



**Become an HR
SuperheRO(I) with
Successful Business
Case Planning**

INTRODUCTION

Faster than a speeding stenographer... More powerful than the tantalizing aroma from the cafeteria coffee machine Able to solve employee problems in a single day. Look in that cubicle! It's a salesman! It's an administrator! It's...an HR professional?

Yes! HR has a tremendous opportunity to be heroes in the workplace, but might need a little help developing the skills... better yet, the superpowers...to be the heroes they were born to be... with one of the most important superpowers being developing the necessary skills to build a business case to secure funds for HR initiatives. But where do you start? It all begins with understanding what a business case is and... you guessed it... demonstrating how certain HR initiatives positively impact the organization's bottom line.

An HR initiative is a program or set of related actions created and implemented by Human Resources, and are typically aimed at:

- Solving a business problem;
- Addressing a business need; or
- Seizing an opportunity to increase revenues or decrease expenses.

In its role as a strategic partner, HR has a tremendous opportunity to create initiatives that ensure business success and have a significant impact on the organization's financial performance, while focusing on the organization's most valuable asset — its employees.

It's important to know what resources are required to implement and manage HR's strategic initiatives. Securing approval for those resources requires making a compelling business case that demonstrates the positive results the initiative will create for the organization.

So let's start being an [HR SuperheRO\(I\)](#) by following these 10 steps to make a business case for an HR initiative.

Author: [Tracy Morley](#), SPHR, SHRM – SCP, Editorial Team Leader

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Step 1: Identify Business Problems, Needs, or Opportunities to Be Addressed

Senior leadership will usually communicate the major problems, needs and opportunities the organization faces in achieving its strategic goals, many of them employee-related. Problems can range from the salespeople falling short on their sales quota to a department spending high amounts on recruiting due to high voluntary turnover. Needs could include a shortage of qualified talent for a function or department. Alternatively, opportunities could involve increasing employee productivity in operations-related functions.

The HR professional should identify the major business problems, needs or opportunities that may be addressed through an HR initiative. These problems, needs or opportunities may have already been identified through past research, existing surveys or awareness of best practices used in other organizations.

Step 2: Assemble a Team to Make the Business Case

If time and staff resources are available, the HR professional should assemble a team to make the business case for the HR initiative. Team members preferably come from other functions in addition to HR and should have some expertise related to the initiative. Including a professional skilled in financial analysis will eliminate seeking assistance from financial personnel as referenced in the following steps.

Once the team is assembled, the HR professional and team should review the major business problems, needs or opportunities identified by the HR professional that can be addressed through an HR initiative and expand the list as the team sees appropriate. The team's confirmation of the problems, needs or opportunities may include conducting research (such as data analytics or financial analysis), conducting surveys (such as employee engagement surveys) or exploring trends or practices used in other organizations.

If the HR professional and team are concerned they may not have accurately identified major problems, needs or opportunities, they should reach out to key leaders and secure their opinions about major problems, needs or opportunities the leaders view as employee-related.

To increase the probability of approval for the proposed HR initiative, the HR professional should connect with the decision makers and influencers throughout the process, informing them of actions being taken in the process and identifying their information needs and concerns in order to secure future approval of the proposed HR initiative.

If the HR professional is unable to assemble a team, he or she should take the following steps with assistance as identified.

Step 3: Select an HR Initiative Utilizing a Preliminary ROI Approach

The HR professional and team should select one of the identified problems, needs, or opportunities as the HR initiative to be presented for approval. Typically, a team uses the [return on investment \(ROI\)](#) analysis as its selection criteria.

The ROI analysis, primarily used by the C-suite as the de facto criteria for approving any significant proposal, accounts for the dollar benefits generated by any initiative relative to the costs of taking the action. Mathematically, it is the dollar value of the lifetime benefits (usually a three-year period) generated by taking the action, less the investment (costs) required to implement the action, divided by the investment (costs) required to implement the action, multiplied by 100.

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$$\text{ROI} = \frac{\text{Benefits (or Gain) from the Investment} - \text{Cost of Investment}}{\text{Cost of Investment}} \times 100$$

At this stage in the process of making a business case for an HR initiative, the HR professional and team should have some concept of the potential benefits (or range of benefits) and possible costs (or range of costs) associated with each potential HR initiative. Here the team takes only a preliminary ROI approach in selecting an HR initiative, given that it would require significant time and resources to accurately quantify the forecasted ROI of each potential HR initiative.

The preliminary ROI should account for each potential HR initiative's estimated benefits compared to the estimated required investment. The team should select the HR initiative with the potential for the highest ROI or highest range of ROIs. If the level of funding is a concern, the organization may be better served by the team selecting an HR initiative that may not generate the highest estimated ROI but requires significantly less estimated investment than the initiative with the highest estimated ROI.

The logic for selecting the specific HR initiative should be used to justify why this initiative, among all the possible initiatives, was the one selected.

The HR professional and team should inform key leaders and influencers to the final decision about the HR initiative selected and reasons why it was selected.

Step 4: Quantify the Benefit of Addressing the Problem, Need or Opportunity

The financial expert on the team should quantify as accurately as possible the dollar value of the benefit from implementing the selected HR initiative. If a financial expert is not on the team, the HR professional should secure a professional skilled at financial analysis to complete this step.

Quantifying the dollar value of the benefit of the HR initiative will involve forecasting as accurately as possible the increase in revenue, reduction in expenses, or revenue not lost to competition once the HR initiative is implemented.

Examples of this perspective are:

- The benefit of addressing the problem of high voluntary employee turnover through an HR initiative would be reduced hiring costs, as well as other costs related to finding and onboarding replacement employees, subsequent to reducing the voluntary turnover rate.
- The benefit from addressing the need for qualified sales people would be the increase in gross margin dollars generated by either increasing the number of qualified sales people or improving existing sales people's performance.
- The benefit from addressing the opportunity to improve the productivity of order fulfillment employees would be the reduction in total compensation costs required to fulfill orders.

Step 5: Define Alternative Actions to Secure the Benefit

The team should define alternative actions HR could take or facilitate to secure the benefits. The team should incorporate or include any suggestions provided by key decision makers or influencers when exploring these alternative actions.

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In this step the team should view alternative actions as possible solutions to the selected problem, need or opportunity, and position these actions as solutions considered by the team when presenting the proposed HR initiative to decision makers.

Step 6: Determine the Resources and Investment Required for Implementing Each Alternative Solution

The team should identify all the resources and the total cost of the resources required to implement each possible solution. Resources and their related costs could include:

- Availability of internal and external resources;
- Assignment of staff to initiative and related costs;
- Hiring of independent contractors or consultants and related costs;
- Use of facilities; and
- Necessary policy changes and related implementation costs.

In addition, the team should determine a viable timeline for implementing each possible solution.

Step 7: Select the Preferred Solution

The team should select the solution requiring the lowest investment in resources and time to implement and achieve the expected business results. The team may also choose the solution with the greatest impact, if practicable.

At this stage, the team should identify and connect with the appropriate decision makers to present the business case for implementing the proposed HR initiative and securing investment approval. Typically, the appropriate decision makers are the leaders of the function(s) or department(s) that would benefit the most by the HR initiative and have budget authority. Influencers to the decision could be top financial executives, as well as the CEO, depending on the size of the organization.

To increase the probability of approval for the proposed HR initiative, the HR professional should connect with these decision makers if he or she has not already done so throughout the process, informing them of actions taken to date.

Step 8: Design an Action Plan

The team should design an action plan in a way that yields concrete facts and data sets that would best inform an ROI analysis. Action plan content varies depending on the HR project or initiative in question.

The HR professional and team should design an action plan identifying:

- The resources needed;
- Tasks of each resource;
- Timing of the tasks, including initial dates and preferred timeliness; and

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- Critical paths of the resources.

The action plan should list those with responsibility for implementation. Measures of success (e.g., isolated voluntary turnover rates, rating scales or increases in participation) and sources of data for collection should also be specified.

Step 9: Calculate the ROI of the Proposed HR Initiative

As presented in [Step 3](#), ROI is the dollar value of the lifetime benefits (usually a three-year period) generated by taking an action, less the investment required to implement the action, divided by the investment required to implement the action and multiplied by 100:

$$\text{ROI} = \frac{\text{Benefits (or Gain) from the Investment} - \text{Cost of Investment}}{\text{Cost of Investment}} \times 100$$

To calculate the ROI for the HR initiative the team has selected:

1. Take the dollar benefit of addressing the problem, need or opportunity as calculated in [Step 4](#), less the total investment in the selected HR initiative as calculated in [Step 6](#); and
2. Divide by the total investment in the selected HR initiative as calculated in [Step 6](#).

An example of an ROI calculation used in making the business case for an HR initiative would be the opportunity to improve the productivity of a department and, accordingly, reduce the compensation required for the department to fulfill its responsibilities.

For instance, compensation could be reduced by an estimated \$500,000 through training to improve the skills needed to fulfill certain tasks within the department. Assuming the increased productivity from the training is realized for two years subsequent to the training, the dollar benefit from the training is \$1,000,000. The training, delivered in year one, requires an investment of \$200,000. The ROI for this HR initiative of providing training to improve employee productivity is \$1,000,000 in reduced costs, less \$200,000 in costs of investment, divided by those \$200,000 costs, for an ROI of 400%:

$$\text{ROI} = \frac{(\$1,000,000 - \$200,000)}{\$200,000} \times 100 = 400\%$$

Step 10: Recommend the HR Initiative to the Appropriate Decision Makers

The HR professional should identify the appropriate decision makers, if he or she has not already done so, to present the business case for implementing the proposed HR initiative and securing investment approval. The appropriate decision makers would be the leaders of the function(s) or department(s) that would benefit the most by the HR initiative and have budget authority. Influencers to the decision could be top financial executives, as well as the CEO, depending on the size of the organization.

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The presentation of the proposed HR initiative to the appropriate decision makers and influencers should cover the following:

- Identified business problem, need or opportunity;
- Dollar benefit of addressing the business problem, need or opportunity;
- Alternative actions considered, and reasons for rejection;
- HR initiative selected and supporting reasoning/research to address the problem, need or opportunity;
- Comparable HR initiatives taken by competition or industry leaders and their business results;
- Investment and timeline needed to implement the HR initiative;
- The forecasted ROI for implementing the HR initiative;
- Actions to be taken subsequent to introducing the HR initiative to ensure the initiative is implemented as planned;
- Measurement of the actual business result generated by the HR initiative and timeline for the measurement; and
- Timing to report to the decision makers the business results of the HR initiative.

To maximize the productivity of time spent with the decision makers, the HR professional should prepare a document summarizing the above topics and providing supporting detail as required for each topic in an appendices format.

The presentation should be tailored to its audience, and should incorporate any suggestions, needs and concerns provided by the decision makers and influencers in [Step 2](#). These suggestions may include:

- Format of the presentation;
- Number of team members present during the presentation;
- Use of subject-matter experts;
- Handling of questions and concerns; and
- Schedule for follow-up briefings.

In presenting the proposal, the HR professional should address concerns or needs identified in prior discussions with the decision makers and influencers. Following these steps should help build the HR professional's credibility and engender trust with decision makers and influencers.

Now that you have the steps down, let's show off your SuperheRO(I) skills by adding to your superpower toolkit. Use the [Make a Business Case for an HR Initiative - Checklist](#) to make sure you capture all of the steps... and since actions speak louder than words, take a look at the [Make a Business Case for an HR Initiative - Worked Example](#) to see how a major global hotel chain increased the organization's profitability by reducing turnover.

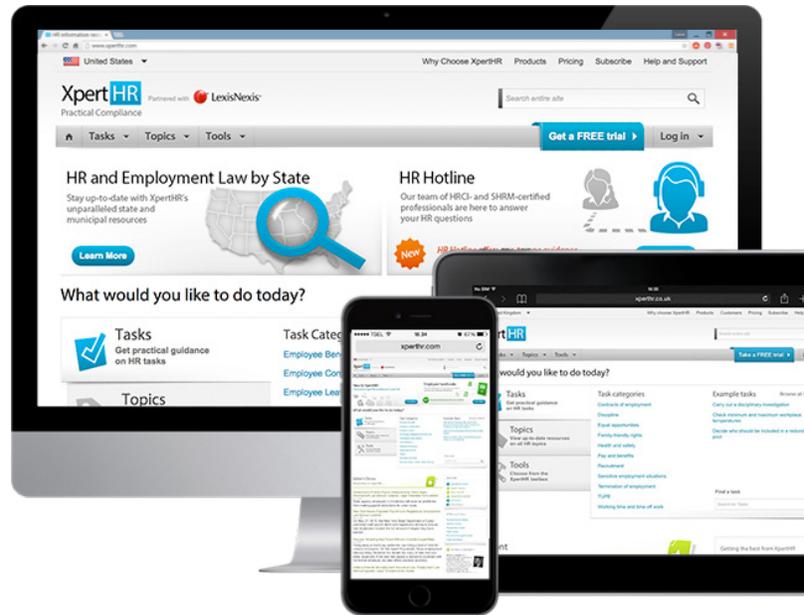
Conclusion

For HR to be seen as a strategic partner, they must be able to demonstrate how the HR function, and the activities it performs, contribute to the overall business strategy and this means building business cases for HR initiatives that solve a business problem or need. In order to gain support for critical HR initiatives it's important to ensure that those initiatives align with the organization's business goals and that you can show how undertaking such initiatives will deliver solid business results.

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What's your biggest HR challenge today?

- ✓ Demonstrating the strategic value of your HR efforts?
- ✓ Improving diversity in the workplace?
- ✓ Ensuring workplace policies are compliant and up to date?



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Sara Thompson, VP HR, Five Guys