The Workforce Is an Investment Portfolio. Most Organizations Cannot Prove Its Return.

Heather Grizzle · July 24, 2026

Workforce programs are the largest recurring investment most organizations carry and the least rigorously evidenced. ROI as governance, not accounting.

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Spotlight on Human Capital & Organizational Governance

Payroll, benefits, training, incentives, recruitment, onboarding, accommodation, and retention typically constitute the single largest recurring expenditure an organization carries. They are also, with striking consistency, the least rigorously evidenced. Capital projects are appraised, vendor contracts are audited, and technology purchases increasingly face procurement scrutiny. Human capital investments are frequently approved on the strength of intuition, benchmarking against peer organizations, or the reasonable but unverified belief that investing in people produces returns. The belief is usually correct. It is almost never documented in a form that would survive external examination.

This is the governance problem at the center of human capital management. The question facing a chief human resources officer is not whether a workforce program generated savings. It is whether the organization holds sufficient evidence to demonstrate that the savings resulted from the intervention rather than from market conditions, seasonal variation, workforce composition, concurrent initiatives, or chance.

That distinction separates financial reporting from institutional assurance, and it determines whether the human capital function is treated as a cost center to be trimmed or as a governed investment portfolio with a defensible record of performance.

ROI as an Evidentiary Instrument, Not an Accounting Output

Return on investment has traditionally been presented as a financial calculation comparing program benefits against program costs. The arithmetic is useful and insufficient. Properly applied, ROI functions as an evidentiary framework that allows an organization to justify a decision, demonstrate accountability for the resources consumed, and allocate future capital on the basis of measured outcomes rather than assumption. Understood this way, ROI is not the closing line of a program report. It is the governance architecture the program was designed within from the beginning.

A case study published by the ROI Institute examining a safety incentive program in a steel manufacturing environment illustrates both the value and the limits of the conventional approach. Facing accident costs approaching four hundred thousand dollars annually, leadership determined that the organization did not lack safety policies or safety training. The failure was one of adherence: existing procedures were understood and inconsistently followed. Rather than issuing additional rules into an environment already saturated with them, the organization implemented a behavioral incentive program aimed at compliance rather than knowledge.

That diagnostic step is the most consequential moment in the entire sequence, and it is a human capital judgment rather than a financial one. The organization asked what kind of problem it actually had. Training deficiencies, policy design, workflow structure, supervisory practice, communication barriers, staffing levels, incentive misalignment, and operational culture all produce similar surface symptoms and require entirely different interventions. An organization that misdiagnoses a supervision problem as a training problem will purchase training, observe no durable change, and conclude that the workforce is the obstacle. Root cause analysis is therefore not a preliminary courtesy before program design. It is the condition on which any subsequent ROI claim depends, because a number calculated on a misidentified problem measures the wrong thing precisely.

A number calculated on

During my work in Quality Assurance Problem Management at the American Red Cross, recurring quality findings were addressed through structured root cause analysis rather than through assumptions about individual employee performance. The objective was never simply to reduce the count of regulatory findings. It was to understand why findings occurred, identify the systemic contributors that produced them, and implement interventions capable of objective evaluation over time. The same discipline applies to turnover, absenteeism, grievance volume, onboarding failure, accessibility breakdowns, and every other pattern that organizations habitually attribute to the people closest to the symptom.

> a misidentified problem measures the wrong thing precisely.

Evidence Requires the Full Chain, Not the Final Figure

Credible human capital evidence is built across a chain rather than captured at a single point. Employee reaction, learning acquisition, behavioral application in the actual work environment, operational performance, financial impact, and organizational outcomes function as interconnected measures. A favorable financial result unsupported by evidence of sustained behavioral change tells an organization that something improved, not that its program caused the improvement. Conversely, strong learning results that never appear in behavior indicate a transfer failure located in supervision, workload, tooling, or incentive structure rather than in program content. The chain is diagnostic in both directions, which is why organizations that measure only the endpoints lose the ability to explain their own results.

The credibility of any resulting figure also depends on the honesty of the cost side. Direct program expenses are comparatively easy to capture. Indirect costs remain invisible while materially shaping outcomes: management oversight, supervisory time diverted from operations, communications development, accessibility accommodations, technology implementation, administrative support, workflow disruption, and the productivity absorbed by participation itself. Omitting these consistently overstates program value and understates what sustained performance actually requires, which in turn produces underfunded second-year budgets and the appearance of program decay.

The reciprocal omission is larger still. Organizations rarely quantify what ineffective human capital practice costs them. Injury, absenteeism, turnover and replacement, lost institutional knowledge, regulatory scrutiny, grievance and litigation exposure, degraded morale, operational delay, reputational damage, and diminished internal trust impose substantial financial consequences that seldom surface in standard accounting reports. Governance requires naming these costs precisely because their invisibility distorts strategic decisions. A retention program evaluated against its own budget looks expensive. Evaluated against the fully loaded cost of the departures it prevents, it frequently looks like one of the better investments the organization made that year.

Transparency Is a Trust Decision

In the steel manufacturing case, leadership elected not to disclose the ROI calculation to employees, concerned that workers would read the initiative as a cost reduction exercise wearing a safety label. The concern is legitimate and the resolution deserves scrutiny. Withholding the analysis protects the program in the short term and concedes something durable: it accepts, rather than contests, the premise that financial reasoning and employee interest are opposed.

Human capital governance operates in exactly this space. Workforce programs are implemented on people who are also the instruments of measurement, and their interpretation of the organization's motives directly conditions the results being measured. Disclosure handled poorly does confirm cynicism. Disclosure handled well demonstrates that the organization tracks whether its commitments actually work, that resources were justified rather than assumed, and that shared outcomes were the objective. Employees who understand how an initiative improves both their working conditions and the organization's sustainability have substantially more reason to sustain the behaviors the initiative depends on. Communication strategy is not adjacent to the evidence question. It is part of it.

The Standard Is Rising

Executives, governing boards, regulators, insurers, auditors, funders, and increasingly employees themselves expect organizational decisions to rest on credible evidence. Human capital reporting requirements, workforce disclosure expectations, and the growing use of algorithmic tools in hiring, scheduling, performance evaluation, and workforce analytics all push in the same direction. Programs that cannot demonstrate measurable value become progressively harder to defend regardless of how well intentioned they are, and human capital functions that cannot produce evidence on demand find their budgets adjudicated by people who have none.

The pressure intensifies as organizations adopt artificial intelligence inside the employment lifecycle. When a vendor system screens candidates, routes accommodations, scores performance, or allocates shifts, the organization has introduced a decision instrument into its human capital operation and inherited responsibility for what that instrument does. The evidentiary discipline is identical to the one described above. What problem was this actually purchased to solve, what evidence establishes that it solves that problem, what does it cost including the oversight and remediation it generates, and what is the cost of its failure distributed across the workforce that has no visibility into it.

> **THE GOVERNING TEST**
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> Organizations should ask not only whether a workforce program produced measurable financial return, but whether that return is supported by reliable evidence, transparent methodology, and governance practice capable of withstanding external scrutiny.

At Novara Consulting Group, we treat ROI as one component of institutional assurance rather than as a performance claim. Organizations should ask not only whether a workforce program produced measurable financial return, but whether that return is supported by reliable evidence, transparent methodology, and governance practice capable of withstanding external scrutiny. When human capital investment is governed on an evidentiary basis, organizations make better decisions, allocate resources more defensibly, and build the internal trust on which every subsequent workforce initiative depends. Evidence, not optimism, establishes trust.

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