



HR Business Value Metrics Study

HROA Research Committee

April 13, 2010

What we will cover

- **Business Value Metrics Study**
 - Project Description
 - Participants & Approach
- **HR Industry Practices Discussion**
 - Traditional Business Case
 - HR Transformation Drivers
 - Benefits for the HR Practitioner Community
- **BVM Tools and Research Framework**
 - Interview Guide
 - Ongoing Research Submission



Business Value Metrics Study



HROA Research: Business Value Metrics

- **Challenge: Building a Better Business Case to fund HR Transformation**
 - Most organizations today are given no value for the “soft savings” that exist beyond headcount and capital expenditures
 - The goal is to produce research based results to outline return on investment and business improvements through transformation projects

- **HROA Business Value Metrics Research Project**
 - Research project undertaken in 2009
 - Objective: To produce a library of research-based results that represent quantifiable business improvements through transformation projects
 - ▶ How do we quantify the value of transformation?
 - ▶ How do organizations value improvement?



HROA Research: Business Value Metrics

- **Project participants include multiple organizations**
 - **Advisory & Research Firms (TPI, EquaTerra....)**
 - **Service Providers (IBM, Accenture, Kelly, Hewitt, ADP, NorthgateArinso, PeopleScience ...)**
 - **ERP Providers (Oracle...)**
 - **Clients / Buyers (AT&T, Unilever ...)**
- **Approach: conduct focused working sessions to address values by HR functional area**
 - **Recruiting**
 - **Talent (Compensation, Learning, Performance, Succession)**
 - **Payroll & Timekeeping**
 - **Absence Management**
 - **Technology Enablement (HRIS, Self-Service)**
 - **Retained Organization, Reporting & Analytics**



HR Industry Practices Discussion



Traditional Business Case Savings

- **The vast majority of the successful business cases for HRO are built of staffing and technology efficiencies**
 - Consolidation of internal roles
 - Elimination of internal roles and technologies
 - Ongoing maintenance and upgrades of technologies shift to the Service Provider
- **Another area where HRO business cases may see cost efficiency is through a reduction in Third Party spend**
 - HRO Service Provider replaces a current Third Party
 - HRO Service Provider delivers better pricing on a Third Party



Cost Avoidance and Future Investments

- **HR is commonly underinvested, making it costly to achieve best practice service delivery**
- **Cost avoidance for internal solutions that would be comparable to that provided by the HRO is a material component to most business cases**
 - Portal for Self Service
 - Workflow Automation
 - Contact Centers
- **Without including this cost in your business case, it is extremely difficult to justify the significant transition costs associated with a successful HRO partnership**



Business Value Metrics

- **A final, and often broad, category of business case savings includes Business Value drivers, which are often considered “soft savings.”**
- **Strict financial analysis frequently discounts savings that do not reduce annual HR Budgets**
- **Based on a company’s current state, Business Value savings may not be “soft” at all**
 - Leakage of gross payroll or benefits dollars
 - Impact to key staffing or performance ratios
 - Increased productivity or strategic emphasis
 - Reduced risk of financial or compliance penalties



Business Value Examples

- Payroll leakage on vacation time administration
- Manager efficiency related to new compensation planning technology
- Reduced time to hire and agency spend based on new applicant tracking technology
- Talent management improvements due to clear identification of skills in new talent management tool
- Discontinuation of decentralized and redundant training content due to new learning and content management system
- Increased productivity of HR generalists



Socializing Business Value for HR

- HR Transformation often requires significant investment in technology and change management
- Other SG&A functions commonly justify such investments with efficiency gains and other non-budget savings
- Business Value is known to result in real dollar savings, but the corresponding savings and calculations are not yet institutionalized
- HR as an industry must better measure and document Business Value savings to further the acceptance and recognition among Finance and C-Suite sponsors



Findings and Next Steps



Research Committee Approach

- **Identified HR Business Value Metrics that are commonly believed to produce quantifiable savings to the organization**
 - Industry-wide participants brainstormed ideas and shared experiences
 - Focus groups of specialists by HR Function met to refine and consolidate proposed metrics
- **Substantiated HR Business Value Metrics based on available information**
 - Solicited input from HRO Buyers, Service Providers, and Advisors
 - Gathered existing research, industry studies, and business case success stories
 - Reviewed calculations, savings estimates, and experience available



Findings

- **It is difficult to identify and quantify the value of transformation improvements**
- **Companies are starting to include business value drivers in their business case**
- **Currently, not enough information is available to produce a concrete library of calculations or of business case results**
- **Business case savings need to be continually documented**
 - **HR will benefit from increased awareness, commonly accepted values, and proven successes**
 - **Continued efforts to identify and track common business case savings will advance thinking as certain values become commonly accepted**



Today's Deliverable

- **Business Value Metrics Checklist**
 - Reflects a compilation of the most widely recognized Business Value drivers today
 - Describes the best practice or savings opportunity
 - Includes a Calculation Guidance, where available
- **Audience:**
 - HR practitioners seeking to quantify additional savings for their technology or transformation business case
- **Using the Checklist**
 - Review the list to select Business Value Drivers that might apply or are worth pursuing further
 - Identify and tailor calculations as applicable and determine data available to support savings estimates
 - Business Value Metrics should be reviewed and approved by all related SMEs and finance partners



Current & Future Business Cases

- **Cautions for Your Current Business Case**
 - Business Value Metrics vary greatly by the context of your current HR practices and data available
 - There is no “one size fits all” calculation or savings
 - Construct your business case with and without Business Value Metrics, realizing that most, if not all, may ultimately be discounted
- **Strengthening Future HR Business Cases**
 - Have you gained approval of an HR business case that included Business Value savings?
 - Consider sharing your success story with HROA via a quick follow up questionnaire or Case Study
- **Submit your experience as part of a growing HROA library of Business Value successes**
 - HROA Research Committee to compile for periodic update to measure and report usage



For Further Information

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