A TEMPLATE FOR BUILDING BUSINESS CASES FOR "HR INVESTMENT"

Step #1—Be clear on the business need

Identify the business outcome(s) that you are seeking to improve or target. These could either be financial outcomes (such as sales, revenue, or costs) or non-financial outcomes (such as safety, customer satisfaction, or employee retention).

Step #2—Think through the methodology

The business outcome(s) that you are seeking to improve will determine the methodological approach that you should take. It is important to ensure that the level of "business outcome" data corresponds to the business need that you are targeting.

For example, if you are seeking to improve sales, your methodology should be designed to analyze the "human drivers" of variations in sales effectiveness across sales offices within your organization. In other words, since your analysis will focus on sales offices, your data collection (see step #3) should be designed with that in mind. If, alternatively, you are seeking to reduce employee turnover, your methodology would be designed to analyze the human drivers of variations in turnover across managers within your organization. In this case, your analysis will be focusing on managers, and your data collection needs to be designed accordingly.

As a general rule of thumb, the more granular is the business outcome data that you use, the more precise and compelling will be your business case. For instance, your analysis will be much stronger if you focus on variations in employee turnover rates associated with individual managers, rather than turnover rates across larger departments or functional units.

Step #3—Get the data you need

Obtain data on the business outcome(s) you have selected at the appropriate organizational level (as discussed in step #2 above). You should get the most recent data available, while ensuring that it incorporates a sufficiently long time period (typically, at least a full year) in order to remove the effects of random "noise" in the data.

At the same time, gather (existing or newly acquired) employee survey data (which should include multiple items that are possible "human drivers") and calculate each item at the same organizational level selected for the business outcomes data (e.g., by sales office, by manager, etc., as discussed in #2).

Step #4—Think about the data analytics

Next, you must select the method that you will use to statistically link the business outcome(s) with underlying human drivers. The specific statistical methods that are available for you to choose from will depend on the nature of the data available to you (e.g., amount and quality). They range from the simple (e.g., comparing the difference in average values of the human drivers between high- and low-performing units) to the complex (multivariate, time-series analysis). For more technical detail on this step, see McBassi's white paper *A Guide to Using Your Human Capital Data to Improve Business Results* (http://mcbassi.com/freeresources_guides.html).

Step #5—Analyze the data to identify relationships between drivers and outcomes

For each business outcome of interest, use the technique(s) selected in step #4 to analyze the magnitude and the significance of the relationship between each employee survey item and the business outcome(s). Rank these items (human drivers) in descending order of their importance (magnitude/significance) in shaping each business outcome.

Step #6—Identify organizational strengths and weaknesses

Using the same data from your employee survey, rank in ascending order your organization's strengths and weaknesses on each survey item.

Step #7—Simultaneously consider key drivers and organizational weaknesses

Examine the rankings developed in steps #5 and #6 to identify those human drivers that are simultaneously among the: (a) most important in determining your organization's business outcome(s), and (b) areas of greatest weakness in your organization. (It's going to be difficult to get a whole lot better in areas that are already among your greatest strengths, so it makes sense to target the most important areas of weakness).

Step #8—Identify your priorities

Based on the joint ranking that emerges from step #7, choose a short list of items that meet both criteria and are thus among the most important for you to spend time and resources on improving.

Step #9—Create a short list of solutions

Identify the specific interventions (e.g., training, coaching, process improvement, modifying your performance review system, executive development) that hold the greatest promise for improving those key drivers of business outcomes where your organization currently has relatively low capability.

Step #10—Develop estimates of cost and benefits

Identify a range of both the likely costs of the proposed intervention(s) along with the likely business benefit. Calculate the "worst case" outcome by dividing the lowest likely benefit by the highest likely cost, and the "best case" outcome by dividing the highest likely benefit by the lowest likely cost. This will generate an analytically responsible range of low and high end estimates. For more detail on this step, see McBassi's white paper *The Nine Most Common ROI Mistakes* (http://mcbassi.com/freeresources_onepagers.html).

About McBassi & Company
McBassi's mission is to serve as a catalyst for positive change in organizations. We do so by providing world-class, leading-edge measurement tools that help organizations improve their return on people, rigorously identifying the options for simultaneously improving profitability and employee engagement.

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