EXCEL MEETINGS AND EVENTS

In January of 2007, Jon Wollenhaupt, Vice President of Excel Meetings and Events and Marketing Committee Co-Chair for Meeting Professionals International Northern California Chapter (MPINCC), interviewed Dr. Jack Phillips, Founder and Chairman of the ROI Institute for an article for Perspective Magazine - a publication of MPINCC. Excel Meeting and Events is pleased to present that article in its entirety.

***Perspective* Sits Down With ROI Institute Chairman and Founder, Dr. Jack Phillips, to Discuss a Systematic Method for Calculating Return on Investment (ROI) for Meetings and Events.**

The concept of ROI has been a gadfly in the meetings and events industry for sometime. The topic has been a source of fear, misconceptions and bewilderment, and it's been shrouded in inaccuracies and dismissive opinions. But if a meeting planner decides to approach ROI systematically and with an open mind, it can be a successful endeavor that can transform your role in your organization. Your ROI success strategy begins when you choose a proven methodology that provides step-by-step guides from initial planning through data collection and evaluation.

Jack Phillips, Ph.D., is chairman of the ROI Institute. Using more than 20 years of professional experience, Dr. Phillips has developed a sound, tested methodology for calculating true financial ROI for training, leadership and performance programs. The ROI Institute's methodology has been called "the cornerstone of organizational assessment, measurement and evaluation strategies." Dr. Phillips consults with Fortune 500 companies and major organizations throughout the world. He is the author and editor of more than 30 books and 100 articles. We are pleased to present the following interview with Dr. Phillips.

***Perspective:* What are some of the most common misconceptions about determining ROI for a business activity?**

Dr. Phillips: First, there are many misconceptions about the whole concept of ROI and what it means. Financial ROI is defined as "earning over investment". We can connect that ratio to a meeting or event by expressing the *net monetary benefits* from the meeting. The equation is benefits minus the costs, divided by the cost of the meeting, which is the investment, or:

$$\textbf{Benefits/Cost Ratio} = \frac{\textbf{Program Benefits}}{\textbf{Program Costs}}$$

$$\textbf{ROI} = \frac{\textbf{Net Program Benefits}}{\textbf{Program Costs}} \ \textbf{X 100}$$

Example:

Cost of a meeting = $230,000
Benefits of a meeting = $430,000

$$\text{ROI} = \frac{\$430{,}000-230{,}000}{\$\ 230{,}000} = 0.87 \text{ x } 100 = 87\%$$

Often ROI is discussed in terms of results or benefits, but we use it very exclusively to mean financial ROI.

The second misconception is that it takes too much time and money to measure a true financial ROI for a meeting or conference. Certainly, if your goal is to measure the actual financial ROI, you will want to examine impact data, or realized benefits, that are tied to business goals, over several months. We recommend reserving full financial ROI evaluation for the most strategic meetings that are designed to drive value for the organization in some measurable and significant way. Another way to look at this is to decide which meetings provide the most learning. The more teaching and training that are designed into a meeting, the more measures you will have. For example, if a meeting is planned to have an intensive sales training component, you will want to track the impact of the training on sales revenue over several months.

The third misconception is that no one wants to see this kind of feedback. Quite often I am told that the CEO doesn’t want to see this kind of study done for a major meeting. I am perplexed by this attitude because most executives, when they are spending a lot of money on a meeting, want to see the value of their investments. If we focus our ROI efforts on high-profile meetings, expensive meetings, or large-attendance meetings, generally we know that executives want to see and measure the value of these types of meetings.

***Perspective*: The ROI Methodology is based on the five levels of data. Can you describe those levels and their meaning to a corporate meeting planner?**

Dr. Phillips: I will describe the various levels in terms of the data we want to collect about a particular meeting. During levels one through three, we collect data via methods such as focus groups and questionnaires. At level four we will decide what data we will convert to monetary values.

Level 1 data is reaction data (to the meeting or event), which includes planned action that results from attending an event. For meetings and conferences, this is usually content-related. We can survey our attendees and ask, for example, “Was this meeting useful, necessary, motivational, challenging, and important to your success?” and so forth.

Level 2 data is based on learning. Here we want to understand what our attendees learned. That is to say, did attendees learn about new products, information about the direction of the company, or a new strategy? Did they make new, valuable contacts? This data is very important because if we don’t have learning, then we will have nothing that translates into value later on. And recognize, this is why it is so important for the planner to understand a company’s business goals and work with various departments in the early planning stages to make sure the meeting is optimally designed for learning.

Level 3 data is referred to as application data and is collected after the meeting. Here we are trying to find out if attendees did anything differently as a result of attending a meeting. Did they implement something? Did they change a process? Are they using some skills or new knowledge that was captured at the meeting? What are they doing differently? That's important data to capture. You can see that questionnaires work quite well at this level.

Level 4 data concerns the impact of what you are currently doing and how that affects business measures. It is the consequence of the application. Here we ask participants, "Did your productivity go up? Did your cycle times go down? Did the quality of output improve? Did your sales go up? Did customer satisfaction improve?" All of these things have impact.

Here we convert the data we have collected to a monetary value. For example, if we have determined that the leadership training we provided at our annual conference reduced employee turn over by 20%, we can covert that to a monetary value by using a standard value that exists inside our company regarding the costs associated with replacing one employee who leaves unexpectedly.

At Level 5, we perform the actual ROI calculation. This is the financial ROI that we calculate by looking at the costs vs. the benefits. Here we realize the monetary benefits of the meeting. To get to ROI we have to do two things. First, we have to convert the data to money, and then compare that to the fully loaded costs of the meeting. For meetings and events, we typically examine the benefits and improvements that accrue over a one-year period. One year is a conservative measurement because a meeting or conference can create positive consequences over a much longer period.

The ROI can be initially expressed as a cost-benefit ratio – if you get a 2.5 CBR, this means for every dollar you invest in the meeting you get $2.50 in return. That 2.5 ratio translated into a 150% ROI.

***Perspective:* What are some of the major benefits for conducting an ROI analysis on meetings and events?**

Dr. Phillips: There are several benefits. First and most importantly, this sort of analysis will make your meetings, events and conferences better and more effective. We collect process improvement data; we try to figure out what worked and what didn't work so we can make adjustments. You want to be able to evaluate, make adjustments and make meetings more effective. And, when you learn about something that is disappointing, you can change things the next time around.

Second, collecting data at the various levels and reporting results that improve business measures is the best way to secure and even increase budgets for meetings. People who fund these meetings often want to see how the benefits of a meeting or event are aligning with company business goals.

Third, when ROI analysis directly ties the efforts of the meeting planning department to the overall business goals of the company, the image of the meeting and conference

EXCEL
MEETINGS AND EVENTS

planning department is transformed. The event planner who champions the idea of analyzing the business impact of what they do will transform their jobs and their functions -- and clearly demonstrate the value they add to an organization. Executives appreciate and reward the parts of the company that add value, and they will be less likely to cut those areas when budgets are tight. In addition, if an event planning department is regularly demonstrating value, senior management will likely be more involved, and that gets planners a seat at the table.

Perspective: **What are some of the biggest challenges a planner may face when implementing a ROI program?**

Dr. Phillips: Once a planner has buy-in from the organization to conduct a study, there are typically three major challenges they will face in the process. We have systematic ways to deal with these challenges and minimize the intimidation for those planners who don't typically have experience dealing with these challenges.

The first area is collecting post-meeting data. At some predetermined follow up time, say three weeks or three months after the meeting or event, choose how you collect the data you want.

The second challenge is determining how to isolate the meeting's impact from other factors that contribute to things like an increase in sales, or improvements in customer satisfaction.

The third major challenge is arriving at a monetary value. The good news is that most organizations have data within their internal systems that you can use to assign value to things like cost of employee turnover or a decrease in sexual harassment complaints.

In the context of our methodology, we refer to these issues as challenge blocks because they are the most difficult things we face. For each of these challenge blocks there are various methods and options to choose from that are more and less credible. Within our methodology, we are always trying to get to the most credible method that can we use based on budgets and other constraints.

About the ROI Institute
Founded in 2003, the ROI Institute represents over 30 years of experience in measurement and evaluation of training, human resources, technology and quality programs and initiatives. MPI is working in alliance with ROI Institute, Inc to develop tools, resources and training opportunities to measure and document the value of meetings and events. Visit the ROI Institute on the web at www.roiinstitute.net.

Jon Wollenhaupt, is Vice President of Excel Meetings and Events in San Francisco, and Marketing Committee Co-Chair /Meeting Professional International – Northern California Chapter. Jon can be reached at jonw@excelmeetings.com or 415-777-1231.