International Society for Performance Improvement

ROI INSTITUTE

Making the Business Case for Innovation and Your Role In It

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

The ISPI 2023 Performance Improvement Conference | April 23-27, 2023 | Williamsburg, Virginia, USA

Objectives

After attending this session, participants should be able to:

1. Discuss the importance of innovation for organizations.

2. Describe the many possibilities for innovation programs implemented by PI professionals.

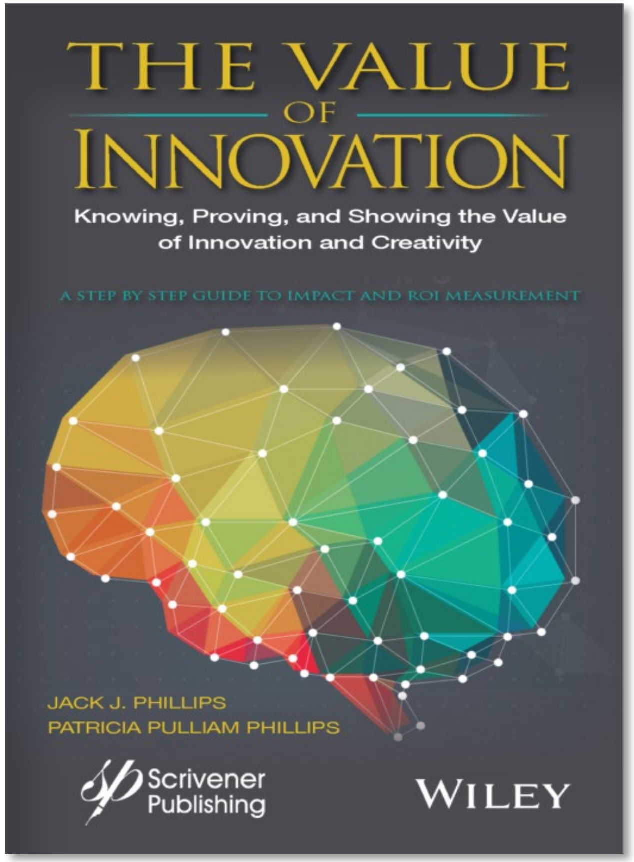
3. Identify the five levels of success for innovation programs.

4. Identify the data on the success of innovation expectations.

5. Explain how to measure the impact and ROI of innovation programs.

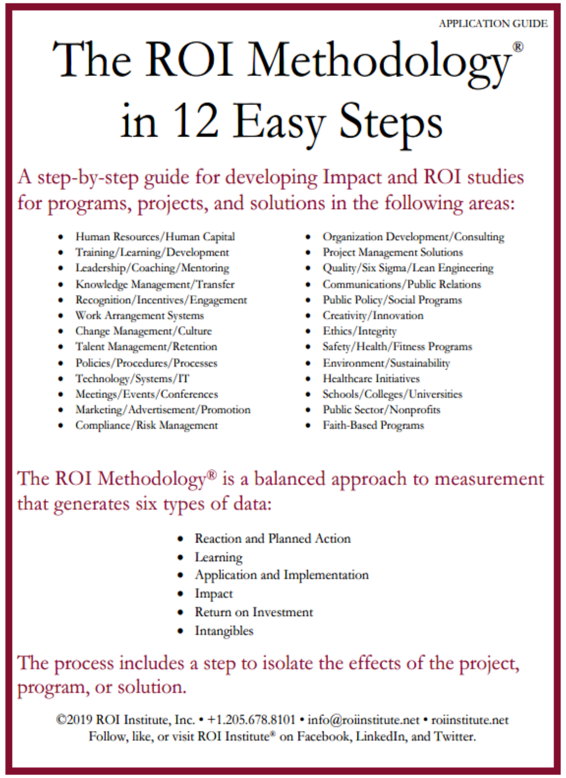
The Value of Innovation:

Knowing, Proving, and Showing the Value of Innovation and Creativity



Each participant will receive a copy of our book!

Resources



APPLICATION GUIDE

The ROI Methodology® in 12 Easy Steps

A step-by-step guide for developing Impact and ROI studies for programs, projects, and solutions in the following areas:

- Human Resources/Human Capital
- Training/Learning/Development
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- Knowledge Management/Transfer
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- Work Arrangement Systems
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- Talent Management/Retention
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- 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
- Healthcare Initiatives
- Schools/Colleges/Universities
- Public Sector/Nonprofits
- Faith-Based Programs

The ROI Methodology® is a balanced approach to measurement that generates six types of data:

- Reaction and Planned Action
- Learning
- Application and Implementation
- Impact
- Return on Investment
- Intangibles

The process includes a step to isolate the effects of the project, program, or solution.

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Innovation is Everywhere

Leaders want innovation.

Politicians cheer innovation.

Consumers demand innovation.

Investors reward innovation.

Media outlets promote innovation.

True or False?

1. **Investing in research and development is not a good predictor of innovation outcomes.**
2. **The best source of innovation is employees.**
3. **When employees are engaged, there is more innovation.**
4. **Far too many innovation programs fail to deliver the desired results.**

The Hard Truth About Innovation: It's One Part Creativity, One Part Discipline.

Pisano, G. P. (2019, January/February). The Hard Truth About Innovative Cultures. *Harvard Business Review*, *97*(1), 62-71.

Bill Gates: The Best Investment I’ve Ever Made

WALL STREET JOURNAL

Gates, B. (2019, January 19). The Best Investment I’ve Ever Made. *The Wall Street Journal*, pp. C1-C2.

What is True of All These Organizations?

Borders
Kodak
A&P
Smith Corona
DEC
Westinghouse
Siebel Systems
Northwest
Airlines
Circuit city

Firestone
Polaroid
Deluxe Printing
Bethlehem
Steel
Control Data
Woolworths
Blockbuster
Radio Shack
Merrill Lynch

MCI World
Sears
Philips
RCA
Xerox
Memorex
Syntex
Compaq
GM

To Survive and Thrive in Organizations, must:

- **Grow**
- **Add Value**
- **Adapt**

Innovation is the key!

Innovation Is Alive and Well In All Types of Organizations…

- **Amazon (Business)**
- **Florida School Systems (Government)**
- **International Monetary Fund (Non-government)**
- **Fundación Paraguaya (Non-profit)**

Where Innovation Comes From

Innovation in Organizations

Key Questions:

- **Is an innovation function needed?**
- **Should there be a Chief Innovation Officer (CIO)?**
- **If so, where should this person report?**
- **What function is best suited to create and implement innovation?**

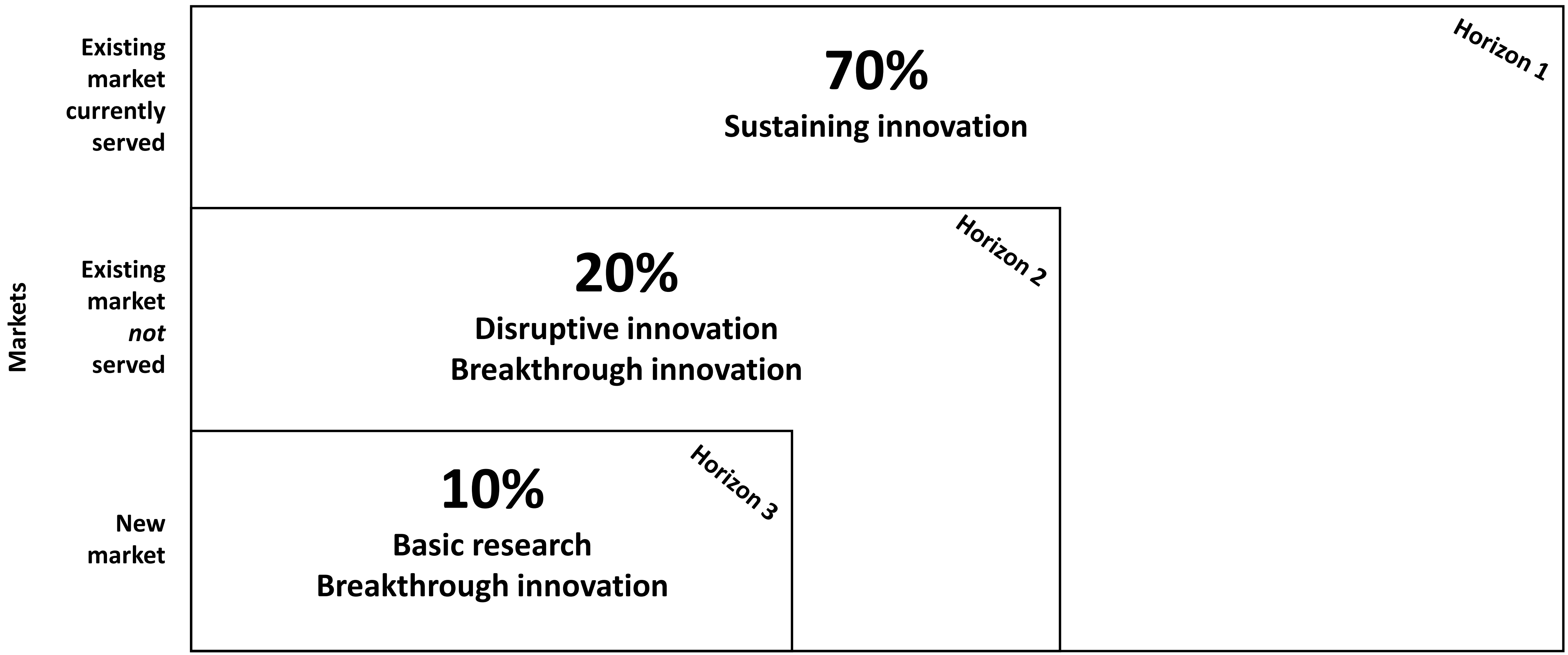
HR/L&D/PI Can Make a Difference

Because innovation comes from employees, and not necessarily the investment in R&D, the key is to make sure the culture is created to spark innovation, support innovation, and facilitate innovation.

Innovation Programs Come in All Sizes…

- Spark and Ignite
- Make it Better
- Brain Storming
- Suggestion Systems
- Critical Thinking
- Design Thinking
- Breakthrough Innovation
- Sustainable Innovation
- Disruptive Innovation
- Basic Research
- Innovation Task Forces
- Innovation Accelerators
- Innovation Complaints
- Innovation Leadership
- Creating an Innovative Culture
- Driving Innovation
- Workout Projects
- Customer Focused Innovation
- Basic Research for Innovation

The Importance and Challenges of Innovation



Five Elements of a Successful Innovation Strategy

1. **Build an innovation culture**

2. **Secure leadership buy-in**

3. **Provide team members the resources to innovate**

4. **Reward and recognize innovation at its roots**

5. **Define metrics and KPIs which drive innovation and support business objectives**

- Molly Goins-Cox, Chief Innovation Officer

What CEOs Want

Measures	Currently Measure	Should Measure	Importance
Inputs	94%	86%	6
Efficiency	78%	82%	7
Reaction	53%	22%	8
Learning	32%	28%	5
Application	11%	61%	4
Impact	8%	96%	1
ROI	4%	74%	2
Awards	40%	44%	3

ROI Institute and ATD research show that the data CEOs receive are not demonstrating what they want out of their talent investment. (N=96)

The Innovation Value Chain

		LEVEL	ISSUE	MEASURES	TARGETS**
	This is easy Always measured	0	**Inputs**	Volume, Hours, Convenience, Cost	100%
*Can predict	This is easy Almost always measured	1	**Reaction**	*Relevance, Engaging, *Important, Useful, *New Content, *Intent to Use, *Recommend to Others	100%
*Can predict	Not difficult Usually measured	2	**Learning**	Concepts, Trends, Facts, Contacts, Skills, Competencies	90%
*Can predict	Possible Often measured	3	**Application**	Use of content, Frequency of Use, Success with Use, Barriers, Enablers	30%
Investors prefer	Not so difficult to connect Sometimes measured	4	**Impact**	Productivity, Time, Quality, Costs, Image, Reputation, Engagement, Compliance	10%
Investors prefer	Possible for many programs Rarely measured	5	**ROI**	Benefit Cost Ratio or Return on Investment, Expressed as a Percent	5%

What is ROI?

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

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

What is ROI?

$$BCR = \frac{\$750{,}000}{\$425{,}000}$$

$$ROI = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000} \times 100$$

What is ROI?

$$\text{BCR} = \frac{\$750{,}000}{\$425{,}000} = 1.76$$

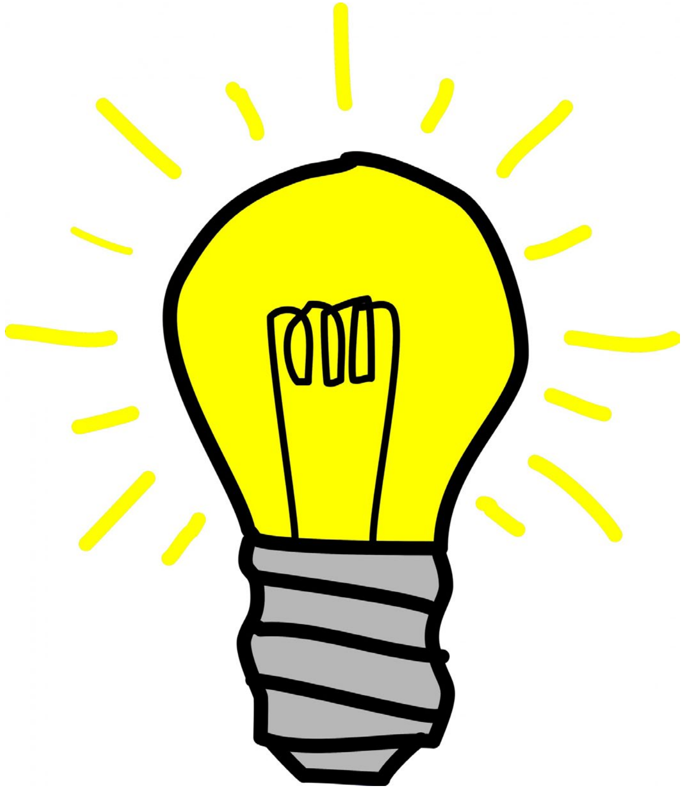
$$\text{ROI} = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000} \times 100 = 76\%$$

Why Does Your Boss Reject All of Your Good Ideas?

By: Leigh Thompson, Wall Street Journal

April 14, 2023 11:00 am ET

Opportunities to Foster Creativity



Innovation Champions: University Putra Malaysia

Innovation Task Force: Saudi Aramco

Innovation Teams: Wegman Food Markets

Bullet Time: Quicken Loans

Multiple Paths to Yes: Amazon

Innovation Conference: Qualcomm

Innovative Approaches: British Columbia Interior Health

Leadership Innovation: World Food Programme

Opportunities to Foster Creativity

Suggestion Systems: Tennessee Valley Authority

Idea Contest: Central Bank of the Philippines

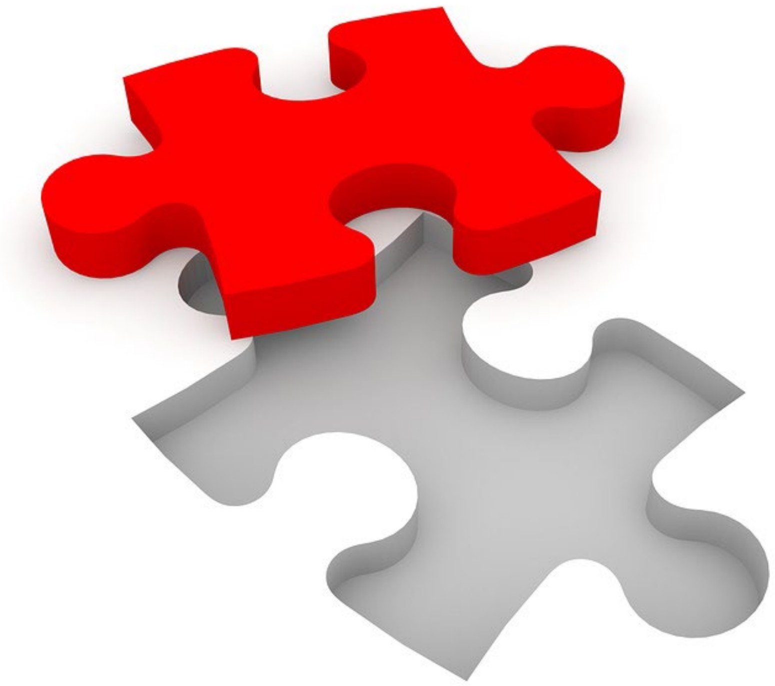
Improvement Projects: National Security Agency

Creativity Forum: Genentech

Creativity Programs: 3M Company

Employee Feedback: Energen Corp.

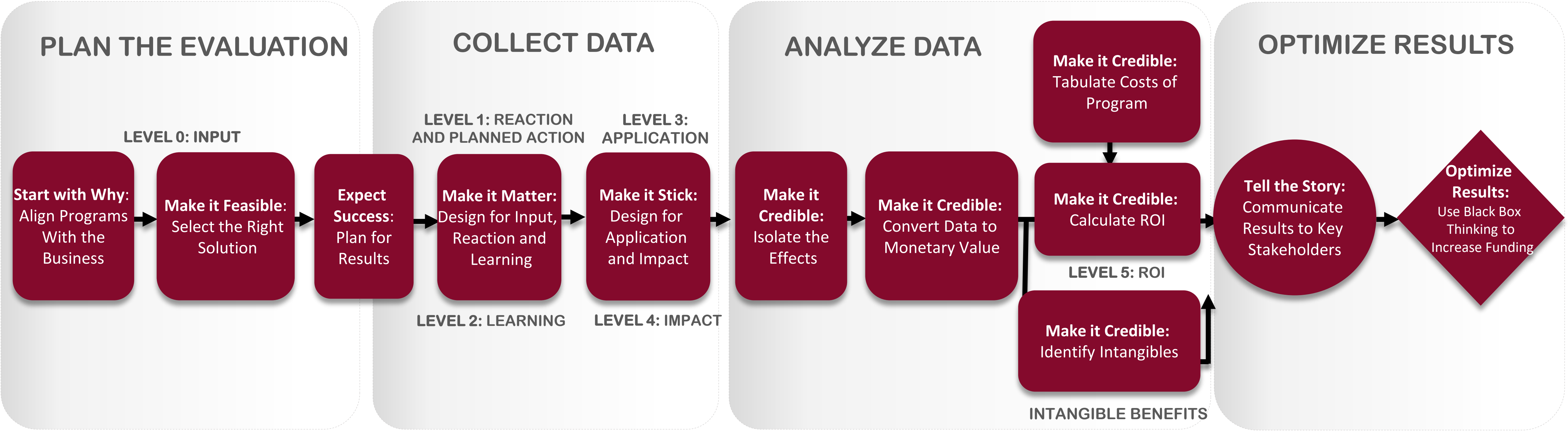
Brainstorming: Lockheed Martin



Start with Why	Align Programs with the Business
Make it Feasible	Select the Right Solution
Expect Success	Design for Results
Make it Matter	Design for Input, Reaction, and Learning
Make it Stick	Design for Application and Impact
Make it Credible	Measure Results and Calculate ROI
Tell the Story	Communicate Results to Key Stakeholders
Optimize Results	Use Black Box Thinking to Increase Funding

The ROI Methodology® Process Model

Designing for the Delivery of Business Results



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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

Make it Feasible

Select the Right Solution

Design Thinking Principle 2

A mind-set for curiosity and inquiry

Expect Success

Design for Results

Design Thinking Principle 3

A framework to balance needs and feasibility

Evaluation Levels with Objectives

After completing this program or project, participants should be able to:

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 identify the five steps to develop a new idea.	2
4.	Rate the importance of innovation 4 out of 5 on on a five-point scale.	1
5.	Decrease the amount of time required to complete a transaction.	4
6.	Achieve a 20% ROI one year after implementation of sales incentive system.	5

1 = Reaction 2 = Learning 3 = Application 4 = Impact 5 = ROI

Make it Matter

Design for Input, Reaction, and Learning

Design Thinking Principle 4

A way to take on design challenges by applying empathy

Make it Stick

Design for Application and Impact

Design Thinking Principle 5

A culture that fosters exploration and experimentation

Make it Credible

Measure Results and Calculate ROI

Design Thinking Principle 6

A Fixed Process and a Tool Kit

- Isolate the Effects of Programs
- Convert Data to Money
- Identify Intangibles
- Tabulate the Cost of Programs
- Calculate ROI

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

Innovation Approach

Southeast Corridor Bank: A Pay-for-Skills Program

Drives:

- **Staffing levels**
- **Retention**
- **Engagement**

Benefits = $4,131,300

Costs = $1,374,796

What's the ROI?

What is ROI?

$$\text{BCR} = \frac{\$4{,}131{,}300}{\$1{,}374{,}796} = 3.01$$

$$\frac{\$4{,}131{,}300 - \$\,1{,}374{,}796}{\$\,1{,}374{,}796} \times 100 = 201\%$$

Tell the Story

Communicate Results to Key Stakeholders

Design Thinking Principle 7

A Storytelling Process to Inspire Senior Executives

Optimize Results

Use Black Box Thinking to Increase Funding

Design Thinking Principle 8

A new competitive logic of business strategy

It’s That Easy

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”.

Be Proactive

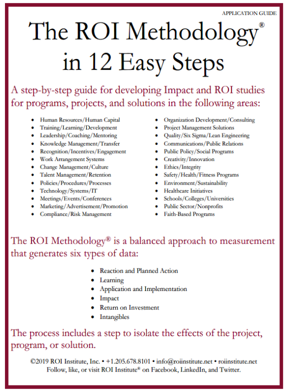
Remember, when it comes to delivering results:

- **Hope is not a strategy.**
- **Luck is not a factor.**
- **Doing nothing is not an option.**

Change is inevitable.
Progress is optional.

Scan the QR code to access resources from today's session.

bit.ly/ISPIROI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ROI CERTIFICATION®

SCHEDULED EVENTS

May 29-June 2 - Dubai, UAE

June 12-16 - London, UK

June 12-16 - Ljubljana, Slovenia

June 19-23 – Bucharest, Romania

June 26-30 – Budapest, Hungary

June 12-23 - Live Virtual

July 3-7 - Mumbai, India

July 24-28 - Washington, DC

July 31-August 4 - Boston, MA

August 7-11 - Huntsville, AL

September 18-29 - Live Virtual

October 9-13 - Indianapolis, IN

October 15-19 - Doha, Qatar

October 23-27 - Dubai, UAE

November 6-10 - Memphis, TN

December 4-15 - Live Virtual

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

ROI INSTITUTE®

ROI Boot Camp

September 27, 2023, and November 8, 2023

9:00 am - 3:00 pm CST

Also available On-Demand

ROI INSTITUTE®
ONLINE ACADEMY

During ROI Boot Camp, participants will learn about:

- The benefits and barriers of using ROI
- The five levels of evaluation
- The 12 steps in the ROI Methodology
- The 12 guiding principles
- Collecting data at multiple levels
- Isolating the effects of your programs
- Converting data to money
- Calculating ROI

SCAN ME

https://www.roiinstituteacademy.com/live-bottomline-on-roi-boot-camp

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Questions?

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