# **Defining ROI for HR initiatives workbook**

## **The strategic importance of HR metrics**

As an HR leader, you know that people-first strategies drive engagement, retention, and overall wellbeing. However, to secure leadership buy-in and resources, you must show how [great employee experiences](https://www.hibob.com/guides/employee-experience/) translate into measurable business impact.

For example, reducing turnover by just a few percentage points can save a company hundreds of thousands of dollars per year. In this workbook, you'll learn a simple equation to calculate these savings with simple math. You’ll be able to show how HR efforts, like improving retention, directly impact business success.

These aren’t just HR wins; they’re business wins. This workbook will walk you through how to define and communicate the ROI of your HR initiatives through explanations, examples, and hands-on activities.

Ready to add ROI to your HR programs?

## **This workbook will help you:**

* **Identify key HR metrics** that drive real business impact
* **Calculate and track** these metrics effectively
* **Use data storytelling** to present a compelling business case to leadership

## **How to get the most out of this workbook**

Use this workbook as your hands-on guide to understanding and leveraging HR metrics for business impact. Whether you use it alongside the webinar or as a standalone tool, you’ll find exercises designed to help you track, analyze, and communicate the ROI of HR initiatives.

* **Complete the exercises** as you work through your HR data or at your own pace
* **Use it digitally or print it out** to build out your strategy and ROI points
* **Refer back to it** as you refine your [HR strategy](https://www.hibob.com/hr-glossary/hr-strategy/) and present insights to leadership

## **Finding impactful HR metrics for your business**

Determining which [HR metrics](https://www.hibob.com/guides/metrics-that-matter/) to prioritize begins with understanding your organization’s unique challenges and goals. The right HR data is needed to connect your people strategies to business success.

Start by considering your organization’s biggest challenges and goals. Retention metrics may be a priority for a small business struggling with high turnover. Hiring efficiency and productivity metrics might take center stage if rapid growth is the focus.

A good starting point is asking yourself: *What are our top business objectives this year, and how can HR contribute?*

For example, if your company is expanding into new markets, metrics like time-to-fill for key roles or training ROI for upskilling employees may be critical. By aligning HR data with your company’s annual priorities, you can demonstrate how your programs contribute to achieving broader business goals.

Partnering with business leaders to identify the most pressing HR challenges is also important. Their input will help you focus on metrics that drive real business impact.

### **Activity: Asking the right questions to find the right metrics**

#### **Step one: Determine which metrics matter most for your organization by answering the questions below.**

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| --- | --- |
| **Question** | **Answer** |
| What do my leaders need to know? |  |
| What is happening that should not be? |  |
| What is not happening that should be? |  |
| Is this an existing metric, and where is it stored? |  |
| How would my organization’s behavior change in response to different scores on this metric? |  |
| Is this metric likely to be persuasive to my leaders and their stakeholders? |  |

Once you’ve answered these questions, the next step is to tie them directly to business performance so HR’s impact is crystal clear.

## **Tying HR metrics to business performance**

Instead of debating the importance of wellbeing, engagement, and retention, recognize that these initiatives are already central to your HR strategy. The work you’re doing is essential, and when you tie it to HR metrics, you amplify its impact.

HR metrics are the proof points that validate your impact. Here are some of the most powerful HR metrics to track:

* **Hiring metrics:** Measures how quickly new hires are brought on board and integrated into their roles. Shorter hiring times reveal [hiring effectiveness](https://www.hibob.com/hr-tools/recruiting-metrics-template/), improve efficiency, and accelerate business growth.
* **Productivity metrics:** Measures job performance through revenue per employee, project completion speed, customer satisfaction scores, product quality, and other output-based indicators. These metrics quantify employees’ contributions to business success.
* **Engagement score:** Typically derived from employee surveys, this metric assesses employee motivation, commitment, and connection to the organization. Higher engagement often signals increased productivity, improved retention, and stronger advocacy for the company.
* **Counterproductive behaviors:** Tracks patterns of absenteeism, workplace incidents, or performance errors. Spikes in these areas can indicate burnout, job dissatisfaction, or workplace stress, helping HR address concerns before they affect operations.
* **Rewards:** Measures how employees are recognized and awarded for their contributions, including promotion frequency and salary adjustments. Ensuring that recognition aligns with performance helps retain top talent and manage workforce costs.
* **Turnover and retention rate:** Calculates the percentage of employees who leave or stay within a given timeframe. These insights help HR assess leadership effectiveness, workplace satisfaction, and the financial implications of losing skilled employees.

These metrics serve as clear, data-backed indicators of HR’s value. The next step is to identify which ones matter most for your business.

### **Activity: Aligning metrics with business goals and stakeholder expectations**

#### **Step one: Choose one or more of the HR metrics above that you can use in your team and list their impact on business outcomes—how they save money, increase efficiency, or drive revenue.**

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| --- | --- |
| **HR metric** | **Impact on business outcomes** |
| *Retention rate* | *Reduces hiring costs and strengthens company culture* |
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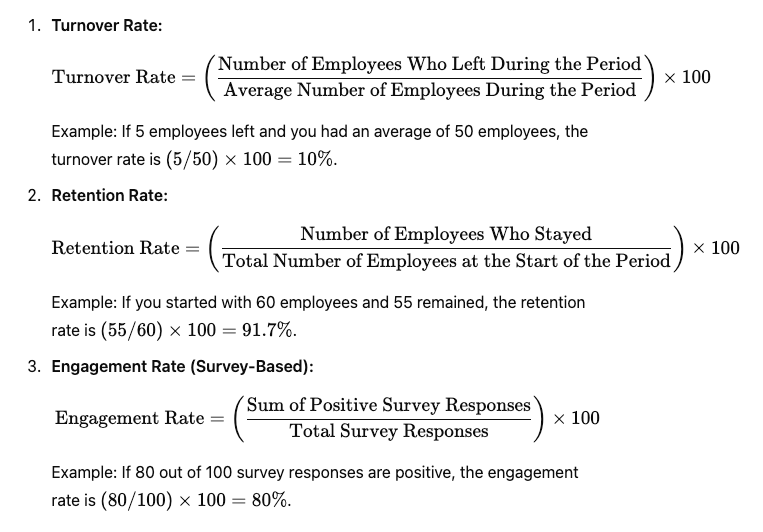
HR leaders know that engaged employees perform better, but for leadership outside of HR, the numbers must tell a compelling business story.

Here’s how key HR metrics translate into measurable business value:

* Wellness programs lower [absenteeism](https://www.hibob.com/blog/absenteeism-in-the-workplace/) and reduce healthcare costs
  + A [SHRM study](https://www.shrm.org/topics-tools/news/benefits-compensation/study-wellness-programs-saved-1-to-3-per-dollar-spent) found that every $1 invested in employee wellness yields a $3 ROI due to fewer absences and lower healthcare expenses.
* Turnover and retention programs lower hiring costs and boost productivity
  + The [cost of replacing an employee](https://www.shrm.org/topics-tools/news/hr-magazine/drive-turnover) due to recruiting, onboarding, training, and lost productivity can range from 90 percent to 200 percent of their salary. Even a tiny reduction in turnover leads to significant cost savings.
* Engagement programs lead to better performance, more productivity, and higher profitability
  + [Gallup research](https://www.gallup.com/workplace/236927/employee-engagement-drives-growth.aspx) shows that highly engaged employees are 23 percent more profitable, and engaged sales teams are 18 percent more productive.

By framing HR metrics in business language—cost savings, revenue growth, and operational efficiency—HR professionals can shift perceptions, gain leadership buy-in, and reinforce HR’s strategic value.

Now that we know what business language to use, let’s start quantifying your HR metrics. If you don’t have an HCM or HR tech solution to automate these calculations, these straightforward formulas can help you track key HR metrics and measure their business impact.



### **Activity: Calculate key HR metrics with the formulas above**

#### **Step one: Define your HR metrics with calculations to quantify their business impact.**

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| **Metric** | **Formula** |
| *Turnover rate* | *(Employees who left / Average number of employees) x 100* |
| *Retention rate* | *(Remaining employees / Total employees) x 100* |
| *Engagement score* | *Average score from employee engagement surveys x 100* |
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### **Activity: Connect ROI to financial numbers**

HR teams often express ROI as a percentage, but business leaders think in dollars. A 10 percent turnover rate comes with a hefty price tag, and when converted into dollars, it’s the kind of number that gets leadership’s attention. Framing HR metrics in financial terms makes their impact clear and tangible, reinforcing the value of strong retention strategies for HR and the business. Remember you don’t need to calculate things to the last penny, conservative ballpark figures are usually enough to show that the gain vastly exceeds the costs.

Start with the standard calculation for percentages. For the employee turnover rate, the formula looks like this:

**Turnover rate = 5/50 x 100 = 0.1 x 100 = 10%**

Instead of simply reporting a 10 percent [turnover rate](https://www.hibob.com/hr-glossary/employee-turnover/), translate this number into real financial impact.

A 10 percent turnover rate means that:

* In a medium-sized company with 250 employees, 25 employees are leaving.
  + **Cost per replacement:** $40,000
  + **Total cost impact:** 25 × $40,000 = $1,000,000
  + **New turnover rate:** 5% → 12.5 employees leaving (approximately 12–13 employees)
  + **Employees retained:** 25 – 12.5 = 12.5 employees saved (approx.)
  + **Cost per replacement:** $40,000
  + **Total savings:** 12.5 × $40,000 = $500,000

The same applies to other HR initiatives.

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| For a wellness program\*:   * **Company size:** 100 employees * **Total work days:** 100 employees × 250 days = 25,000 days * **Absenteeism reduction:** 10% * **Absence days saved:** 25,000 × 10% = 2,500 days * **Cost per absence day:** $300 * **Total cost savings:** 2,500 × $300 = $750,000 | For upskilling and training programs:   * **Company size:** 100 employees * **Baseline revenue per employee:** $200,000 * **Productivity Boost:** 25% * **Additional revenue per employee:** $200,000 × 25% = $50,000 * **Total Revenue Impact:** 100 × $50,000 = $5,000,000 | For a retention program:   * **Company size:** 100 employees * **Baseline turnover:** Assume 15% turnover (15 employees leaving) * **Improved turnover:** Reduced to 12% (12 employees leaving) * **Employees retained:** 15 – 12 = 3 employees saved * **Average employee salary:** $60,000 * **Replacement cost (150% of salary):** $60,000 × 150% = $90,000 * **Total cost savings:** 3 × $90,000 = $270,000 |

\*Additionally, using the [SHRM benchmark](https://www.shrm.org/topics-tools/news/benefits-compensation/study-wellness-programs-saved-1-to-3-per-dollar-spent), every $1 invested in wellness should yield a $3 return, reinforcing the financial impact of these savings.

#### **Step one: Calculate your cost savings and financial impact**

Use the table below to analyze recent HR initiatives and calculate their financial impact.

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| --- | --- | --- |
| **HR program** | **ROI & Cost factors** | **Financial impact** |
| *Reduce turnover* | *Reduce a 10% turnover rate to 5%*  *Cost per Replacement: $30,000*  *5 employees saved* | *Total cost impact: 10 EEs leaving × $30,000 = $300,000*  *Total cost savings: 5 EEs staying × $30,000 = $150,000* |
| *Wellness program:  absenteeism* | *Absenteeism reduction: 10%*  *Cost per absence day: $300*  *Absence days saved: 2,500 days* | *Total cost savings: 2,500 × $300 = $750,000* |
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## **Driving meaningful change**

So far, you’ve aligned HR programs with business goals, tracked key metrics, and ensured your efforts resonate with business leaders. It’s time to communicate that impact in a way that speaks leadership’s language.

Storytelling transforms HR metrics into real-world impact that leadership can relate to and act on. While HR leaders naturally understand the human side of these initiatives, leadership teams need to see the business case.

To secure buy-in, frame your insights in business terms while keeping the people behind the data front and center. Storytelling connects numbers to tangible outcomes, making it easier for decision-makers to see HR’s value.

### **Activity: Using metrics to tell a story**

Data is powerful, but storytelling makes it memorable. Here’s how to humanize your HR metrics and make them resonate with leadership.

Instead of just reporting a 20 percent increase in engagement scores, explain what caused it.

* Did new learning opportunities boost engagement? Include employee testimonials on how they benefited.
* Did career development programs increase retention? Show real examples of employees who grew within the company.

Instead of presenting data on productivity, costs, and business outcomes, connect the dots to show how HR’s work moves the needle.

* When employees feel valued, productivity increases
* When wellbeing programs reduce burnout, absenteeism decreases
* When career growth is supported, retention improves

Instead of just presenting numbers, guide leadership toward the next step.

* What’s the next step? Should the company expand its L&D programs, invest more in wellness, or improve DE&I initiatives?
* What’s the takeaway? Summarize and clearly show how HR supports business goals and where leadership should focus next.

#### **Step one: Create your own stories**

Use the table below to craft compelling stories from your HR data. Start with a key metric, describe what changed, and explain how leadership can act on it.

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| --- | --- | --- | --- |
| **HR metric** | **The story** | **The visual** | **Actionable recommendation** |
| *Productivity rate* | *New learning opportunities lead employees to feel more confident, leading to higher productivity.* | *Testimonials from employees* | *Upgrade L&D platform to support more online learning for employees* |
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## Final thoughts: Doubling down on HR’s impact

Demonstrating the ROI of HR initiatives in business terms strengthens both [employee wellbeing](https://www.hibob.com/hr-glossary/employee-wellbeing/) and business performance. It’s still about engagement, retention, and wellbeing. Just tie in revenue, productivity, and growth, and you double the impact.

Find the metrics that matter most to your business, connect them to the outcomes leadership cares about, and tell the story in a language they understand. Voila! The same HR strategy, with results that drive the business forward.