



MEASURING RETURN ON INVESTMENT IN HR

A Global Initiative for HR Strategy

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When Rick Colbourne, Executive Director of the Learning Strategies Group, Simon Fraser University (www.business.sfu.ca/lsg/) first contacted us, we discussed our shared concern that HR needed to be more strategic in its function. We agreed that simply offering generic training and development programs could not guarantee the bottom line results that these organizations were looking for. Effective and sustainable learning in organizations needs to be: contextualized by the organization's particular competitive issues and challenges; informed by its unique requirements for knowledge, skills, competencies and capacities; and managed through the organization's barriers to learning and points of resistance. As the conversation ensued, we shared three scenarios. These scenarios demonstrated how HR executives, frustrated with the lack of respect for HR and concerned about the image and contribution of HR in their organizations, were determined to take a more proactive approach to demonstrating HR's value in the alignment, contribution and results of learning in their organizations.

Striving to be Strategic

In the first scenario, twenty-three Human Resource professionals convened at a downtown hotel near their headquarters for an all day briefing/learning session. In the audience were several top executives including the Chief Financial Officer (CFO) and on the agenda was a presentation of eight ROI studies conducted by the HR staff. These studies demonstrated the particular impact that a variety of initiatives (ROI, improving work climate, absenteeism reduction, language training, project management solutions and leadership development) had on the organization. The presentations were professional, and the presenters were sharp, but nervous. The audience raised many questions, often stirring up debate among participants and the executives. This was the final step for twelve of the presenters to become certified ROI professionals and it was agreed by all that these studies were a smashing success. After the presentations, the group adjourned to

company headquarters for a presentation by the company's CEO. With an eye toward the next twelve coming behind them, he congratulated the HR professionals for their hard work and dedication. The recipients were relieved and proud they had reached this milestone and the Chief Financial Officer presented Certificates signifying them as Certified ROI Professionals. A wine and cheese reception followed, during which many other executives in the firm congratulated the recipients.

In the second scenario, twenty-five senior HR executives (Senior, Group HR Head, or Executive Vice President of HR) convened in an airport hotel. For a week, they focused on the critical task of building the competencies required to conduct ROI Studies across wide ranging programs in their organization. For five days, they worked through in-class and homework assignments and prepared for presentations at the end of the program. They were also expected to implement ROI within their sphere of influence and develop an actual impact study to become a Certified ROI Professional.

In the third scenario, a group of twenty-two HR managers met at the conference center of a major organization that hosted a five day ROI Certification Workshop. This was a dream come true for these managers who were finally learning how to demonstrate practically the value of HR's contribution to their organization. At the beginning of the session, the participants detailed the concerns they had about ROI and the projects and issues raised were as diverse and complex as the country they worked in. As they progressed through the program, individuals convened as groups to focus on the issues raised and how ROI could be used to address these in their organizations. Ultimately, the goal was to develop the capability to conduct ROI studies, routinely, after they achieved ROI Certification.

Interestingly, these scenarios did not play out in New York, Toronto or San Francisco. The first scenario took place in Santiago, Chile and



involved Codelco, the world's largest copper mining company. The President and CEO, José Pablo Arellano, and the Senior Vice President of Finance, Francisco Tomic, provided their support for the use of ROI to demonstrate the impact of human capital in their organization. The second scenario was in Mumbai, India. These executives attended the program with the sole intention of implementing the ROI methodology to demonstrate to other senior executives and stakeholders the value of human capital within their organizations. Representing some of the most impressive companies in India, these senior HR executives were willing to devote an entire week to ensure they understood the process completely before implementing it throughout their organizations. The third scenario was in Johannesburg, South Africa where participants represented a broad range of organizations including government agencies, the rail system, postal services, telecommunications, electric utilities, banking, manufacturing, as well as mining companies. They comprised the elite working in well-known and respected organizations in South Africa and neighbouring African countries. One of the executives in the room, for example, was head of HR for Safaricom, a telecommunications company in Kenya who sent additional HR managers to Washington and London for the same training with a view to implementing the ROI process in their organization.

With increasing recognition of the ROI methodology as best practice for HR executives, these scenarios and others are playing out globally in over 40 countries. HR executives, frustrated with the lack of respect for the HR function and concerned with communicating the significant strategic contributions of HR, are adopting the ROI methodology as a proactive approach to demonstrating organizational alignment, contribution, and results from HR practices.

At the end of our conversation, we decided that since we share the same values and goals, to empower HR in optimizing learning in their organization, it made sense for the ROI Institute to partner with the Learning Strategies Group at Simon Fraser University to start the dialogue about the ROI methodology in Vancouver on September 30th. During this "Knowledge and Networking Event with Jack and Patti Phillips," we plan to discuss ROI, how it is being used as best practice in other organizations and how Vancouver HR professional can be proactive in adopting this methodology to become more strategic in promoting and sustaining learning activities in their organizations.

Developing the ROI process

To develop a credible approach for calculating the ROI in HR, several elements must be developed and integrated (see figure 1).

1. An evaluation framework is needed to define the various levels of evaluation and types of data, as well as how data are captured.
2. A process model must be created to provide a step-by-step procedure for developing the actual ROI calculation. Part of this process is the isolation of the effects of the program from other factors in order to show the monetary payoff of the HR project. Represented by the model in Figure 1, the process is comprehensive as data are developed at different times gathered from different sources.

Figure 1: The Key Elements of the ROI Process



3. A set of operating standards with a conservative philosophy is required. These guiding principles keep the process on track to ensure successful replication. The operating standards also build credibility within the organization.
4. The necessary resources should be devoted to implementation issues to ensure that the ROI process becomes operational in the organization. Implementation addresses issues such as responsibilities, policies, procedures, guidelines, goals, and internal skill building.
5. Finally, successful case applications are critical to show how ROI actually works in the organization. Users of the ROI process are encouraged to develop a case study quickly.

Together, these five elements are necessary to develop a comprehensive evaluation system that contains a balanced set of measures, has credibility with the various stakeholders involved, and can be easily replicated.

ROI INSTITUTE™

Measuring the Impact of ROI in HR Programs: A Knowledge and Networking Event with Jack and Patti Phillips

will be held on September 30, 2009 at the Segal Graduate School of Business, 500 Granville St., Vancouver, British Columbia, Canada, V6C 1W6. This event will be open to the first 25 participants who register. <<http://www.bchrma.org/content/events/ls/details.cfm?EventID=036-111>>

The Learning Strategies Group and ROI Institute are also offering a 5-day **ROI Certification Workshop**, which will run from October 26th - 30th also at the Segal Graduate School of Business, 500 Granville St., Vancouver, British Columbia, Canada, V6C 1W6. <<http://www.bchrma.org/content/events/ls/details.cfm?EventID=036-112>>

For registration and more information on these ROI events, go to the registration link available through BCHRMA. BCHRMA members and non-members can register through this link and BCHRMA members are eligible for a 10% discount on both these events. If you have any questions, please contact Valerie Zuccolo at the Learning Strategies Group by email: vzuccolo@sfu.ca or phone: 778-782-7976.