

Measuring the Value of

# **CORPORATE ALUMNI NETWORKS**

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WHITEPAPER | by IntraWorlds



# INTRODUCTION

In recent years, there has been a rise in formal corporate alumni networks. Not only has the evolution of automated relationship management software and social networks made it simpler to develop relations with alumni, but organizations are beginning to understand the value an alumni program can have for both the business and the alumni.

Information on how to calculate the return on investment (ROI) of an alumni program is scarce. To address this issue IntraWorlds has developed a model that calculates the ROI of a formal corporate alumni program. The IntraWorlds model enables enterprises to view the potential impact a formal alumni program can have on their business in order to better assist during the decision-making process.

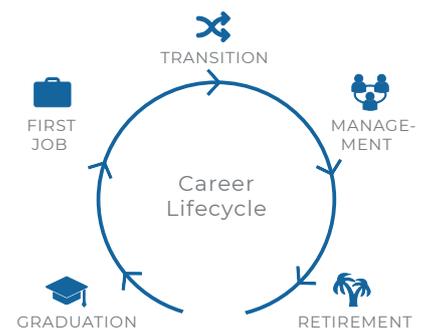
## THE RISE OF CORPORATE ALUMNI MANAGEMENT

For decades educational institutions have run successful alumni programs. The success stems from the relationship being mutually beneficial; former students are able to seize professional opportunities, stay connected with their peers and contribute to the future of their former educational institution, while the institution is able to reach business objectives such as donation quotas or enrollment targets. Recognizing the impact such programs offer, it is only natural that corporate organizations have followed suit. Nurturing relationships with former employees throughout their career lifecycle can add a tremendous amount of value to an organization's bottom line and reputation. This means that organizations that invest in employer branding are three times more likely to make a quality hire.<sup>1</sup>

As employees chase salary, promotions, and different locations when changing companies, they take business knowledge, and capital invested in their training and development with them. No matter how hard human resource teams work on employee retention, employee turnover is inevitable. According to a recent study across 30 thousand organizations, employee turnover rates are 17.8 percent for all industries.<sup>2</sup> Turnover is particularly high for professional & business services with 37.7 percent voluntary resignations in 2017.<sup>3</sup> There is also the possibility that former employees simply disappear out of your eco-system thus making contact for business development purposes, rehiring, or leveraging alumni knowledge and expertise extremely challenging.

Additionally, costs involved in hiring are high. Research suggests that replacement costs are anywhere from six to nine months of a new hire's annual salary<sup>4</sup> which corresponds to 50 – 60 percent of an employee's annual salary.<sup>5</sup> The possibility of rehiring high-performing former employees can be beneficial for the business, but how can recruiting teams actively engage with alumni if relations are absent? The answer is found through implementing a formal corporate alumni program. Formal corporate alumni networks empower businesses to maintain engaging relations with former employees who have the potential to provide value in the future.

This whitepaper outlines the numerous benefits of establishing a formal corporate alumni program including how to calculate the ROI for your organization.



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Replacement costs  
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<sup>1</sup>Brandon Hall, "The True Cost of a Bad Hire", (2015)

<sup>2</sup>Compensation Force, "2016 Turnover Rates by Industry", (2017)

<sup>3</sup>U.S. Bureau of Labor Statistics, "Table 18. Annual quits rates by industry and region", (2018)

<sup>4</sup>Grant Freeland for Forbes "Dive Bars, Boomerangs And The Competition For Talent", (2018)

<sup>5</sup>Catalyst, "Turnover and retention", (2018)

# BENEFITS OF AN ALUMNI PROGRAM

A formal corporate alumni program can offer an engaged network and a database that teams can leverage for hiring, expertise and knowledge. However, it takes time and dedicated resources to develop. Additionally, it is necessary for businesses to ensure they are creating value for themselves and the alumni. In this way, organizations that invest in a strong candidate experience improve their quality of hires by 70%.<sup>6</sup>

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## BENEFITS FOR ALUMNI

The value of a formal corporate alumni program for former employees tends to fall into three categories:

1. Career and mentoring opportunities
2. Professional networking & inside insights
3. Ongoing learning & referral opportunities

According to Microsoft, ex-employees are interested in joining alumni programs to connect with old colleagues, to get discounts on products and services, to take part in philanthropic programs and, because of career advancement (via networking and job postings).<sup>7</sup> A study showed that 67% of the companies surveyed had employees who independently organized informal alumni groups spending their own time and money to set these networks up.<sup>8</sup>

## BENEFITS FOR BUSINESS

Big consulting firms like Deloitte for example could attribute 2,800 boomerang employees returning to the organization in 2017, a 32% increase over 2018.<sup>9</sup> Additionally, a recent research found that 72% of past employees would return to their former company if the opportunity arose.<sup>10</sup> Organizations with alumni programs have the potential to significantly exceed these figures.

### Business Development

Business development opportunities and retaining former employees as clients are valuable for business. Former employees may move into positions where they have the possibility to become a client. An alumni network can help organizations increase business development opportunities by engaging former employees. In fact, IntraWorlds' clients see at least \$150 thousand additional contribution margin per one thousand alumni per year from their alumni network.

#### *Business to Business (B2B)*

In business to business organizations, alumni can become the contact needed to generate business leads, and to identify business ambassadors or influencers. From IntraWorlds' client experience, professional services firms estimate several hundred millions of alumni generated revenue per annum.

#### *Business to Consumer (B2C)*

As a business to consumer organization, there is the opportunity to continue offering products to ensure a customer base is not lost. Apple for example offers discounts on products and services to former employees. Same does General Motors within their "Family First - Employee Discount Program" for active, retired and former employees.

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72%

of alumni would return to their former employer

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<sup>6</sup> Brandon Hall, "The True Cost of a Bad Hire", (2015)

<sup>7</sup> QuartzatWork, "Who says talent development has to stop when an employee moves on?", (2018)

<sup>8</sup> LinkedIn, "Four Reasons to Invest in a Corporate Alumni Network", (2014)

<sup>9</sup> SHRM, "Why Companies Should Stay Connected with Ex-Employees", (2018)

<sup>10</sup> Dr. John Sullivan for ERE Recruiting Intelligence, "Boomerangs - The No.1 Solution for Reducing the Need to Hire 'Stranger Candidates'", (2018)



## Rehiring and Referrals

### Reduced costs

Deloitte believes the cost of losing an employee can range from tens of thousands of dollars to 1.5–2.0x the employee's annual salary.<sup>11</sup> Correspondingly, the entire hiring process can be cut up to 50 percent per hire by employing a boomerang over a typical applicant by reducing the use of external headhunters and recruiting agencies.<sup>12</sup> A rehire carries lower risks and offers new business viewpoints. Deloitte Southeast US reported 10% of total hires were rehires through their AlumNet network, providing savings of \$3.8 million.<sup>13</sup> Research suggests that the average Fortune 500 company could save \$12 million a year by actively recruiting alumni.<sup>14</sup>

### Increased productivity

Research shows that the average hiring failure rate is 46 percent.<sup>15</sup> However, Boomerang hires deliver higher productivity, have a faster time-to-hire, and a comprehensive understanding of company culture and procedures plus, they likely developed new skills, knowledge, and experiences that will be valuable in their return role.<sup>16</sup> In addition, the necessity to extend (or defer) project timelines is decreased. Hiring a stranger instead means losing client, process, technical and product knowledge creating the "corporate brain drain," a knowledge and skills gap that's tough for employers to readily replace.<sup>17</sup>

### Referrals

Corporate alumni are also a great channel for referrals since, according to a new survey, 85% of all jobs are found through some form of networking.<sup>18</sup> Alumni know the business values, culture and work ethics and can refer candidates they believe will fit the organization and refer customers, especially when incentivized to do so. Plus, referrals are 5x more effective than all other sources of hiring and almost half of employees hired through referral programs stay for three years or more.<sup>19</sup>



## Brand Value

No matter how many resources an organization invests into its brand image, it is never under full control. With social media constantly buzzing, businesses are subject to the highs and lows of people emotions.

Businesses sharing messages via social media can encourage alumni to be involved. Alumni promotion and recommendations can have more credibility than current employees. A LinkedIn study found that the more candidates know about your brand, the more likely they are to be aware of your organization as an employer. And if their impression of your company brand is positive, they are quite likely to think of your organization as a good place to work.<sup>20</sup> Your alumni can also refer clients and be brand ambassadors to your employer brand and offerings.



## Knowledge Network

Staying connected with former employees keeps you abreast a network of intelligence – product knowledge, industry trends and research (particularly if conducted by an alumnus), thought leadership and much more. Alumni have the knowledge of your business and that of their new experiences.

Time and money invested into employee development while they were employed by your organization is not lost if you continue to utilize their expertise in the future. Bosch is a great example of this. In 1999, Bosch founded the Bosch Management Support GmbH (BMS) which aims at leveraging experienced retired Bosch alumni and their expertise in temporary consulting services for Bosch worldwide.

# 85%

of all jobs are filled via networking

<sup>11</sup> HuffPost, "How Much Does Employee Turnover Really Cost?", (2017)

<sup>12</sup> Lee Hecht Harrison, "The rise of the boomerang employee", (2018)

<sup>13</sup> SIBM, "Rehiring", (2011)

<sup>14</sup> Harvard Business Review, "Cultivating Ex-Employees", (2002)

<sup>15</sup> Dr. John Sullivan for ERE Recruiting Intelligence, "Boomerangs - The No.1

Solution for Reducing the Need to Hire 'Stranger Candidates'", (2018)

<sup>16</sup> Forbes, "Welcome Home: Why You Should Celebrate Boomerang Hires", (2019)

<sup>17</sup> Forbes, "Need to Attract Top On-Demand Talent? Try These 5 Smart Strategies by Jeff Wald", (2019)

<sup>18</sup> LinkedIn, "New Survey Reveals 85% of All Jobs are Filled Via Networking", (2016)

<sup>19</sup> Jobvite Index / Jobvite Recruiting Funnel Benchmark Report, (2017)

<sup>20</sup> LinkedIn, "Why Your Employer Brand Matters", (2012)

# CALCULATING RETURN ON INVESTMENT (ROI) BASED ON THESE BENEFITS

To calculate the ROI of a formal corporate alumni program, the benefits are divided by the costs invested. The return is the monetary profit based on benefits of a program.

$$\text{ROI} = \text{Program benefits} / \text{Program costs}$$

An alumni program produces both soft and hard benefits. Quantifying all data as a monetary measure can be subjective. Therefore, it is helpful to divide gains into hard and soft benefits data. Hard data is quantified as a monetary value, whereas soft data is still extremely important for the business but more challenging to quantify.

## HARD BENEFITS

Business revenue  
Recruiting savings  
Time-to-hire  
Productivity gains

## SOFT BENEFITS

Brand loyalty  
Workforce flexibility  
Employer brand ambassadors  
Job satisfaction

## ASSUMPTIONS & MODEL FOR CALCULATING ROI

IntraWorlds has developed a model (based on experience and completed projects) that considers costs involved, and calculates the ROI of a formal corporate alumni program.

In the model, IntraWorlds defines relevant drivers and estimates assumptions – considering only the rehiring and business development hard benefits. Utilizing the table below, organizations can determine the impact of a formal alumni program, based on the key drivers and company specific estimates.

## DRIVERS & ASSUMPTIONS (for model and sample calculation)

### GENERAL DRIVERS

Number of active alumni:

### ASSUMPTIONS

8,000 active alumni

### REHIRING DRIVERS

Average number of rehires per 1,000 alumni:  
Average headhunter costs saved per rehire:  
Average productivity increase per rehire:

### ASSUMPTIONS

2 rehires per 1,000 alumni  
\$25,000 per rehire  
\$50,000

### BUSINESS DEVELOPMENT DRIVERS

Average number of deals per 1,000 alumni:  
Average deal size of these deals:

### ASSUMPTIONS

0,5 deals per 1,000 alumni  
\$300,000 additional contribution margin per deal

### COSTS

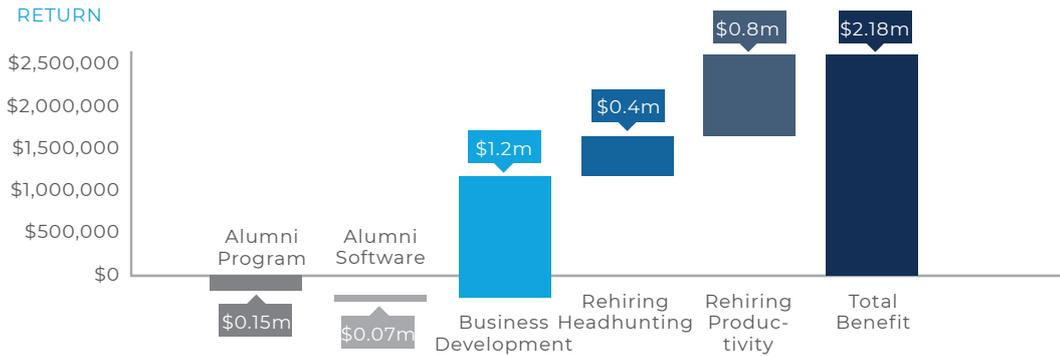
Investment in Alumni Program Management:  
Investment in Alumni Relationship Software:

### ASSUMPTIONS

Formula dependent on size of alumni network  
Formula based on IntraWorlds pricing

The above assumptions are a conservative view, based on IntraWorlds' client and industry experience from large corporate clients. Depending on the industry your calculation may vary.

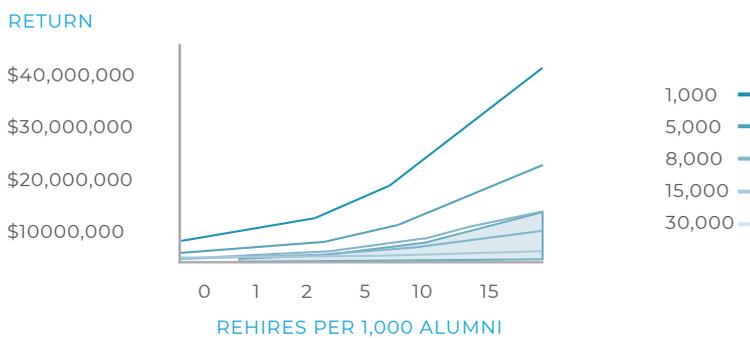
The model yields the following costs and returns based on the above assumptions:



In this case, the total annual return of a formal alumni program is approximately \$2.18 million. When comparing annual return versus annual costs, the return outweighs the costs associated to the program 9.80 times.

Assessing standard (minimum) costs identified when establishing a corporate alumni program, it is evident that the size of the network, success rates for additional business development and rehires are key to achieving ROI. For example, with minimum annual program costs of \$140 thousand, the calculation is simple: for every two rehires (approximately \$150 thousand in benefits) or one business deal every two years (approximately \$150 thousand in benefits), the program reaches a break even status. Additional rehires or business transactions will continue to increase the ROI of the corporate alumni activities.

As stated earlier, the assumptions utilized for the sample calculation are based on IntraWorlds' client and industry experience and knowledge. However, the driver success rates vary significantly between organizations. The assumption of two rehires per one thousand alumni per annum is a conservative measure (IntraWorlds has clients hiring more than ten employees per one thousand alumni per annum). The chart below displays how annual benefits vary depending on the number of alumni in the formal alumni network and the quota of annual alumni rehires per one thousand alumni.



The chart demonstrates that even with zero rehires per year, the sample calculation yields a positive return of the formal corporate alumni program. A similar calculation can be completed when assessing business development benefits.

### CALCULATING YOUR CORPORATE ALUMNI PROGRAM ROI

The IntraWorlds model and the sample calculations illustrate that calculating the ROI of corporate alumni programs requires an understanding of the core drivers (number of alumni, rehires per one thousand alumni, and new business per one thousand alumni), and organization-specific estimations. Additionally, the relative importance of benefits from business development and rehiring may vary between companies and their industries (e.g. auditing firms have higher rehiring benefits than consulting firms).

Contact us today!



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## ABOUT INTRAWORLDS

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IntraWorlds is a leading multinational provider of talent relationship management technology, with a robust platform at its core.

The company is headquartered in Germany and has subsidiaries in North America and Greater Europe.

IntraWorlds empowers its clients to develop unparalleled relationships with top talent throughout the career lifecycle, spanning from pre-hire to post-retire through its integrated services and solutions.

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