

Return on Investment (ROI) from HDA Services



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Aligning HR strategy with business strategy is critical; however, it is insufficient to make this strategic linkage at concept level and then embark on HR initiatives without a conscious intention to measure the return on investment of these initiatives.

Developing a detailed business case with expected ROI calculations for any HR initiative of any significance is particularly relevant in the current economic downturn, where all expenditure requires justification.

Given HDA's activity in executive coaching, employee engagement and career transition; below, you will find our recent notes on the measurement of ROI in the following areas:

- Executive coaching,
- Staff engagement
- Career transition/outplacement

Business Case Facts for Executive Coaching

HDA believes that leaders empowered by coaching are likely to have a significant positive impact on organisational performance:

- An article in Public Personnel Management (Winter 97) found that training alone increased productivity by 22.4% while training plus coaching increased productivity by 88%.
- Personnel Today (November 2007) reported that within six months of rolling out a coaching programme, staff turnover at Portman Building Society was reduced by 2%. After 12 months this reduction reached 5%
- The ICF survey found that over 98% of surveyed corporate coaching clients found that overall coaching programs delivered ROI six (6) times the cost of the coaching. In addition to increases in productivity and retention; greater organisational commitment and improved bottom-line profitability were observed.
- In terms of individual benefits, over 70% of those coached noticed an improvement in working relationships.
- A study by Metrix Global LLC for a Fortune 500 firm and Pyramid Resource group found that coaching produced a 529% return on investment to the business, and the financial benefits from employee retention boosted the overall ROI to 788%.

- A recent CIPD survey revealed that over 90% of organisations maintain that coaching is an effective way to promote organisational learning and has a positive effect on bottom line.
- Triad Performance Technology found that a six month coaching intervention at a global Telecom company resulted in more than \$2 million positive and immediate impact to its bottom line.

Business Case Facts for Staff Engagement

HDA believes that an engaged workforce can have a significant impact on organizational performance – both directly and indirectly:

- When employees are engaged, they are open to releasing their discretionary effort; displaying a greater commitment to the organisation and thereby a greater willingness to contribute to company success (Towers Perrin).
- The premise is simple – engaged employees equals committed employees; and committed employees perform 20% better and are 87% less likely to leave the organisation (The Corporate Leadership Council).
- An organisation with an engaged workforce generally becomes more cohesive as employees develop a greater sense of belonging (Hewitt) and this in turn creates a competitive advantage, by enhancing recruitment and retention; and lowering rates of absenteeism (Mulcrum).
- Share prices of organisations with highly engaged employees rose by an average of 16% compared with an industry average of 6% (Sirota Consulting).
- According to Welbourne (2007), 73% of organizations who have initiated engagement programs have seen an increase in operating profit.
- In a study by Towers Perrin (2007), firms with the highest percentage of engaged employees collectively increased operating income by 19% and earnings per share by 28%. In contrast, the firms with the lowest percentage of engaged employees showed declines of 33% in operating income and 11% in earnings per share.

Business Case Facts for Outplacement

HDA would always argue that investment in outplacement delivers a return in a number of ways:

- Providing outplacement support enhances the ease with which changes are implemented and accepted – through the provision of outplacement support organisations believe they manage the change more effectively; employees appear to accept the changes more readily and the organisation can move forward with minimum disruption.

- This also supports the findings which indicate that the ‘survivors’ within the organisation, or those indirectly affected, adapt better to major organisational changes when outplacement support is provided.
- Post restructuring, where outplacement support has been provided, organisations regularly observe enhanced levels of employee engagement and improved morale. Engaged employees tend to show a greater commitment to the organisation and committed employees are 87% less likely to leave the organisation and perform 20% better (The corporate Leadership Council).
- In a recent HDA Survey over 70% of organisations maintained that providing outplacement support should be a consideration for organisations wishing to create a successful employer brand. Providing outplacement support fosters positive post-employment relations, which in turn enhances the employer reputation in the wider community. Naturally the more positive the perception of your organisation is to the external world the wider your pool of potential recruits becomes; thereby minimizing future recruitment costs.