risk-adjusted and are detailed in each relevant section.

Forrester employed four fundamental elements of TEI in modelling LinkedIn Talent Solutions: benefits, costs, flexibility, and risks.

Given the increasing sophistication that enterprises have regarding ROI analyses related to IT investments, Forrester's TEI methodology serves to provide a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

**FIGURE 2**  
**TEI Approach**



Source: Forrester Research, Inc.

## Analysis

### COMPOSITE ORGANISATION

For this study, Forrester conducted a total of three interviews with representatives from the following companies, which are LinkedIn customers based in the EMEA:

- › Global conglomerate involved in retail, real estate, and other activities.
- › Beverage company with multiple brands used around the world, some of which are country specific.
- › Packaged foods company with operations around the world.

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an associated ROI analysis that illustrates the areas financially affected. The composite organisation that Forrester synthesised from these results represents an organisation with the following characteristics:

- › It is headquartered in EMEA.
- › It has operations across most population centres around the world.
- › Talent Solutions was initially deployed in one division in Europe, and this study tells the story of that initial deployment.
- › This division fills approximately 1,250 positions per year.

LinkedIn Talent Solutions was chosen because it fit with the composite organisation's desire to change recruiting from a transactional activity to a strategic strength. LinkedIn's global presence and the ability to have a common solution across all divisions and geographies was very important.

---

*“With Talent Solutions, we were looking to move from a transaction recruiting model to a strategic sourcing one. This involves blending branding and recruiting into a comprehensive talent relationship model.”*

~ Global HR communication manager

---

### INTERVIEW HIGHLIGHTS

The interviewed companies faced similar challenges and were looking to achieve common objectives. These experiences have been applied to the composite organisation as described below.

#### *Situation*

The composite organisation faced several challenges and had some key objectives that it was trying to meet:

- › Inconsistent processes across divisions and geographies drove up hiring costs.
- › There was a strong need to convey a clear, consistent corporate brand to potential hires.
- › Rogue hiring was taking place in some of the smaller markets, which resulted in higher costs and a misalignment between company direction and new hires' skills.
- › There was a desire to do more direct sourcing of candidates to improve internal knowledge of what was needed and what the applicant pool looked like.

---

*“Talent Solutions is quite unique. I get invitations from recruiting sites, but I don't even bother with them because LinkedIn is so much more than that.”*

~ Talent acquisition operations manager

---

### Solution

The composite organisation deployed a mix of Talent Solutions components as part of a comprehensive applicant sourcing strategy. This included Recruiter, Job Slots, Career Pages, and Work With Us Ads. Talent Solutions was initially deployed in one line of business with the plan to roll it out to the other areas once best practices and consistent processes were established.

The composite organisation posts its top positions on a rotating basis. It is also working with existing employees to make sure that their LinkedIn profiles are up to date and in a consistent format, although this is something that it wants to focus on even more in the future.

### Results

The interviews revealed many ways in which Talent Solutions helped those companies improve. The companies also shared some of the ways that they used Talent Solutions in order to realise quantifiable benefits, which more than offset the costs and helped to transform the organisation. Figure 3 summarises all of the ways that Talent Solutions has helped, and the Benefits section of this study goes into more detail on the six areas that are shown in the right side of the figure.

*“LinkedIn has transformed how we do recruiting. It is central to the new way the recruiting team works.”*

~ Head of talent engagement, Europe

**FIGURE 3**

#### Talent Solutions Results

##### Talent Solutions Helped Interviewed Companies:



##### By Doing The Following:

- 
- Creating media -rich campaigns to reach more prospects and touch potential hires multiple times
  - Leveraging the power of existing employees by having them improve their LinkedIn profiles, forward job postings to their network, etc.
  - Consolidating recruiting efforts and eliminating rogue hiring
  - Identifying candidates who have a genuine interest in the company/industry and who are a better skill/cultural fit
  - Analysing LinkedIn data and combining with internal data sources
  - Promoting more internal candidates
  - Working with LinkedIn experts to validate ideas and learn best practices
  - Training recruiters on Talent Solutions and the changing role of recruiting

##### Which Contributed To The ROI Through:



Source: Forrester Research, Inc.



The interviewees had specific things to say about how they have benefited at a high level from using LinkedIn Talent Solutions:

- › “Pretty much all of our metrics are improving — number of hires via LinkedIn, number of hires impacted by LinkedIn, time-to-hire, increased quality of hire, number of followers, number of targeted followers, and our Talent Brand Index. LinkedIn sends us updates on this monthly.”
- › “LinkedIn is part of the solution to make it easier for us to get in touch with people we may want to hire. At the regional level you can find profiles you otherwise could not and then reach out to them.”
- › “Fundamentally, because we built out our Talent Solutions framework to grow our employer brand, it has had quite an impact. We started with very few Company Followers and got to a quarter million very quickly. To be able to reach that many people and present them with the opportunity of being able to work at [our company] has changed everything about how my team works.”
- › “Conversion rates have massively improved. Just the number of people who are actively engaged and following us has made an enormous impact.”
- › “The biggest benefit we have seen is in talent brand awareness. Compared to where we were 12 months ago, Talent Solutions has really helped us become a known brand — especially in our more developed markets.”
- › “The future of recruiting will definitely be a softer approach. Push content to people who are not already following us on LinkedIn. If they look at our content, we record them and have increased our talent pool.”
- › “Focusing on our talent brand is a big benefit. If we are looking to fill a position like finance manager, we first search followers, of which we have 128,000. We can tell if they are warm to us based on if they are reading our news stories or commenting on posts. They may not be applying for a job, but we can target them.”
- › “We talk about our recruiters who are using LinkedIn as marketers. Candidates are flooded with information. They may see something about us on LinkedIn which heightens their knowledge. Maybe two months later they see an ad and apply. It all ties back to our investment in brand awareness.”
- › “The numbers and the value that we see are great. We work really hard to move up on the LinkedIn Talent Brand Index. We are No. 1, 2, or 3 compared to the companies we benchmark against.”

## BENEFITS

The composite organisation experienced a number of quantified benefits in this case study:

- › Increased business value from faster time-to-hire.
- › Increased business value from better quality of hire.
- › Increased direct hiring.
- › Eliminated external recruiting solutions.
- › Business insights leading to improvement, e.g., fewer recruiting trips.
- › Salary savings from more internal movers.



### Increased Business Value From Faster Time-To-Hire

Filling vacant positions faster is very important. More than the potential reduction in the cost of hire, filling these positions means that a company can work at its full potential. After all, these positions existed for a reason, even in an economic climate of aggressive downsizing. One of the interviewed organisations said that the average time-to-hire has reduced from 45 to 37 days. Another shared that in some areas, it has reduced its time-to-hire by up to 10 days (55 to 60 days down to 50 days).

Some of the things we heard were:

- “By decreasing our time-to-hire by eight days, we have delivered around USD \$1 million in business benefits. For example, if you have an empty sales position, you have lost sales.”
- “People starting sooner adds more value to the company. They start sooner because they are more engaged with us and already have an interest in our industry.”

For the financial analysis, Forrester assumed that the time-to-hire was reduced by five days in Year 1 and by eight days by Year 2. We calculated the average daily base salary and assumed a 50% contribution margin of what an employee should deliver in terms of value add. This came out to €160 per day.

Because the amount of time reduced varied and the benefit is softer in nature compared with external cost savings, this benefit was risk-adjusted down 25%. The risk-adjusted total benefit over the three years was €1.71 million. See the section on Risks for more detail.

TABLE 1

Increased Business Value From Faster Time-To-Hire

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Number of new, external hires	C1*C2 [rounded]	750	688	625
A2	Number of days reduced for time-to-hire		5	8	8
A3	Value added per day	€80,000 base salary/250 workdays * 50% margin	€160	€160	€160
At	Increased business value from faster time-to-hire	A1*A2*A3	€600,000	€880,640	€800,000
	Risk adjustment	↓25%			
Atr	<b>Increased business value from faster time-to-hire (risk-adjusted)</b>		<b>€450,000</b>	<b>€660,480</b>	<b>€600,000</b>

Source: Forrester Research, Inc.

### Increased Business Value From Better Quality Of Hire



In addition to the business benefits from filling positions faster, an organisation benefits from filling the role with the right person. Someone who has the right skills, is a good cultural fit, and/or is genuinely keen on your company and industry will become fully productive faster and continue to deliver more value. LinkedIn leads to better quality hires through better engagement. High-quality candidates self-select to a company/industry with which they are a good fit, and LinkedIn provides better screening tools and more information about candidates across a larger candidate pool.

It is difficult to quantify what the long-term added value of a better-fit candidate is, but the value delivered by becoming fully productive faster can more easily be quantified. The interviewed companies shared the following insights:

- “Through LinkedIn, we find candidates who are better suited to what we do. People who come to us are already interested in the food industry and have the skills and knowledge we need. We can target people who may not know us but we see would likely be a good skill and culture fit and are aligned to our mission.”
- “There are two things that contributed to better quality of hire. The first is the level of engagement they have with our brand. People are now much more aware of who we are and are better prepared for interviews and to start work. They understand how their skills can improve us. The second is that they are much more energised when starting work and the speed to them becoming valuable employees is faster.”
- “The measure most companies are moving toward is quality of hire and how well some have performed after a set period of time.”

The interviewed organisations provided, where possible, estimates on how much faster someone becomes fully productive. This varies enormously based on the type of role and the company-specific skills that need to be acquired. Based on interviews, Forrester used an average of six days. The calculation is similar to the one for increased business value through faster time-to-hire. We used an average daily base salary and assumed a 50% contribution margin in terms of value added. Because of the time saved and the softer nature of this benefit, it was risk-adjusted down 25%. The risk-adjusted total benefit over the three years was €1.48 million.

**TABLE 2**  
**Increased Business Value From Better Quality Of Hire**

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Number of new, external hires	=A1	750	688	625
B2	Number of fewer days until fully productive		6	6	6
B3	Value added per day	€80,000 base salary/250 workdays * 50% margin	€160	€160	€160
Bt	Increased business value from better quality of hire	B1*B2*B3	€720,000	€660,480	€600,000
	Risk adjustment	↓25%			
<b>Btr</b>	<b>Increased business value from better quality of hire (risk-adjusted)</b>		<b>€540,000</b>	<b>€495,360</b>	<b>€450,000</b>

Source: Forrester Research, Inc.

### Increased Direct Hiring



This was a large benefit for all of the interviewed companies. Because using external hiring agencies represents money going outside of the company, it can inflate recruiting budgets and the company bottom line. To fully get this spend under control, Talent Solutions was deployed alongside organisation and process changes to strengthen internal capabilities and clearly define when an external agency will be used, such as for executive positions or to eliminate rogue hiring.

Many specific examples were shared with us, including:

- “Last year we used agency hiring less than 10% of the time. In terms of cost savings that is quite compelling.”
- “There has been an enormous savings from approaching people directly in our talent pipeline; somewhere between €15,000 to €25,000 per worker when we recruit someone ourselves.”
- “Before I started, there was a tendency to fill R&D positions through agencies. That is now at a bare minimum. Each hire would cost us an average of €15,000 in recruiting fees.”

The composite organisation was originally using agencies to fill 20% of the positions that were being filled by external hires, as opposed to internal transfers. In Year 1 of the study, 60% of positions were filled by external hires, and this decreased over the life of the study. The recruiting team was able to reduce the amount of positions filled via agencies from 20% to 15% in Year 1, and this further reduced to 10% by Year 3. On average, recruiting agency fees were 20% of the base salary.

The interviewed organisations provided a range of how much recruiting was originally done via external agencies and how much they were able to reduce it by. To compensate, this benefit was risk-adjusted and reduced by 10%. The risk-adjusted total benefit over the three years was €2.16 million.

**TABLE 3**  
**Increased Direct Hiring**

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Number of positions filled		1,250	1,250	1,250
C2	Percentage of positions filled with external hires		60%	55%	50%
C3	Pre-Talent Solutions percentage of external hires coming through recruitment agency		20%	20%	20%
C4	Post-Talent Solutions percentage of external hires coming through recruitment agencies		15.0%	12.5%	10.0%
C5	Reduced number of positions filled using a recruitment agency	$C1 * C2 * (C3 - C4)$ [rounded down]	38	51	62
C6	Average payment to recruitment agency	€80,000 salary * 20%	€16,000	€16,000	€16,000
Ct	Increased direct hiring – avoided external payments	$C5 * C6$	€592,000	€816,000	€992,000
	Risk adjustment	↓10%			
<b>Ctr</b>	<b>Increased direct hiring (risk-adjusted)</b>		<b>€532,800</b>	<b>€734,400</b>	<b>€892,800</b>

Source: Forrester Research, Inc.

### Eliminated External Recruiting Solutions



While LinkedIn solutions reduced payments to recruiting agencies, it also reduced the use of other external recruiting solutions such as job posting boards. While the external costs may not be as high as with recruiting agencies, there are other costs, such as the internal effort to manage the relationships and upload job postings.

Some of the things we heard were:

- “This year we are entirely cutting out two other job boards. We are getting more candidates applying via LinkedIn, or we are headhunting them through LinkedIn.”
- “We are saving external costs on other digital spend.”
- “We are definitely more selective on the job boards we use. We used to have a global deal with one company, and that is now pretty much gone.”

For the ROI analysis, Forrester included the increasing elimination of other job boards, which is consistent with what the interviewed companies reported. Because the size of the original spend varied across interviewed companies, this benefit was risk-adjusted and reduced by 5%. The risk-adjusted total benefit over the three years was €199,500.

**TABLE 4**  
**Eliminated External Recruiting Solutions**

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
D1	Eliminated job board contracts		€50,000	€70,000	€90,000
Dt	Eliminated external recruiting solutions	= D1	€50,000	€70,000	€90,000
	Risk adjustment	↓5%			
<b>Dtr</b>	<b>Eliminated external recruiting solutions (risk-adjusted)</b>		<b>€47,500</b>	<b>€66,500</b>	<b>€85,500</b>

Source: Forrester Research, Inc.

### Business Insights Leading To Improvements



Talent Solutions can help organisations glean valuable insights in areas such as hiring, future talent requirements, and where to open new office locations. The financial benefit of these insights can be huge but often hard to quantify. These insights can be arrived at by the HR organisation itself or, in many cases, provided by the LinkedIn analysis team. The interviewed organisations provided examples in which they asked a question of LinkedIn and were given valuable insights.

Some examples of insights included:

- “We can do a lot of research on how other companies are structured by looking at job titles and what people put in their profiles. It gives us a good sense of where our competitors and industry are going.”
- “If we need to hire a lot of technicians, we look at what country we can get them from. We are doing one less recruiting trip per year, which saves us around €33,000.”
- “We leveraged Talent Solution Insights when looking at where to open a new location in Europe. We asked LinkedIn to profile markets in Europe with the skills heat map to show where the needed skills do and don’t exist. We validated that we could build a team where we wanted to and that there was a big enough talent pool to refresh the team as needed.”

- “We had a project to build out a global team and asked LinkedIn to provide us a global insights report about where members should be based. It validated the ideas that senior management had and made them feel much more comfortable because the decisions they made were based in fact, not hunches.”
- “I absolutely see the value of LinkedIn’s databases and insights. It can be a real super value add.”

For the benefits analysis, Forrester included a simple example of some reduced travel for recruiting. Whilst the other insight examples given are much more valuable, they are very specific and it is very hard to put a financial value against them. Readers are encouraged to think about the types of questions and business problems their organisations are trying to solve and assign some value that LinkedIn can bring to them.

Forrester assumed that fewer recruiting trips were made to specific cities and/or university campuses as a result of better analysis of where the appropriate talent pools exist. On average, it costs €2,000 to fly a recruiter someplace for several days. Because the number and duration of trips can vary greatly, this benefit was risk-adjusted down 10%. The risk-adjusted total benefit over the three years was €39,600.

**TABLE 5**  
**Business Insights Leading To Reduced Recruitment Travel Costs**

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
E1	Fewer number of trips		6	8	8
E2	Average cost per trip		€2,000	€2,000	€2,000
Et	Less recruitment travel through better insights	E1*E2	€12,000	€16,000	€16,000
	Risk adjustment	↓10%			
<b>Etr</b>	<b>Less recruitment travel through better insights (risk-adjusted)</b>		<b>€10,800</b>	<b>€14,400</b>	<b>€14,400</b>

Source: Forrester Research, Inc.



### Salary Savings From More Internal Movers

The interviewed companies are seeing more open positions being filled by internal movers. This means that the more expensive, senior positions are filled internally, and the lower-cost positions that are vacated can be filled externally. The most-cited reasons why LinkedIn leads to more internal moves were increased employee pride in the company and longer retention. This is primarily because of two causes:

1. Companies often share engaging content about their culture and what it’s like to work there, through LinkedIn. Employees are then allowed to re-post such content, building pride in their company culture and values.
2. Employees are asked to refer candidates through LinkedIn and tap into their wide networks. When employees are asked to be involved with recruitment efforts, this builds engagement with the company. It shows that the company values and trusts its employees.

Some of what we heard included:

- “We have had an increase in the percentage of internal hires [from 18% to 30%]. People are staying longer. LinkedIn is part of this. People now have more pride about working here. We are telling stories and publicising them more. LinkedIn is a great place to tell employees about our initiatives.”
- “There are now more internal moves. LinkedIn increases employee engagement, and they more clearly see a career path.”

- “There has been a massive improvement in employees’ pride in the company. They are liking job postings and sharing them with their networks. The awareness of what we do through LinkedIn is definitely having an impact on how employees think about the organisation.

For the financial analysis, Forrester looked at the impact of the percentage of positions being filled by internal movers. This percentage increased from 40% up to 50%, which is consistent with what interviewed companies reported. This benefit begins to be realised in Year 2 of the study after internal employees have been exposed to how LinkedIn is being used and have a greater sense of pride in their company. In Year 3, this means that 123 more positions are filled with internal movers instead of external hires. Assuming a 10% price premium is paid to senior external hires, the corresponding savings in Year 3 is €1 million. This benefit was risk-adjusted down 10% to account for the variation in internal hires and wage premiums. The three-year risk-adjusted total benefit was €1.35 million.

**TABLE 6**  
**Salary Savings From More Internal Movers**

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
F1	Pre-Talent Solutions number of internal movers	$C1 \times 60\%$	500	500	500
F2	Post-Talent Solutions number of internal movers	$C1 \times (1 - C2)$ [rounded]	500	563	625
F3	Increased number of internal movers	$F2 - F1$	0	63	125
F4	Average base salary		€80,000	€80,000	€80,000
F5	Avoided external hire premium	$F4 \times 10\%$	€8,000	€8,000	€8,000
Ft	Salary savings from more internal movers	$F3 \times F5$	€0	€500,000	€1,000,000
	Risk adjustment	↓10%			
<b>Ftr</b>	<b>Salary savings from more internal movers (risk-adjusted)</b>		<b>€0</b>	<b>€453,600</b>	<b>€900,000</b>

Source: Forrester Research, Inc.

### Total Benefits

Table 7 shows the total of all benefits across the six areas described above, as well as present values (PVs) discounted at 10%. Over three years, the composite organisation expects risk-adjusted total benefits to be a PV of a little less than €5.7 million.

**TABLE 7**  
**Total Benefits (Risk-Adjusted)**

Ref.	Benefit Category	Year 1	Year 2	Year 3	Total	Present Value
Atr	Increased business value from faster time-to-hire	€ 450,000	€ 660,480	€ 600,000	€ 1,710,480	€ 1,405,731
Btr	Increased business value from better quality of hire	€ 540,000	€ 495,360	€ 450,000	€ 1,485,360	€ 1,238,389
Ctr	Increased direct hiring	€ 532,800	€ 734,400	€ 892,800	€ 2,160,000	€ 1,762,080
Dtr	Eliminated external recruiting solutions	€ 47,500	€ 66,500	€ 85,500	€ 199,500	€ 162,378
Etr	Less recruitment travel through better insights	€ 10,800	€ 14,400	€ 14,400	€ 39,600	€ 32,538
Ftr	Salary savings from more internal movers	€ 0	€ 453,600	€ 900,000	€ 1,353,600	€ 1,051,059
<b>Total benefits (risk-adjusted)</b>		<b>€ 1,581,100</b>	<b>€ 2,424,740</b>	<b>€ 2,942,700</b>	<b>€ 6,948,540</b>	<b>€ 5,652,175</b>

Source: Forrester Research, Inc.



## COSTS

The composite organisation experienced a number of costs associated with LinkedIn Talent Solutions:

- › Talent Solutions licenses.
- › Talent Solutions team.
- › Media content creation.

These represent the mix of internal and external costs experienced by the composite organisation for initial implementation and ongoing operations associated with Talent Solutions.



### Talent Solutions Licenses

LinkedIn Talent Solutions consists of multiple products — Recruiter, Job Slots, Career Pages, and Work With Us Ads. Within this, there are a variety of options, such as Career Pages Gold and Platinum. The composite organisation used Career Pages — Platinum, Job Slots with automated Job Wrapping services, Jobs Manager Licenses, Recruiter Licenses, Recruitment Ads, and Work With Us Ads.

Pricing is tiered based on volume, and the number of licenses required varies based on the number of recruiters, concurrent job postings, and ads. Readers should work with their LinkedIn account manager to define a package that best meets their needs. License costs will vary based on these parameters; therefore, the composite organisation's total license costs were risk-adjusted up 15% to be conservative and reflect that costs may be higher at lower volumes. A smaller deployment should result in a similar ROI and payback period since the costs and benefits will both decrease. The total risk-adjusted costs over the three years was €1,552,500.

*“You have to put effort into making Talent Solutions a success. I worked with it for a year. I put even more licenses in and increased our investment, and my boss is happy to make the extra investment because of the good ROI.”*

~ Talent acquisition operations manager

**TABLE 8**

**Talent Solutions Licenses**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
G1	Talent Solutions licenses			€450,000	€450,000	€450,000
Gt	Talent Solutions licenses	= G1		€450,000	€450,000	€450,000
	Risk adjustment	↑15%				
<b>Gtr</b>	<b>Talent Solutions licenses (risk-adjusted)</b>		<b>€0</b>	<b>€517,500</b>	<b>€517,500</b>	<b>€517,500</b>

Source: Forrester Research, Inc.



### Talent Solutions Team

The interviewed companies said that managing LinkedIn Talent Solutions was straightforward and did not require too much effort. The composite organisation team consisted of three individuals: 1) a lead person

from the recruiting organisation who spent 40% of their time working on Talent Solutions and mentoring recruiters; 2) one person from the HRIS team who spent about 20% of their time working on Talent Solutions integration with the HRIS solution; and 3) an online community manager who spent approximately a third of their time working on Talent Solutions. In total, this comes out to roughly 1.2 FTEs. We assumed that during the initial two-month rollout, a combination of these individuals and others resulted in three FTEs working on the rollout.

Additionally, each recruiter went through LinkedIn Recruiter certification training, which takes about 7 hours. There is no charge for this training from LinkedIn which is all delivered online. There is also an optional certification exam that recruiters can take that has a small cost associated with it. These efforts were not included in the ROI analysis since there was no external outlay and the internal time involved was very little.

The level of effort described here was fairly consistent across the interviewed companies. To adjust for any possible increase in effort, this cost was risk-adjusted up by 5%. The risk-adjusted cost over the three years was €365,925.

**TABLE 9**  
**Talent Solutions Team**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
H1	Number of FTEs		3.0	1.2	1.2	1.2
H2	Number of months		2	12	12	12
H3	Average monthly fully loaded cost	€85,000/12 months	€7,083.33	€7,083.33	€7,083.33	€7,083.33
Ht	Talent Solutions team	$H1 \times H2 \times H3$	€42,500	€102,000	€102,000	€102,000
	Risk adjustment	↑5%				
<b>Htr</b>	<b>Talent Solutions team (risk-adjusted)</b>		<b>€44,625</b>	<b>€107,100</b>	<b>€107,100</b>	<b>€107,100</b>

Source: Forrester Research, Inc.



### Media Content Creation

The interviewed companies reported that creating compelling content to share via LinkedIn is very important to building a large pool of Followers and potential candidates who are actively engaged with them through LinkedIn. A lot of this content can be repurposed for other social media uses. Spending ranged from €40,000 to €200,000. For the composite organisation, Forrester used a value of €100,000 in Year 1, which increased to €150,000 beginning in Year 2. There was also some content created as part of the initial rollout. To be conservative, this amount was risk-adjusted up 10%. The three-year total cost was €484,000.

**TABLE 10**  
**Media Content Creation**

Ref.	Metric	Calculation	Initial	Year 1	Year 2	Year 3
I1	Media content creation		€40,000	€100,000	€150,000	€150,000
It	Media content creation	= I1	€40,000	€100,000	€150,000	€150,000
	Risk adjustment	↑10%				
<b>Itr</b>	<b>Media content creation (risk-adjusted)</b>		<b>€44,000</b>	<b>€110,000</b>	<b>€165,000</b>	<b>€165,000</b>

Source: Forrester Research, Inc.

## Total Costs

Table 11 shows the total of all costs as well as associated present values (PVs), discounted at 10%. Over three years, the composite organisation expects total costs to be a PV of a little more than €2 million.

**TABLE 11**  
**Total Costs (Risk-Adjusted)**

Ref.	Cost Category	Initial	Year 1	Year 2	Year 3	Total	Present Value
Gtr	Talent Solutions licenses	€0	€517,500	€517,500	€517,500	€1,552,500	€1,286,946
Htr	Talent Solutions team	€44,625	€107,100	€107,100	€107,100	€365,925	€310,967
ltr	Media content creation	€44,000	€110,000	€165,000	€165,000	€484,000	€404,331
<b>Total costs (risk-adjusted)</b>		<b>€88,625</b>	<b>€734,600</b>	<b>€789,600</b>	<b>€789,600</b>	<b>€2,402,425</b>	<b>€2,002,243</b>

Source: Forrester Research, Inc.

## FLEXIBILITY

Flexibility, as defined by TEI, represents an investment in additional capacity or capability that could be turned into business benefit for some future additional investment. This provides an organisation with the “right” or the ability to engage in future initiatives but not the obligation to do so. There are multiple scenarios in which a customer might choose to implement Talent Solutions and later realise additional uses and business opportunities. Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in Appendix A).

Talent Solutions makes the HR recruiting organisation inherently more flexible. It can quickly respond to the business’ changing needs in terms of types and number of hires. This is especially true when moving into new geographies or business requirements. This results in a faster time-to-hire.

Additionally, there are new components being introduced to Talent Solutions on a regular basis, and they can easily be added on top of what is already in use. These longer-term flexibility-specific benefits were excluded from the ROI analysis so that the reader gets a very clear understanding of the immediate impact to the organisation.

## RISKS

Forrester defines two types of risk associated with this analysis: “implementation risk” and “impact risk.” Implementation risk is the risk that a proposed investment in Talent Solutions may deviate from the original or expected requirements, resulting in higher costs than anticipated. Impact risk refers to the risk that the business or technology needs of the organisation may not be met by the investment in Talent Solutions, resulting in lower overall total benefits. The greater the uncertainty, the wider the potential range of outcomes for cost and benefit estimates.

Quantitatively capturing implementation risk and impact risk by directly adjusting the financial estimates results provides more meaningful and accurate estimates and a more accurate projection of the ROI. In general, risks affect costs by raising the original estimates, and they affect benefits by reducing the original estimates. The risk-adjusted numbers should be taken as “realistic” expectations since they represent the expected values considering risk.

The interviewed organisations did not express any great concerns or risks with using Talent Solutions. The only concern was that recruiters would not use the tools, meaning that the license fees were wasted. Through training and change management activities, this potential risk never proved to be true.

Table 12 shows the values used to adjust for risk and uncertainty in the cost and benefit estimates for the composite organisation. Readers are urged to apply their own risk ranges based on their own degree of confidence in the cost and benefit estimates.

**TABLE 12**  
**Benefit And Cost Risk Adjustments**

Benefits	Adjustment
Increased business value from faster time-to-hire	↓ 25%
Increased business value from better quality of hire	↓ 25%
Increased direct hires	↓ 10%
Eliminated external recruiting solutions	↓ 5%
Less recruitment travel through better insights	↓ 10%
Salary savings from more internal movers	↓ 10%
Costs	Adjustment
Talent Solutions licenses	↑ 15%
Talent Solutions team	↑ 5%
Media content creation	↑ 10%

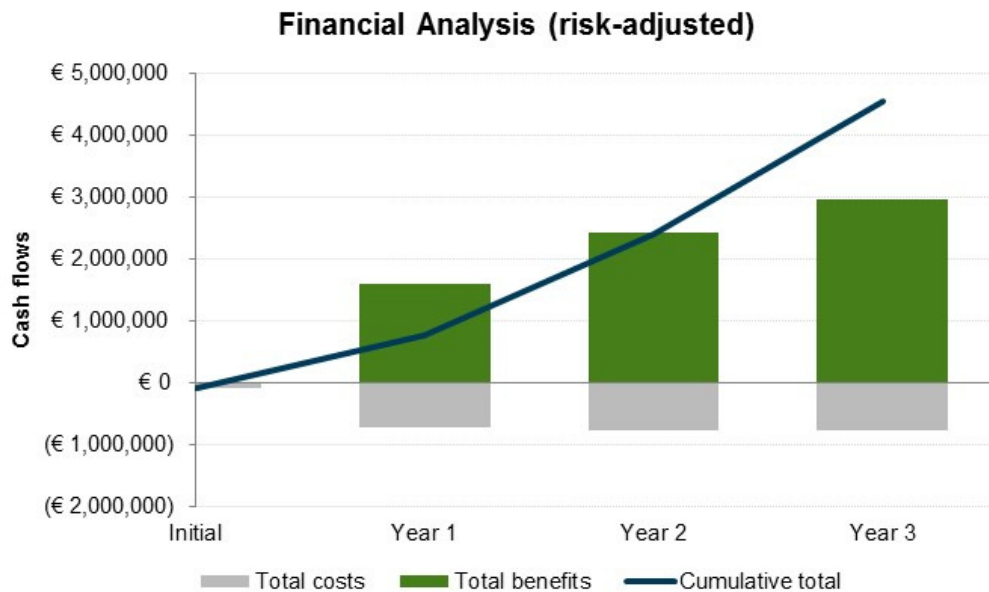
Source: Forrester Research, Inc.

## Financial Summary

The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organisation's investment in LinkedIn Talent Solutions

Table 13 below shows the risk-adjusted ROI, NPV, and payback period values. These values are determined by applying the risk-adjustment values from Table 12 in the Risks section to the unadjusted results in each relevant cost and benefit section.

**FIGURE 4**  
**Cash Flow Chart (Risk-Adjusted)**



Source: Forrester Research, Inc.

**TABLE 13**  
**Cash Flow (Risk-Adjusted)**

Summary	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(€88,625)	(€734,600)	(€789,600)	(€789,600)	(€2,402,425)	(€2,002,243)
Total benefits	€0	€1,581,100	€2,424,700	€2,942,700	€6,948,540	€5,652,175
<b>Total</b>	<b>(€88,625)</b>	<b>€846,500</b>	<b>€1,635,140</b>	<b>€2,153,100</b>	<b>€4,546,115</b>	<b>€3,649,932</b>
<b>ROI</b>						<b>182%</b>
<b>Payback period (months)</b>						<b>4</b>

Source: Forrester Research, Inc.

## LinkedIn Talent Solutions: Overview

The following information is provided by LinkedIn. Forrester has not validated any claims and does not endorse LinkedIn or its offerings.

LinkedIn Talent Solutions includes:

- › **Recruiter.** Transform people's lives — and your workplace — with the tool that transformed recruiting.
- › **Job Slots.** Automatically recommend the right job to the right candidate through LinkedIn, email, and the LinkedIn Job Search app.
- › **Career Pages.** Build your employer brand and attract top talent with a LinkedIn Career Page.
- › **Work With Us Ads.** Attract more top talent to your company by putting job ads right on your employees' LinkedIn profiles.
- › **Referrals:** Automatically uncover quality hires by engaging your employees, unlocking their networks, and inspiring everyone to recruit.
- › **Elevate.** Empower your employees to share great content with their networks and become a socially engaged company.
- › **Lynda.** Learn business, technology, and creative skills to achieve personal and professional goals. Through individual, government, corporate, and academic subscriptions, members have access to the lynda.com video library of engaging, top-quality courses taught by recognised industry experts. This includes more than 5,700 courses and 255,000 video tutorials across mobile and desktop.

## Appendix A: Total Economic Impact™ Overview

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realise the tangible value of IT initiatives to both senior management and other key business stakeholders. TEI assists technology vendors in winning, serving, and retaining customers.

The TEI methodology consists of four components to evaluate investment value: benefits, costs, flexibility, and risks.

### BENEFITS

Benefits represent the value delivered to the user organisation — IT and/or business units — by the proposed product or project. Often, product or project justification exercises focus just on IT cost and cost reduction, leaving little room to analyse the effect of the technology on the entire organisation. The TEI methodology and the resulting financial model place equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organisation. Calculation of benefit estimates involves a clear dialogue with the user organisation to understand the specific value that is created. In addition, Forrester also requires that there be a clear line of accountability established between the measurement and justification of benefit estimates after the project has been completed. This ensures that benefit estimates tie back directly to the bottom line.

### COSTS

Costs represent the investment necessary to capture the value, or benefits, of the proposed project. IT or the business units may incur costs in the form of fully burdened labour, subcontractors, or materials. Costs consider all the investments and expenses necessary to deliver the proposed value. In addition, the cost category within TEI captures any incremental costs over the existing environment for ongoing costs associated with the solution. All costs must be tied to the benefits that are created.

### FLEXIBILITY

Within the TEI methodology, direct benefits represent one part of the investment value. While direct benefits can typically be the primary way to justify a project, Forrester believes that organisations should be able to measure the strategic value of an investment. Flexibility represents the value that can be obtained for some future additional investment building on top of the initial investment already made. For instance, an investment in an enterprise-wide upgrade of an office productivity suite can potentially increase standardisation (to increase efficiency) and reduce licensing costs. However, an embedded collaboration feature may translate to greater worker productivity if activated. The collaboration can only be used with additional investment in training at some future point. However, having the ability to capture that benefit has a PV that can be estimated. The flexibility component of TEI captures that value.

### RISKS

Risks measure the uncertainty of benefit and cost estimates contained within the investment. Uncertainty is measured in two ways: 1) the likelihood that the cost and benefit estimates will meet the original projections and 2) the likelihood that the estimates will be measured and tracked over time. TEI risk factors are based on a probability density function known as "triangular distribution" to the values entered. At a minimum, three values are calculated to estimate the risk factor around each cost and benefit.

## Appendix B: Glossary

**Discount rate:** The interest rate used in cash flow analysis to take into account the time value of money. Companies set their own discount rate based on their business and investment environment. Forrester assumes a yearly discount rate of 10% for this analysis. Organisations typically use discount rates between 8% and 16% based on their current environment. Readers are urged to consult their respective organisations to determine the most appropriate discount rate to use in their own environment.

**Net present value (NPV):** The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made, unless other projects have higher NPVs.

**Present value (PV):** The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.

**Payback period:** The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

**Return on investment (ROI):** A measure of a project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits minus costs) by costs.

### A NOTE ON CASH FLOW TABLES

The following is a note on the cash flow tables used in this study (see the example table below). The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1. Those costs are not discounted. All other cash flows in years 1 through 3 are discounted using a 10% discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations are not calculated until the summary tables are the sum of the initial investment and the discounted cash flows in each year.

Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.

TABLE [EXAMPLE]

Example Table

Ref.	Metric	Calculation	Year 1	Year 2	Year 3

Source: Forrester Research, Inc.

## Appendix C: Endnotes

<sup>1</sup> Forrester risk-adjusts the summary financial metrics to take into account the potential uncertainty of the cost and benefit estimates. For more information, see the section on Risks.