

# The business case for OH

## Part 1: making the business case for occupational health

*With OH services under increasing pressure to demonstrate value for money, Andrew Gilbey explains how to make the business case for occupational health. The first of the two-part feature looks at the general principles: defining and measuring the problem or opportunity, engaging stakeholders and presenting the case at board level.*

UK businesses are reportedly sitting on £73 billion of cash assets in their balance sheets, and yet it seems harder than ever to make a successful business case to encourage employers to invest in their workforce, and more specifically occupational health (OH). While to some this may seem counter-intuitive – surely investing in workers' health makes good business sense? – you do not have to scratch far beneath the surface to understand why. Fearful that the green shoots of an economic recovery will fail to take hold, it is the equilibrium of the risk–reward concept that has shifted. Organisations have become increasingly risk averse. In other words, they are less likely to invest unless absolutely convinced of the return on investment.

The public sector is also under growing pressure from government to cut costs. The NHS for example, has been charged with making £20 billion in 'efficiency' savings by 2015<sup>1</sup>, equivalent to a 20% expenditure reduction.

What does all this mean for occupational health? In simple terms, making the business case for investment in OH support for the workforce is harder than ever. And this is despite there being good evidence of the benefits of OH and broader wellbeing programmes, such as an extensive literature review and research undertaken by the professional services firm PriceWaterhouseCooper<sup>2</sup> showing cost–benefit ratios ranging from 2.3:1 to 10:1. Referring to this kind of evidence can be persuasive, but it is more important to make the business case specific to the strategic aims of your organisation – these will help you focus on the most relevant areas, which can be reinforced by hard data (requiring measurement), and the improvements that you are aiming for.

Making the case for occupational health has to be strong and convincing; it has to demonstrate a significant return on investment and, more than ever, it has to be central to what the organisation is trying to achieve.

### WHY MAKE A CASE?

Every OH service should be constantly making its case; demonstrating value, showing the positive

impact it is making on productivity and linking its achievements to the strategic aims of the organisation.

OH rarely has a seat at the top table within an organisation, but it will often have a director responsible for championing its cause – or perhaps defending its corner. The point here is that successful OH services are continually making their case – they produce monthly or quarterly performance reports for 'their' board director, perhaps as part of a broader human resources (HR) board report, arrange or participate in the corporate 'annual health and wellbeing fayre', support and attend the organisation's annual general meeting, attend committee meetings, and develop an eye-catching intranet or internet site, ensuring that there is a constant flow of positive messages and achievement. While this is not really what this series is about, it is the first and arguably most important step in making the case. No organisation will invest in a service that isn't seen, isn't heard and hides in the Portakabin at the bottom of the car park. To attract investment the OH service needs to be credible, highly visible and trusted by management.

There will be many reasons why OH teams should be actively making the case. For some it will be about survival – and this is not solely the domain of the public sector. All organisations are seeking ways to make efficiency savings, achieve cost-improvement programmes, improve productivity and deliver better (shareholder) returns. In an ever-competitive corporate environment, a successful business case may be solely about retaining the existing headcount of the team – in particular, protecting those 'high-cost, high-value' specialist posts – or for an in-house resource resisting pressure to outsource to a commercial provider.

For others, their business case may be about securing non-pay funding to enhance the quality of the work that they do. This could be to finance participation in a national audit, to purchase the latest OH software system, or perhaps to pursue

accreditation under the SEQOHS scheme (the Safe Effective Quality Occupational Health Service, the voluntary accreditation programme run by the Royal College of Physicians on behalf of the Faculty of Occupational Medicine).

Finally, for those who have already successfully 'warmed-up' their paymasters, a business case might be seeking additional investment – staff, equipment, facilities – to help their service grow or win new business.

### BUILDING YOUR CASE – COST AND BENEFITS

When presenting your business case to the finance director or chief executive, their first killer question is usually along the lines of: 'All very interesting, but why can't you achieve these results with your existing resources?' For the unprepared, this can put an immediate end to any case for expansion or additional resources.

Finance directors in large organisations will receive dozens of business cases every week asking for more money, extra staff resource, or new capital to support schemes. To be successful, OH needs to make their case stand out from the crowd. It needs to be based on hard facts that stand up to scrutiny. Thus, it needs to define:

- ▶ the problem you are trying to solve, or the opportunity you are trying to exploit
- ▶ the size of that problem/opportunity in hard financial terms
- ▶ your research and evidence to back up your statement
- ▶ why the proposed initiative cannot be done within the existing budget
- ▶ the return on investment for the organisation and the pay-back period.

It is worth keeping in mind advice from the performance management specialist and author H James Harrington: 'Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it.'

### STAKEHOLDER ENGAGEMENT

In developing the case, once it is clear that there is a problem to overcome or an opportunity to exploit, the next step in the process is to conduct some stakeholder analysis. The starting point should be the OH board representative, usually the HR director. If you can't convince your champion – the person who may ultimately present a case on your behalf to

### Box 1: business case structure

- 1 Executive summary
- 2 Introduction
- 3 Background
- 4 Problem identification, analysis and supporting data
- 5 Options appraisal (including financial investment required for each option and potential, quantifiable savings/benefits of each option, ie an assessment of risk–reward)
- 6 Project governance including key performance indicators (KPIs)
- 7 Exit strategy
- 8 Recommendation
- 9 Appendices to include financial plan, detailed KPIs and project plan

the board – the chances of success are limited. In developing your evidence you may need to enlist the help of finance and payroll colleagues to perhaps obtain some evidence or data for you or to crunch the numbers. It is also usually important to meet with the financial director to ascertain their thoughts, including some guidance on return on investment and payback periods. The chief executive as the ultimate accountable officer will also need to be convinced – and to present a relatively unknown business case cold to this senior decision maker will not succeed. It is also worth exploring which other executive directors are particularly influential in board discussions, taking guidance from your own board champion on this point. You should meet and share your case with each one of your key stakeholders before it has to go through any formal board approval.

Depending on the governance arrangements within the organisation it may also be necessary to go through various 'resource committees' before it reaches the executive board. Subject to the level of investment, you might need approval from the group board or overall board, headed by the organisation's chair and including non-executive directors (NEDs). NEDs can be extremely persuasive and consideration should be given to their influence. While this may feel uncomfortably political to some, if you already have a good board champion in place they should be able to do some of this for you. It is even worth making pro-active contact with your NEDs, inviting them to visit you and your team so they can see at first hand what valuable work the OH service provides to the organisation's workforce and management.

It is likely that you will need to have your

## Box 2: tips for a successful business case

- **Stakeholder analysis is key** – find out which directors, including non-executives, will influence the success of your case
- **Your case is won or lost before it gets to the boardroom** – meet with the key players in advance and get their commitment
- **Stand out from the crowd** – make sure your case deals with a significant problem/opportunity (the 'burning issue') and can contribute to the organisation's aims
- **Know your numbers** – do your research, get the hard evidence you need, and be sure you can demonstrate the return on investment. Get sign-off from the finance department
- **Make it 'low risk, high reward'** – have a clear risk mitigation and exit strategy in place
- **Don't be afraid to fail** – the biggest sin is not trying at all

financial assumptions verified by a member of the finance team if you work within a larger organisation. Some organisations have quite rigid financial planning frameworks and timescales, and you will need to be mindful of timing; in other words, there may only be one window of opportunity to make the case every year.

Every organisation is different, but once the key stakeholder engagement has been concluded the formal presentation of any business case should, in theory, just be the rubber-stamping part of the process to help the organisation comply with its governance rules.

### PRESENTING YOUR CASE

A clear, concise and well-structured paper is usually a minimum requirement when presenting your case. This should include an introduction and background about what the business case seeks to address – ie defining and explaining the improvement, opportunity or 'burning issue' that the organisation is really concerned about, and how your proposed initiative will address it. The business case should focus on the evidence to hand, for instance the level of absence, or perhaps the size of the local market if you are trying to expand your sales. The use of summary graphs, tables and data is critical – don't overwhelm the reader but pick out the headline figures, for example, cost savings that can be achieved, additional revenues generated, and impact on productivity. A typical business case structure is shown in box 1 on p.15.

The business case needs to present a range of options, including whether greater investment could

present an even bigger opportunity. There needs to be a risk assessment, which looks at the return on investment and pay-back time to enable a balanced judgement. The risk assessment should refer to the various appendices – specifically including a financial plan signed off by the management accountant – and what can or has been done to mitigate the risk. For example, if you were looking to deliver additional OH sales revenue it may be a prerequisite that there is no requirement for up-front investment from the organisation and that additional staff would only be appointed once additional new contracts had been secured.

The business case should establish clear performance criteria, and to whom and how frequently these will be reported. There needs to be an explicit exit strategy, the 'get out of jail free' card that gives the organisation the feeling of control it may require. For your business case to become a success, you may require some additional flexibilities. For instance, if you work in an organisation with bureaucratic recruitment controls – which you know would severely hamper your ability to recruit to new contracts in time – it is entirely reasonable to demand scope to rapidly recruit outside of the normal process. It is better to seek these permissions as part of the whole case than to battle with them as separate issues once your case has been approved.

Finally, the business case should outline a clear set of recommendations for the board to consider. Business cases generally need to be presented to meetings and you need to decide on the most effective style of presentation – including visual presentation systems, such as PowerPoint, or a brief verbal summary highlighting the key points within the paper. You should consider who is best placed to present your case; who within the OH team is the most convincing presenter and who carries most influence.

Having examined the broad principles to consider when approaching the OH business case, part 2 of the series will demonstrate how these might apply in practice. ■

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#### Notes:

1 *Making the NHS more efficient and less bureaucratic. Department of Health policy statement, 25 March 2013. [ohaw.co/1dLwkPh](http://ohaw.co/1dLwkPh)*

2 *PriceWaterhouseCoopers. Work, health and wellbeing: building the case for wellness. London: Department for Work and Pensions, 2008. <http://ohaw.co/1iPps43>*