Cost-Benefit Template

**Overview:** This project is designed to help you to begin to understand the process of conducting a cost benefit analysis of a particular HR management policy or practice of your choosing. You are not expected to actually carry out the project. Rather, the assignment requires you to explain the *data* that would be required and the *steps* that would be followed should you be asked to perform such an analysis within your own organization.

**The Task:** Write a report explaining how to perform a cost-benefit calculation for a research question. Begin by selecting an HR topic of interest, and within that topic identify an issue to research. Some examples of potential topics are:

* Outsourcing of benefits administration, recruiting, etc.
* Costs and benefits of an executive development (training) program.
* Determining the economic benefit of high vs. low performing employees.
* Determining the economic costs of turnover of high and low performing employees.
* Determining the costs of absenteeism.

In your report, answer the following questions:

1. Why have you chosen the particular HR policy or practice for analysis? In general, would you expect that economic gains in this particular area would primarily be associated with lower costs, enhanced value (however you define it), or both?

2. Describe the potential *cost* categories that you have identified. How will you collect data on each element? Can you distinguish between *fixed* and *variable* costs in your analyses? How will you ensure the integrity of these data (i.e., how can you be sure that the data you have collected are reliable and valid)?

3. Describe the potential *benefit* categories that you have identified. How will you collect data on each element? How will you ensure the integrity of these data (i.e., how can you be sure that the data you have collected are reliable and valid)?

4. Describe the procedure that you would use to calculate the ROI of your particular practice. Does this procedure consider multiple time periods and the time value of money?

5. Finally, describe how you would present your findings to a senior executive team.