

Making the Business Case for Innovation: HR's Role

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Objectives

After attending this session, participants should be able to:

1. Identify the five levels of outcome data needed to showcase and deliver impact and ROI.
2. Describe the possibilities for HR-led innovation programs.
3. Identify the data needed by executives along with their expectations.
4. Explain how to measure impact, ROI, and intangibles in a compelling way.
5. Plan the next steps to ensure maximum business value.

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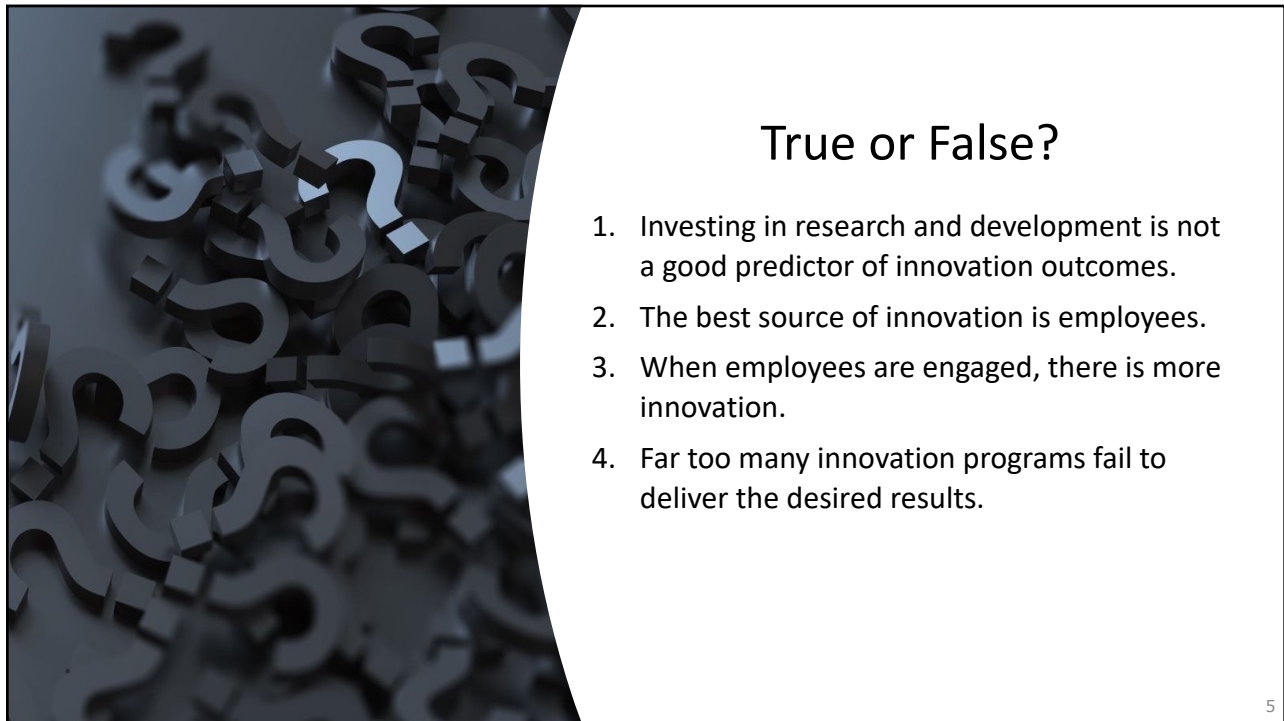


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Innovation is Everywhere

- Leaders want innovation.
- Politicians cheer innovation.
- Consumers demand innovation.
- Investors reward innovation.
- Media outlets promote innovation.

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True or False?

1. Investing in research and development is not a good predictor of innovation outcomes.
2. The best source of innovation is employees.
3. When employees are engaged, there is more innovation.
4. Far too many innovation programs fail to deliver the desired results.

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The Hard Truth About Innovation: It's One Part Creativity, One Part Discipline.

**Harvard
Business
Review**

Pisano, G. P. (2019, January/February). The Hard Truth About Innovative Cultures. *Harvard Business Review*, 97(1), 62-71.

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Opportunities to Foster Creativity

- Suggestion Systems: Tennessee Valley Authority
- Idea Contest: Central Bank of the Philippines
- Improvement Projects: National Security Agency
- Creativity Forum: Genentech
- Creativity Programs: 3M Company
- Employee Feedback: Energen Corp.
- Brainstorming: Lockheed Martin
- Innovation Champions: University Putra Malaysia
- Innovation Task Force: Saudi Aramco
- Innovation Teams: Wegman Food Markets
- Bullet Time: Quicken Loans
- Multiple Paths to Yes: Amazon
- Innovation Conference: Qualcomm
- Leadership Innovation: World Food Programme
- Innovation Approaches: Southeast Corridor Bank

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What CEOs Want

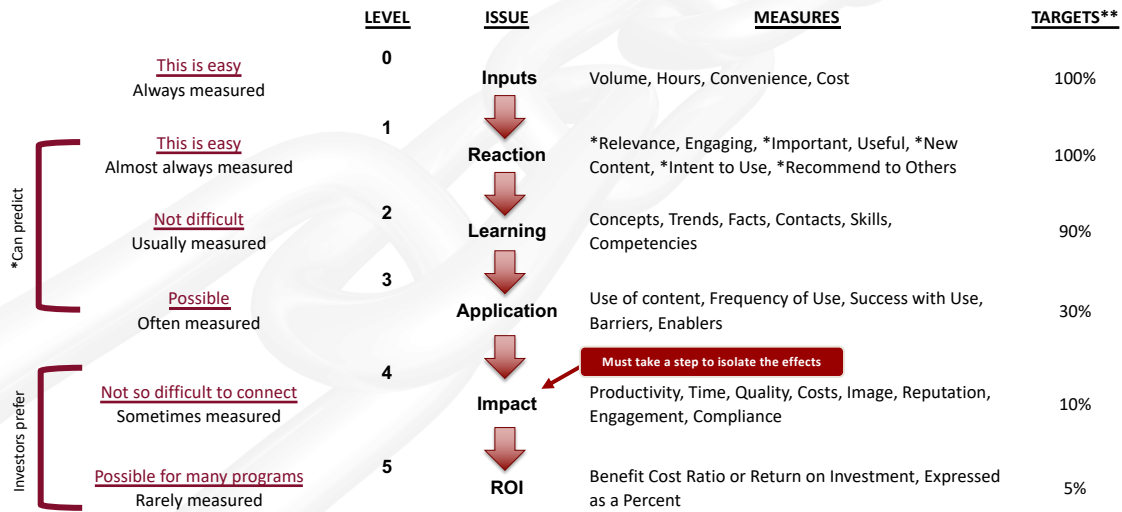
Measures	Currently Measure	Should Measure	Importance
Inputs and Indicators	94%	86%	6
Efficiency	78%	82%	7
Reaction	53%	22%	8
Learning	32%	28%	5
Application	11%	61%	4
Impact	8%	96%	1
ROI	4%	74%	2
Awards	40%	44%	3

ROI Institute and ATD research show that the data CEOs receive are not demonstrating what they want out of their talent investment. (N=96)

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The Value Chain



**Best Practice: Percent of programs evaluated at this level each year.

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What is ROI?

$$\text{BCR} = \frac{\text{Benefits}}{\text{Costs}}$$

$$\text{ROI} = \frac{\text{Benefits} - \text{Costs}}{\text{Costs}} \times 100$$

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What is ROI?

$$\text{BCR} = \frac{\$750,000}{\$425,000}$$

$$\text{ROI} = \frac{\$750,000 - \$425,000}{\$425,000} \times 100$$

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What is ROI?

$$\text{BCR} = \frac{\$750,000}{\$425,000} = 1.76$$

$$\text{ROI} = \frac{\$750,000 - \$425,000}{\$425,000} \times 100 = 76\%$$

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We Keep
Reading the
Same Story

The Telegraph

HOME | NEWS | S

Metropolitan Police Service



PREMIUM

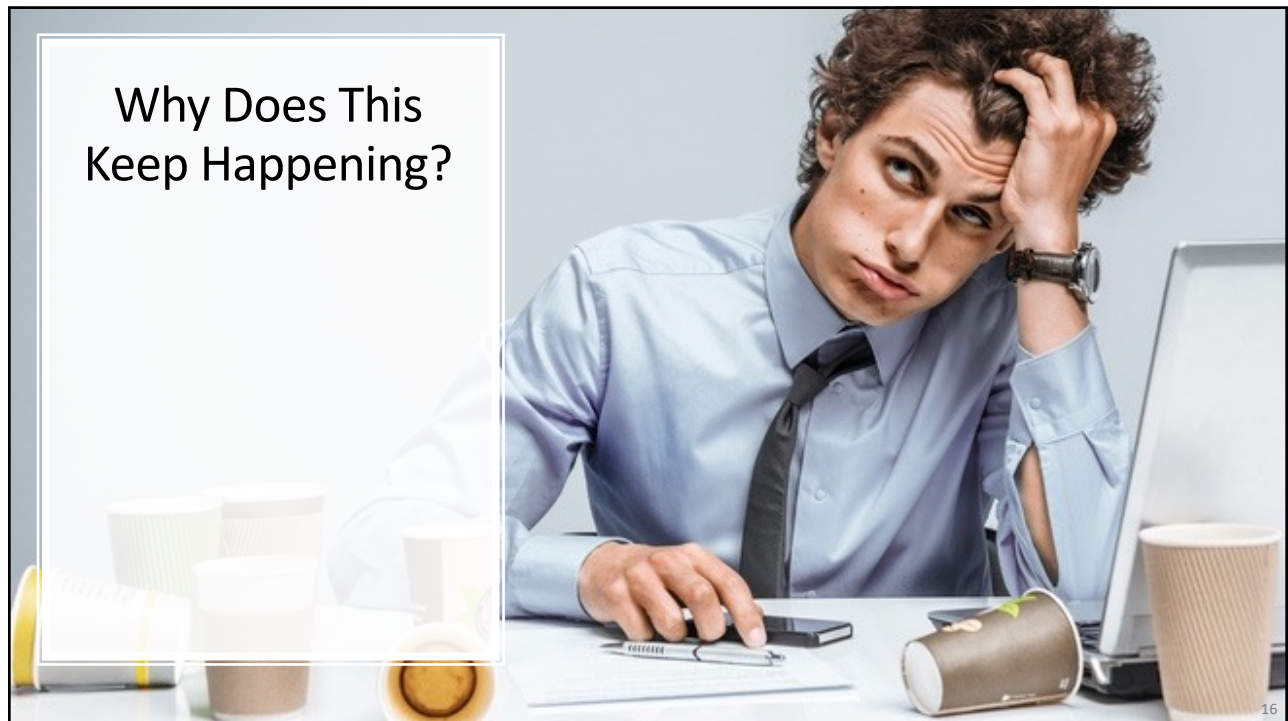
Met police accused of 'wasting' £10m on leadership training programme as crime soars

03 Jun 2018, 6:30am

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Why Does This
Keep Happening?



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Why Does This Keep Happening?

- HR is opting out.
- Results do not exist, and nothing is being done about it.
- Methodology being applied lacks credibility.
- Programs aren't designed to deliver.



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Design for Results



Start with Why

Align Programs with the Business



Make it Feasible

Select the Right Solution



Expect Success

Design for Results



Make it Matter

Design for Input, Reaction, and Learning



Make it Stick

Design for Application and Impact



Make it Credible

Measure Results and Calculate ROI



Tell the Story

Communicate Results to Key Stakeholders



Optimize Results

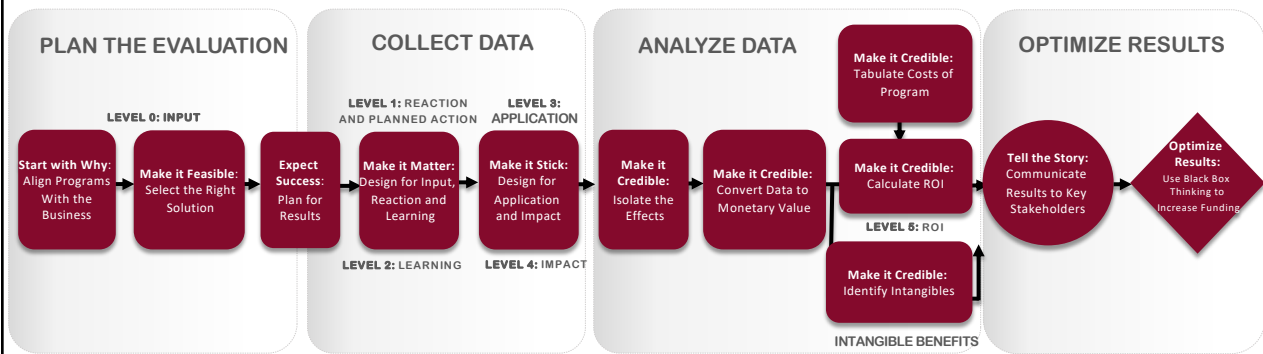
Use Black Box Thinking to Increase Funding

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The ROI Methodology Process Model

Designing for the Delivery of Business Results



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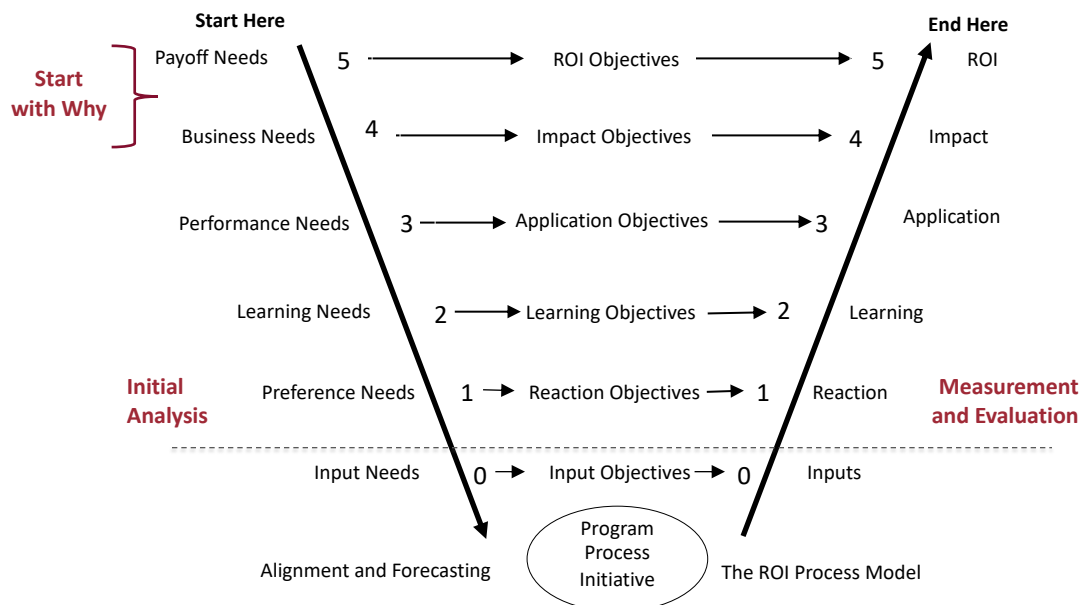
Start with Why
Align Programs with the Business

Design Thinking Principle 1
A problem-solving approach to
handle problems on a systems levels



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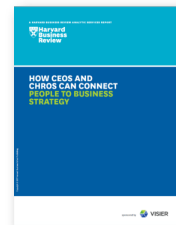


Senior leaders want it.

67% of CEOs say they get a least a basic set of human capital metrics from HR – but **only 24% of survey respondents** said HR also provides analytics that connect their people metrics to business metrics.

Really, the question isn't about relevance of the (HR) function or a 'seat at the table;' rather, it is **what impact has HR made on the business.**

74% of CEOs report that they want ROI, but only 4% are getting it. Next to business impact data, **ROI is the most important metric** in their decision making about the learning investment.



Make it Feasible

Select the Right Solution

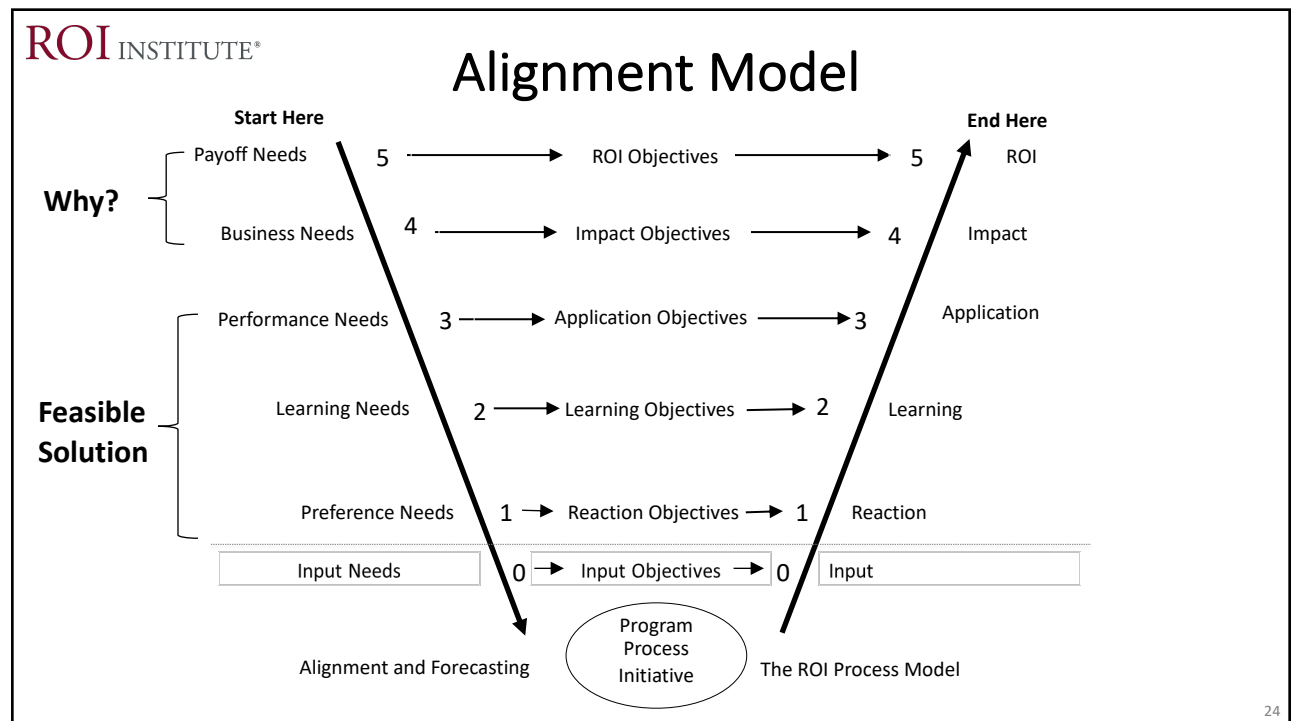
Design Thinking Principle 2

A mind-set for curiosity and inquiry



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Have a Discussion and Use Diagnostic Tools

Feasible solutions evolve through the understanding of context, empathizing with the target audience, and identifying performance gaps. The next step is to identify learning needs and how best to deliver relevant information. Forecasting outcomes based on inputs is sometimes helpful.

- Statistical process control
- Brainstorming
- Problem analysis
- Cause-and-effect diagram
- Force-field analysis
- Mind mapping
- Affinity diagrams
- Simulations
- Diagnostic instruments
- Focus groups
- Probing interviews
- Job satisfaction surveys
- Engagement surveys
- Exit interviews
- Exit surveys
- Nominal group technique



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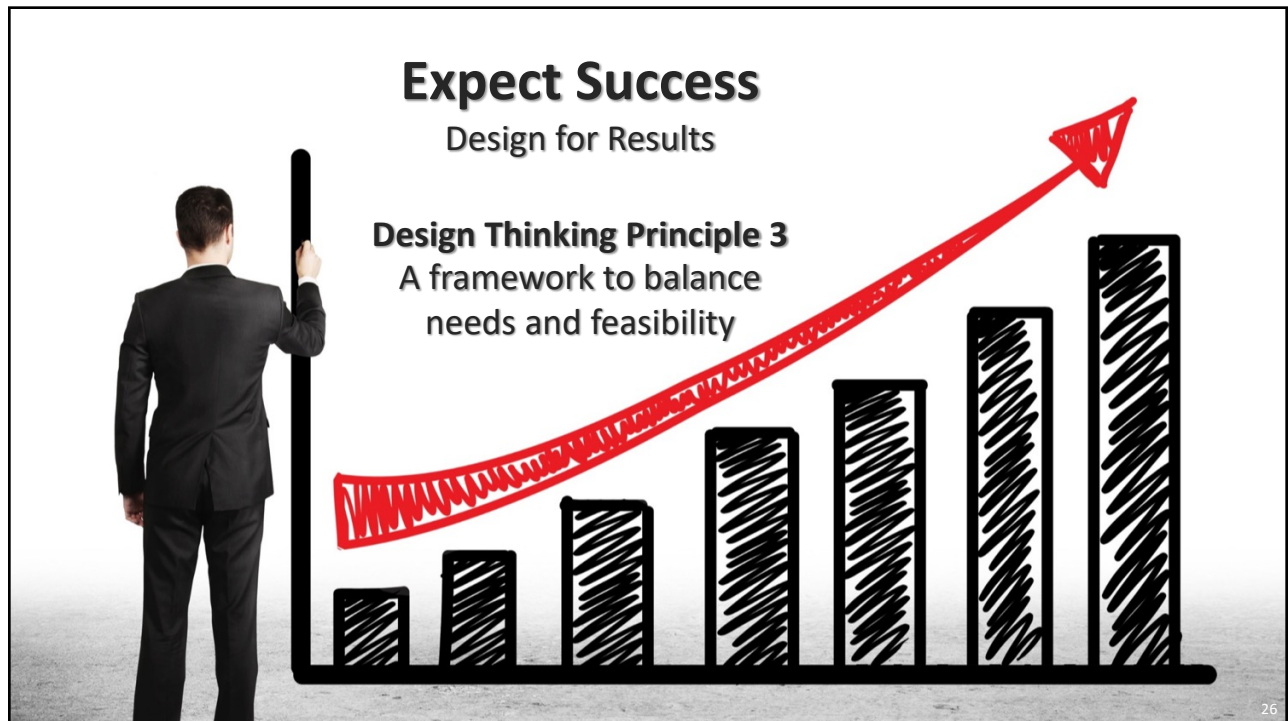
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Expect Success

Design for Results

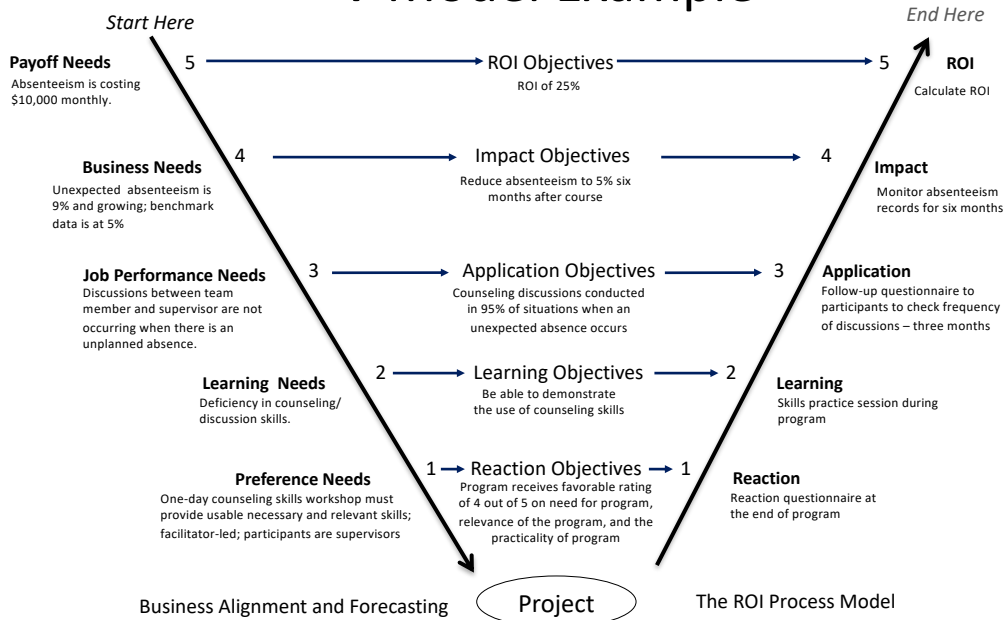
Design Thinking Principle 3

A framework to balance
needs and feasibility



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V Model Example



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Evaluation Levels with Objectives

After completing this program or project, participants should be able to:

1.	Decrease citizen complaints by 20% in one year.	4
2.	Use problem-solving skills to uncover product defect causes.	3
3.	Be able to identify the five steps to develop a new idea.	2
4.	Rate the importance of innovation 4 out of 5 on on a five-point scale.	1
5.	Decrease the amount of time required to complete a transaction.	4
6.	Achieve a 20% ROI one year after implementation of sales incentive system.	5

1 = Reaction 2 = Learning 3 = Application 4 = Impact 5 = ROI

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Make it Matter

Design for Input, Reaction, and Learning

Design Thinking Principle 4

A way to take on design challenges by applying empathy

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Make it Stick

Design for Application and Impact

Design Thinking Principle 5

A culture that fosters exploration
and experimentation

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Data Collection Methods

Method	Level			
	1	2	3	4
• Surveys	✓	✓	✓	
• Questionnaires	✓	✓	✓	✓
• Observation	✓	✓	✓	
• Interviews	✓	✓	✓	
• Focus Groups	✓	✓	✓	
• Tests/Quizzes		✓		
• Demonstrations		✓		
• Simulations		✓		
• Action planning/improvement plans			✓	✓
• Performance contracting			✓	✓
• Performance monitoring				✓

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Make it Credible

Measure Results and Calculate ROI

Design Thinking Principle 6

A fixed process and a tool kit

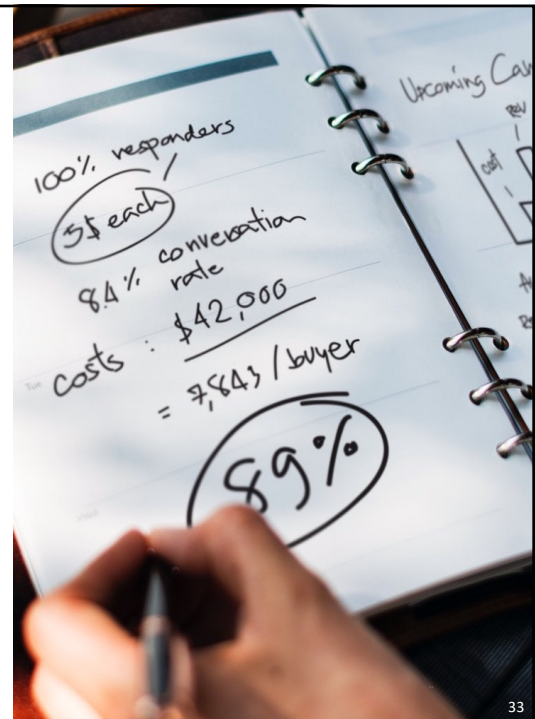
- Isolate the Effects of Programs
- Convert Data to Money
- Identify Intangibles
- Tabulate the Cost of Programs
- Calculate ROI

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What percent of your programs are evaluated at the impact level per year?

- A. None
- B. About 5%
- C. About 10%
- D. About 15%
- E. More than 20%



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Measurement Targets

	Level	Recommended % of Programs	**Benchmarking %
0	Input	100%	100%
1	Reaction	100%	80%
2	Learning	80-90%	70%
3	Application	30%	49%
4	Impact	10%	37%
5	ROI	5%	18%

*Percentage of programs evaluated at each level each year

**Benchmarking 2020

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Innovation Approach

Southeast Corridor Bank: A Pay-for-Skills Program

Drives:

- Staffing levels
- Retention
- Engagement

Benefits = \$4,131,300

Costs = \$1,374,796

What's the ROI?

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What is ROI?

$$\text{BCR} = \frac{\$4,131,300}{\$1,374,796} = 3.01$$

$$\text{ROI} = \frac{\$4,131,300 - \$1,374,796}{\$1,374,796} \times 100 = 201\%$$

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The Payoff

- Justify/defend budgets.
- Align projects to business needs.
- Show contributions of selected projects.
- Earn respect of senior management/administrators.
- Build staff morale.
- Improve support for projects.
- Enhance design and implementation processes.
- Identify inefficient projects that need to be redesigned or eliminated.
- Identify successful projects that can be implemented in other areas.
- Earn a "seat at the table".

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Be Proactive

Remember, when it comes to delivering results:

- Hope is not a strategy.
- Luck is not a factor.
- Doing nothing is not an option.

**Change is inevitable.
Progress is optional.**

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[Click here](#) or scan the QR code to access resources from today's session.

Measuring the Success of Employee Engagement
THE VALUE OF INNOVATION
Proving the Value of HR
The ROI Methodology in 12 Easy Steps
Making the Business Case for Innovation

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- The five levels of evaluation
- Data at multiple levels
- Isolating the effects of your programs
- The 12 guiding principles
- Converting data to money
- The 12 steps in the ROI Methodology
- Calculating ROI using the ROI Methodology

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