

Demonstrating the ROI in People, Programs, and Projects

Jack J. Phillips, Ph.D., Chairman, ROI Institute, Inc.

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Objectives

After attending this session, participants will be able to:

1. Describe the framework used to demonstrate the value that matters, including ROI.
2. Use the alignment model to position programs for success.
3. Identify methods and techniques that make ROI work.

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Resources

Jack J. Phillips, Ph.D., Chairman, ROI Institute, Inc.

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Why are you pursuing ROI now?

- ☐ Top executives require impact and ROI. I must pursue this.
- ☐ I have pressure to justify my budget. I need to pursue this.
- ☐ I know I will need to demonstrate more value in the future.
- ☐ I want to show increased accountability for our expenditures.
- ☐ I want to experiment with and explore new techniques to measure program success.

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Rationale for Pursuing ROI

30%	☐ Top executives are requiring ROI. I must pursue this!	Reactive ↓ Proactive
30%	☐ I have pressure to justify my budget. I need this!	
25%	☐ I know I will need to demonstrate more value in the future.	
10%	☐ I want to show increased accountability for our expenditures.	
5%	☐ I want to experiment with and explore, new techniques to measure program success.	

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Reasons Why Most Programs Fail to Deliver Impact and ROI



Waiting too late to start the evaluation process



Failure to align to the business



Not expecting success

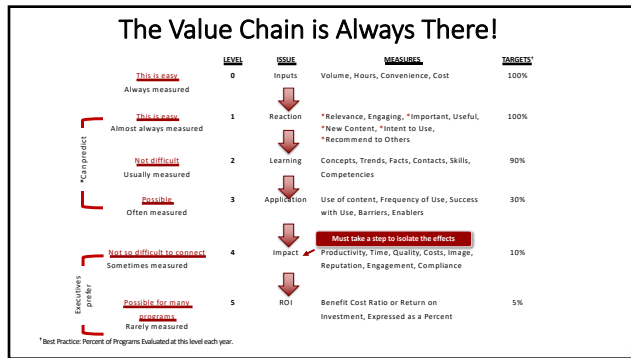


Failure to design for application and impact



Not isolating the effects of the program

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What is your experience with measuring ROI? (Select all that apply.)

- ☐ No experience with it.
- ☐ It has been suggested, but no action has been taken.
- ☐ I have attempted it.
- ☐ I have successfully conducted an ROI study.
- ☐ I have successfully conducted many ROI studies.
- ☐ I wish ROI would go away.

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This Methodology Works in Many Areas

- Human Resources/Human Capital
- Training/Learning/Development
- Leadership/Coaching/Mentoring
- Knowledge Management/Transfer
- Recognition/Incentives/Engagement
- Work Arrangement/Systems
- Change Management/Culture
- Alternative Dispute Resolutions
- Talent Management/Retention
- Policies/Procedures/Processes
- Technology/Systems/IT
- Meetings/Events/Conferences

- Marketing/Advertisement/Promotion
- Compliance/Risk Management
- Organization Development/Consulting
- Project Management Solutions
- Quality/Six Sigma/Lean Engineering
- Communications/Public Relations
- Public Policy/Social Programs
- Creativity/Innovation
- Ethics/Integrity
- Safety/Health/Fitness Programs
- Environment/Sustainability

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The ROI Methodology*

- Most used evaluation system in the world
- Endorsed by United Nations with a UN General Assembly resolution in 2008
- Endorsed by 26 federal governments
- Used by over 300 health care systems
- Used by over 150 colleges and universities
- Used by three-fourths of Fortune 500 organizations
- Used by major foundations such as the Gates Foundation

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What is Design Thinking?

The Approach Needed to Design for Impact

- A problem-solving approach to handle problems on a systems level
- A mind-set for curiosity and inquiry
- A framework to balance needs and feasibility
- A way to take on design challenges by applying empathy
- A culture that fosters exploration and experimentation
- A fixed process and a tool kit
- A storytelling process to inspire senior executives
- A new competitive logic of business strategy
- A means to solve complex or wicked problems
- A means to reduce risks

*Mootee, Idris. (2013). Design Thinking for Strategic Innovation. Hoboken, NJ: Wiley.

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Levels of Evaluation	Measurement Focus	Typical Measures
0. Inputs & Indicators	The input into the project in terms of scope, volume, efficiencies, costs	Participants, Hours, Costs, Timing
1. Reaction & Planned Action	Measures participant satisfaction and captures planned actions, if appropriate	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to take action
2. Learning & Confidence	Measures changes in knowledge, skills, and attitudes	Skills, Knowledge, Capacity, Competencies, Confidence, Contacts
3. Application & Implementation	Measures changes in behavior or actions	Extent of use, Task completion, Frequency of use, Actions completed, Success with use, Barriers to use, Enablers to use
4. Business Impact	Measures changes in business impact variables	Productivity, Revenue, Quality, Time, Efficiency, Customer Satisfaction, Employee Engagement
5. Return on Investment	Compares project benefits to the costs	Benefit-Cost Ratio (BCR), ROI%, Payback Period

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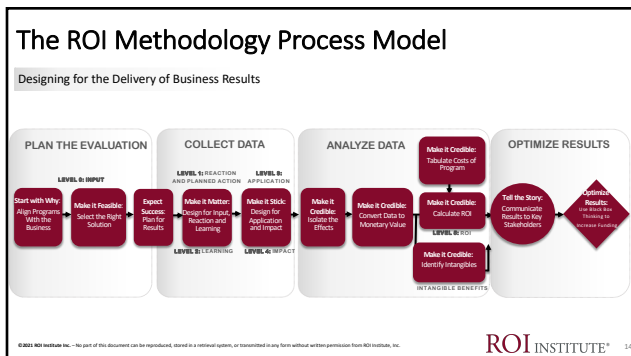
What is ROI?

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

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

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Twelve Guiding Principles of ROI

1. When conducting a higher-level evaluation, collect data at lower levels.
2. When planning a higher-level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analyzing data, use only the most credible sources.
4. When analyzing data, select the most conservative alternative for calculations.
5. Use at least one method to isolate the effects of a project.
6. If no improvement data are available for a population or from a specific source, assume that little or no improvement has occurred.
7. Adjust estimates of improvement for potential errors of estimation.
8. Avoid use of extreme data items and unsupported claims when calculating ROI.
9. Use only the first year of annual benefits in ROI analysis of short-term solutions.
10. Fully load all costs of a solution, project, or program when analyzing ROI.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. Communicate the results of ROI Methodology to all key stakeholders.

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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

What is your status?

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Characteristics of Programs Suitable for Impact & ROI

- Cost of the program
- Linkage of program to operational goals and issues
- Importance of program to strategic objectives
- Top executive interest in the evaluation
- Visibility of the program
- Size of target audience
- Investment of time required

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Start with Why

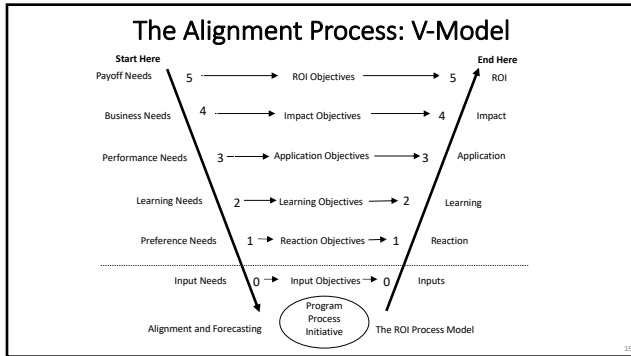
Align Programs with the Business

Design Thinking Principle 1

A problem-solving approach to handle problems on a systems levels

- Alignment is the key.
- Is it a problem or opportunity?
- Need specific business measures.

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Make It Feasible

Select the Right Solution

Design Thinking Principle 2

A mind-set for curiosity and inquiry

- What are we doing (or not doing) that's influencing the business measure?
- How can we achieve this performance?

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Is it the Right Solution?

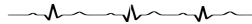
1. Examine the data and records.
2. Initiate the discussion.
3. Reference a case study.
4. Use benchmarking from similar solutions.
5. Use evaluation as the hook.
6. Involve others in the discussion.
7. Discuss disasters in other places.

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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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Expect Success

Design for Results

Design Thinking Principle 3

A framework to balance needs and feasibility

- Set objectives at multiple levels
- Redefine success of coaching
- Expand responsibilities

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Developing Objectives for Each Level

Levels of Objectives	Focus of Objectives
Level 1, Reaction	Defines specific measures of expected reaction to the program as it is revealed and communicated to the stakeholders
Level 2, Learning	Defines specific measures of improvement in knowledge, information, contacts, and skills as the participants and other stakeholders learn how to make the program successful
Level 3, Application	Defines specific measures of actions taken that define success with application and implementation of the program
Level 4, Impact	Defines the specific impact measures that will change or improve as a consequence of the program's implementation
Level 5, ROI	Defines the minimum return on investment from the program, comparing program costs with monetary benefits from the program

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Rules for Objectives

1. Must be measurable and represent minimum acceptable performance.
2. Fewer objectives are better than many objectives.
3. Involve subject-matter experts and key stakeholders.
4. Keep them relevant to the situation, program, and key stakeholders.
5. Create stretch objectives, but make sure they are achievable.
6. Allow for the flexibility to change as conditions change.
7. Failure is OK; process improvement is the key.
8. Objectives are tools for progress, not weapons for performance review.
9. Most objectives should be time-bound.
10. Objectives provide the focus for design, development, implementation, and evaluation.

These rules are from a combination of publications:
 J. J. Phillips and P. P. Phillips, *Beyond Learning Objectives: Develop Measurable Objectives that Link to the Bottom Line*, Alexandria, VA: ASTD Press, 2008.
 P. P. Phillips and J. J. Phillips, *10 Steps to Successful Business Alignment*, Alexandria, VA: ASTD Press, 2012.
 J. Doerr, *Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs*, New York: Penguin, 2018.

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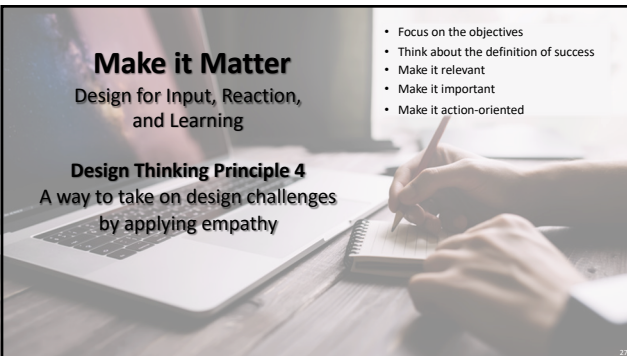
Matching Evaluation Levels with Objectives

After completing this program, participants should:

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 demonstrate the five steps to calm an upset customer.	2
4.	Rate the facilitator 4 out of 5 on presentation skills.	1
5.	Decrease the amount of time required to develop a proposal.	4
6.	Achieve a 20% ROI one year after implementation of sales incentive system.	5
7.	Perceive the content to be relevant their situation (4.5 out of 5).	1
8.	Decrease security breaches by 25% in six months.	4
9.	Conduct a proper investigation using the seven-step process in 95% of complaint situations.	3
10.	Score an average of 75 or better on new strategy quiz.	2
11.	Complete a disclosure form each year as part of the new ethics policy.	3
12.	Use all 10 negotiation skills in at least 50% of negotiation situations.	3

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

- Focus on the objectives
- Think about the definition of success
- Make it relevant
- Make it important
- Make it action-oriented

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Make it Stick

Design for Application and Impact

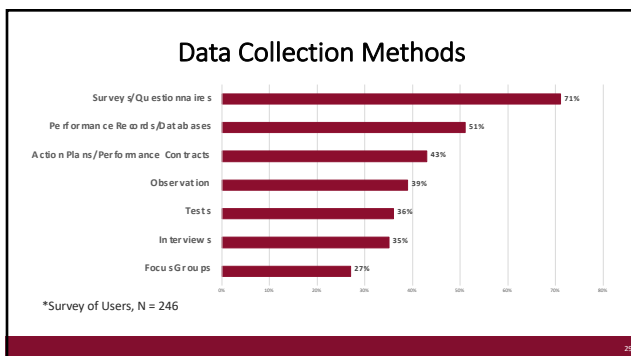
Design Thinking Principle 5

A culture that fosters exploration and experimentation

- Collect data
- Focus on objectives
- Ensure transfer to the workplace
- Design for application



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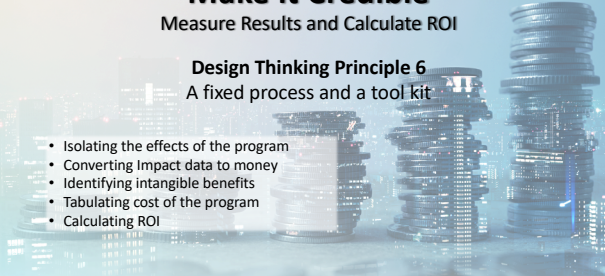
Make it Credible

Measure Results and Calculate ROI

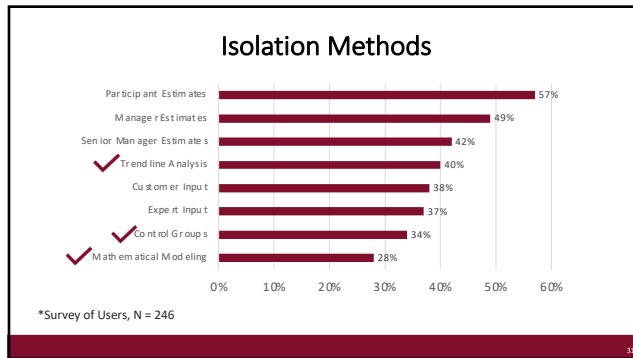
Design Thinking Principle 6

A fixed process and a tool kit

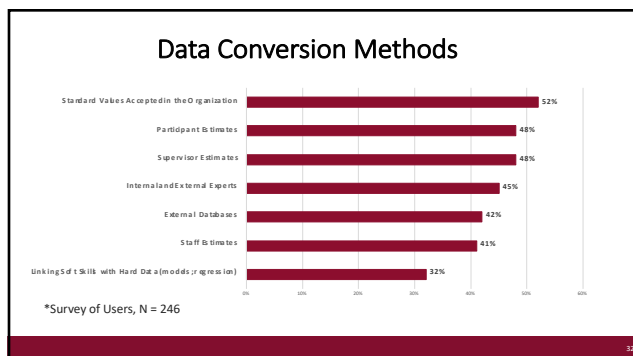
- Isolating the effects of the program
- Converting Impact data to money
- Identifying intangible benefits
- Tabulating cost of the program
- Calculating ROI



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Intangibles

- Adaptability
- Awards
- Brand awareness
- Career minded
- Caring
- Collaboration
- Communication
- Conflicts
- Corporate social responsibility
- Decisiveness
- Engagement

- Image
- Innovation
- Job satisfaction
- Leadership
- Networking
- Organizational climate
- Organizational commitment
- Reputation
- Stress
- Talent
- Teamwork



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Fully Loaded Costs

“When in doubt, put it in.”
The process should withstand even the closest scrutiny in terms of its credibility.

DIRECT	INDIRECT
☐ Program materials	☐ Needs assessment (Prorated)
☐ Instructor/Facilitator	☐ Program development (Prorated)
☐ Facilities	☐ Participant time (salaries & benefits)
☐ Travel, lodging, meals	☐ Administrative/Overhead
	☐ Evaluation

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Example: Leadership Development

Presented to Managers: Designed to reduce departures of staff

1. Unit of Measure: 1 regrettable turnover of staff
2. V = \$21,000 (60% of annual salary)
3. $\Delta P = 3$ per month
4. $A\Delta P = 3 \times 12 = 36$
5. $A\Delta P \times V = 36 \times \$21,000 = \$756,000$

Assume anticipated blended learning program cost: \$339,400.

What is the ROI?

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ROI Calculation

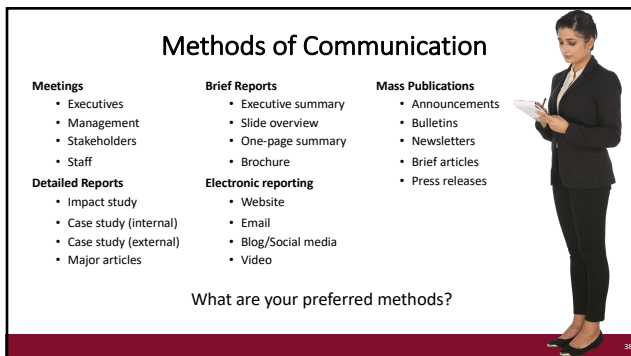
$$BCR = \frac{\$756,000}{\$339,400} = 2.2:1$$

$$ROI = \frac{\$756,000 - \$339,400}{\$339,400} \times 100 = 122\%$$

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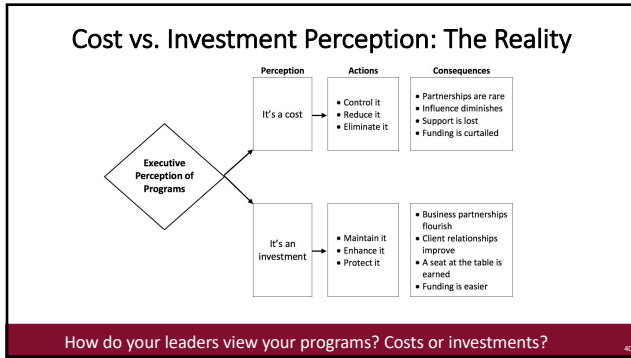
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What are your concerns about measuring ROI? (Select all that apply.)

- ☐ It's too difficult.
- ☐ It takes too much time.
- ☐ No one is asking for this.
- ☐ It will kill my programs.
- ☐ I wish it would go away.

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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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You will receive resources from today's session, including a chapter from the book, *Value for Money: How to Show the Value for Money for All Types of Projects and Programs in Governments, Non-Governmental Organizations, Nonprofits, and Businesses.*

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ROI CERTIFICATION®

SCHEDULED EVENTS

August 23-27, 2021 – Salt Lake City, Utah

September 13-24, 2021 – Live Virtual

September 27-October 1, 2021 – New Orleans, LA

October 4-8, 2021 – Atlanta, GA

October 18-22, 2021 – Boston, MA

November 8-12, 2021 – Milwaukee, WI

February 28-March 4, 2022 – Orlando, FL

WHAT IS ROI CERTIFICATION?

ROI Certification is a globally renowned process focused on measuring the true value of tough-to-measure initiatives using the ROI Methodology®. Participating in ROI Certification is the most comprehensive way to gain the skills needed to evaluate major programs and to report the most credible results that drive organizational improvement.

Email: info@roiinstitute.net Enroll: <http://bit.ly/ROICertification> Call: +1 205.678.8101

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Questions?

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Jack J. Phillips, Ph.D.

Jack J. Phillips, Ph.D., chairman of ROI Institute, Inc., is a world-renowned expert on accountability, measurement, and evaluation. A former HR executive and bank president, Phillips provides consulting services for major global organizations. The author or editor of more than 100 books, he conducts workshops and presents at conferences throughout the world.

Phillips has received several awards for his books and work. The Society for Human Resource Management presented him an award for one of his books and honored a Phillips ROI study with its highest award for creativity. The American Society for Training and Development gave him its highest award, Distinguished Contribution to Workplace Learning and Development for his work on ROI. The International Society for Performance Improvement presented Jack with its highest award, the Thomas F. Gilbert Award, for his contribution to human performance technology. On three occasions, Meeting News named him one of the 25 Most Powerful People in the Meetings and Events Industry based on his work on ROI. In 2019, Jack, along with his wife Patti P. Phillips, Ph.D., received the Distinguished Contributor Award by the Center for Talent Reporting for their contribution to the measurement and management of human capital. His work has been featured in the Wall Street Journal, BusinessWeek, and Fortune magazine. He has been interviewed by several television programs, including CNN. Phillips served as President of the International Society for Performance Improvement. Jack regularly consults with clients in business, government, and nonprofit organizations across 70 countries.

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