

CGMA GUIDE
COLT©/CORT© guide

MEASURE THE VALUE OF TALENT

Introduction

CIMA has developed COLT© and CORT© to help HR and finance to measure the separate costs of losing and replacing each employee. Staff lay-offs and redundancy are a common response from employers in straitened economic times, but few companies have sophisticated measurement systems and data currently available in this area. The Cost of Losing Talent (COLT©) model focuses on raising the issue within the business, primarily by identifying the bottom-line impact of talent loss and/or replacement. It has been deliberately designed as a standalone tool so that these costs can be factored into such decision making.

Going forward, it is hoped that subsequent versions of the models will begin to merge with talent management and appraisal systems. For example, linking KPIs and employee appraisals to the model would enable employers to measure an individual employee's contribution to strategy. In this way the models could become a systemic part of a company's talent management system.

Definitions

Cost of Losing Talent (COLT©) = employee EBITDA/52 weeks x number of weeks of vacancy

The COLT© model is based on EBITDA (earnings before interest, taxes, depreciation and amortisation).

EBITDA is increasingly used by investment analysts to measure the ability of the business to generate cash. It is regarded as the purest form of operational performance.

Employee EBITDA measures the average contribution of each employee to the business. It is calculated by multiplying total EBITDA by the distributed weighting of each level/grade in the organisation and dividing by the number of staff employed at that grade.

This figure is then weighted to reflect the seniority of the employee at three distinct levels: operational staff, managerial level and senior management. The weightings were adapted from the CIMA Global Employer Study 2010 which represented 450 employers drawn equally from North and South America, Asia and EMEA, across all major sectors. The study was also used to identify the average number of weeks in which a role at each level of seniority is vacant.

Cost of Replacing Talent (CORT©) = Acquisition Costs + Cost of Losing Talent (CORT©)+ employee opportunity cost

The Cost of Replacing Talent (CORT©) model factors in employee opportunity cost – employers' estimates of the number of weeks it takes each level of staff to become fully effective. Employee opportunity cost is one of three costs factored into the CORT© model. Acquisition cost and the "cost of losing talent" are the other two. True acquisition cost could be the sum of vacancy cover, redundancy, recruitment and selection, training and education costs combined (CIPD, UK). The employee opportunity cost is the same as employee EBITDA multiplied by the number of weeks to be fully effective.

Applicability of the models

The COLT© and CORT© models can be used in the private, charity and not-for-profit sectors, where a proxy for EBITDA that is more appropriate for the non-profit sector can be used. The use of these models in the public sector is still being developed and will be available in the future versions.

Data Collection Guidelines

This section helps you identify the data you need and where to collect it to use the tools.

Our online tool uses the variables listed in the following table to calculate the two values.

Variable	What it is	Where to find it	Add your value
EBITDA (for profit) (USD)	Earnings before interest, taxes, depreciation, and amortization (EBITDA) in US Dollars (USD)	Finance	
Net Gain (not for profit) (USD)	The difference between your organisation's income and expenditure in US Dollars (USD).	Finance	
Number of staff • Senior managers • Managers • Operational staff	The number of staff in your organisation for each staff category.	HR	
Vacancy length (weeks) <i>The default value shown in the tool is from the CIMA Global Employers Study of June 2010.</i> • Senior managers • Managers • Operational staff	The average number of weeks for your organisation that a vacancy remains unfilled for each staff category.	HR	
Acquisition cost (USD) • Senior managers • Managers • Operational staff	The average cost for your organisation of employing a person in each staff category in US Dollars (USD). ¹	HR/Finance	
Opportunity cost (weeks) <i>The default value shown in the tool is from the CIMA Global Employers Study of June 2010.</i> • Senior managers • Managers • Operational staff	The average number of weeks it takes an employee in each staff category to become effective in their role.	HR	

¹ This is the sum of vacancy-cover, contract settlement, redundancy, recruitment and selection, training and education costs.

Definitions of staff categories

- Senior managers are individuals at the highest level of organisational management who have the day-to-day responsibilities of managing the organisation.
- Managers are individuals in the organisation whose primary job responsibility is to monitor activities of subordinates.
- Operational staff are individuals who report to at least one superior or boss in a corporate managerial structure and their role is to perform duties or accept delegated responsibilities assigned by a superior.

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American Institute of CPAs
1211 Avenue of the Americas
New York, NY 10036-8775
T. +1 2125966200
F. +1 2125966213

Chartered Institute of
Management Accountants
26 Chapter Street
London SW1P 4NP
United Kingdom
T. +44 (0)20 7663 5441
F. +44 (0)20 7663 5442

www.cgma.org

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CIMA has offices in the following locations: Australia, Bangladesh, Botswana, China, Ghana, Hong Kong SAR, India, Ireland, Malaysia, Nigeria, Pakistan, Poland, Russia, Singapore, South Africa, Sri Lanka, UAE, UK, Zambia, Zimbabwe.