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For Workplace News

At Human Resources conferences, it is not uncommon to hear a frantic call from professionals, in companies large and small, seeking help: "My CFO has just told me that I either show an ROI (return on investment) on our human capital initiative or it will be hard to justify the human resources budget!" It's an agonizing plea coming from people who truly care about learning and development, but are afraid that it is going to be sacrificed on the altar of short-term profitability. The question points to some deep conundrums. Can the human capital side of any business be measured in traditional dollars and cents terminology? What numbers are relevant to your human capital ROI? How many angels can dance on the head of a pin? Measurement and human resources are like oil and water. The general stereotype is that HR professionals are not very numbers focused. Yet, they

## What have you done with the corporate cash?

are arguably responsible for the largest capital asset of their organization. True, most other assets in the organization are tangible and can be valued by using a number of key indicators. Human capital, on the other hand, is "the collective sum of the attributes, life experiences, knowledge, inventiveness, energy and enthusiasm that its people choose to invest in their work." ("Human capital — the elusive asset" by Leslie Weatherly, HR Magazine March 2003). Now go figure out how to plug those numbers into your abacus!

Traditionally, HR uses its numbers to focus on cost to hire ratio. While that might be a concrete statistic to quote in a report, if those hires do not produce quality employees who show long-term commitment, why should any CEO care? The real measure of a hire is three years out. But anyone pressed for ROI numbers probably can't wait that long. At the root of this ROI issue is a more basic problem. HR doesn't get enough respect from line or executive managers. Consider: Who always gets blamed for bad hires? Who

has to be the performance management police? Who has to fight for promotions that are a meaningful part of a succession planning strategy? The fact that these areas are in the HR domain and not a major business concern indicates that HR is not considered a contributor to business success.

### How important is it?

If you want to prove ROI, I'm sure it can be done. I'm just not sure it will be meaningful. A whiz kid manipulator of numbers I know told me that numbers can say anything you want. "Tell me what you want them to provide and I will show that they provide it." His comment made me recall the saying that, "statistics are a group of numbers looking for an argument. Torture the data long enough and they will confess to anything." If ROI is the field in which you are fighting a budgetary war, the battle is already lost. To win the war for your organization, you need superior tactics. We in human resources make our roles more difficult than we have to. We simply don't ask the correct questions. You must link every activity

to the business strategy and the values of the organization. If you are adding value, people know it because they invite you in to ask more questions and help them in the discovery of how to achieve success.

**Some questions to ask are:**

- What are the behaviours (not just the words) that define the values of the company?
- What needs to happen to meet the longer term business objectives?
- What is the one issue you face that is keeping you up at night?
- What do people need to know that they don't know now to make this happen?
- Who, internal to the company, already has the skill and knowledge?
- What is the timeframe for it to happen?
- What did you expect to happen that didn't happen and what is the impact?
- If everyone learns what they ought to learn through your HR initiative, what will the impact be on the customer service, quality, productivity and/or safety? If they don't learn it, what will be the impact?
- What is your biggest people issue?
- What is the one thing that went so well last time you know it provided the foundation for success? Why?

Thinking in these terms makes HR more integral as a business partner because

its efforts will be aligned with providing what the business needs. Line managers and executives have very simple concerns. By asking the right questions, at the beginning, of the right decision makers, HR can ensure that it develops activities (not necessarily training) that moves a group to achieve its business results. Accomplish that task, and I promise no one will ask you to waste time on statistics and longitudinal studies. Let's consider the work of one of our clients in the automotive logistics business. Recently the organization opened a new location and HR was involved in staffing and developing the work teams. To add value, they asked a number of important questions about the design of the processing line and came up with the following parameters:  
That the process design comply with the performance characteristics of the customer's new car model - to ensure that there is a smooth flow of just-in-time products.  
That the computer system meet the standards of the client's expectations and have significant IT infrastructure back-up.  
That the price they set for the client will actually cover the cost of production.  
Not surprisingly, the ROI issue never came up because the business leaders in that organization

know ROI is the by-product of proper planning and execution of the business strategy.

As I listen to HR people at conferences and read the piles of articles and books on establishing ROI measurements, I can only think that with the amount of energy that goes into establishing questionnaires and data collection, we could have moved the company forward with significant human resources initiatives. It makes me believe that executives are asking for proof of your worth only because your efforts have not borne real fruit and they are wondering what you are doing with the corporate cash. If there is no evidence that training is improving customer service, productivity, quality or safety, it's too late to begin to prove it through a study. The decision to have your budget cut has already been made. If your CEO can see the connection between your programs and business success, they will know your value-add and support your expenditures, if not increase them!

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