



COST BENEFITS OF EINDUCTION

Disclaimer

NB: The information presented here does not represent a formal dispatch of rules or laws from Knowledge Hemispheres. The guide was developed from research conducted and is not legally binding. Views expressed here are not representative of the organisation: Knowledge Hemispheres Ltd. For each project we strongly recommend legal advice is sought to verify use of any material being considered.

Cost benefit view of eInduction

This document suggests cost benefits and debates the various approaches for developing a professional eInduction system/ environment / solution.

The following scenarios are based on typical corporate cost assumptions. Many firms deploy Human Resource professionals to manage the induction of either new employees or inter-company transfer staff.

Typically call centres can experience an over 40% turnover of staff per year.

The impact is not just cost orientated, for example, high turnover results in loss of productivity, continuity, team development and ripple-effects that can reach agreed client service levels.

We can consider a slightly lower attrition as an average for the following examples:-

If the average attrition (loss of employees per year (leavers or health exits)) of a firm with 600 employees over the last 5 years could be assumed to be 8% attrition this results in 48 staff / year. However, it is questionable if during a recession, a skills

availability problem or company merger whether all of these lost employees would be replaced. In addition, re-organisations often results in merger of roles. Therefore, a sensible suggested number of new starter scenarios should be understood first. If we assume that due to recruitment/re-organisation or new project allocation, approx 10% movement (organisational shift) is likely to occur and that only 5.5% of these employees will be new to the firm. Therefore a total of 33 new staff will be expected each year.

If assume that the average start-up time for an employee as 5 days. NB We will also need to add back 2 days of eInduction module usage and 1 hour of HR support time per employee.

Employee Daily cost derivation

To determine the daily cost can be considered as an employee's salary (average salary £25K/year) x 1.75 (the latter is derived as a standard multiple for organisation overheads). We should expect a per employee total cost of 'time to productivity' to projected as: £43.75K/year. Assuming a 220 working day year, their per day cost = £198, say approx £200/day.

Employee's profit contribution derivation

Saving can also be further enhanced by deriving the employees profit contribution per day. For example if the firm is profitable by 2% (EBIT – earnings before interest and tax). Assuming a firm of 600 staff are able to generate in a particular industry a revenue of £3M, then 2% EBIT = £60K profit. Dividing this total by 600 employees provides a per employee profit contribution figure of £100/employee/day.



COST BENEFITS OF EINDUCTION

Cost of traditional Induction processes

Assuming that traditional eInduction (document intensive) costs are likely to be a ½ HR admin person employed full-time per year. His/Her costs would be approx £100/day or £21.87K/year or £500 for 5 days of induction support.

Therefore, a cost model or justification equation for eInduction could be viewed as follows:

Traditional Induction per employee cost = 1991.48
Total Traditional induction route costs for 5 days =
£2250/employee
For 33 new starters a year:
Grand Total = £65,718.84

Alternatively:
Cost of customised eInduction modules = £21,250
Cost of yearly eInduction licence (upgrades/maintenance) = £50 per user/year
Total cost for 33 new starters = 24,333.29
Total saving = approx £4,200
Total saving expressed as a % would typically be: 6.69%

In summary a firm employing 600 staff with 5.5% headcount growth (33 new starters) per year and 2% EBIT on £3M revenue figures could make savings of 6.69% of productivity and profits per year. Imagine the possibilities with larger firms.

For example, a typical retail outlet may employ 3000 employees but have a smaller 1.5% profit to revenue ratio. These firms more than any will have a large and flexible movement of staff turnover of at least 20% excluding 2 day on

the job training but including a 2 day induction.

Using the cost matrix / Pricing Engine we can derive the following statistics:-

Staff total : 4000
Inductees @20% new starters : 600
Traditional Induction spend: £1.04M
eInduction project cost: £50K
Saving : 383.1K
% Saving : 36.6%

Delivery platforms Remote (Intra/Internet) Vs Standalone versions

Available either on an intranet or streamed to mobile or remote users, eInduction offers consistency and control capabilities for reusable content with built-in eLearning testing standards.

What make eInduction different from these traditional intranets?

The answer is that both environments are complementary and can be delivered. The issue is not one of the infrastructures but the ability to provide a modular package that can rapidly integrate voice, text, graphics, animation, audio and video together with eLearning standards.

Intranets offer this too but can often be 'dry' in terms of 'friendly content' and limited in terms of their accessibility (remotely) and presumption of inherent or neural knowledge. EInduction environments could also be rapidly adapted to being multi-lingual and integrated with local customs and local standards. Finally, an eInduction offers rapid customisation and communication capability. EInduction offers the bridge between corporate knowledge stores and specific start-up impression setting.