Thinking ROI at the Beginning of a Project

Walking into a project with ROI in mind will ensure the project delivers.

By Jack and Patti Phillips

In previous columns, we discussed how ROI has been used in nontraditional settings to show the financial payoff of a project or program. Let's examine a case study to show how "Thinking ROI" at the beginning of a project can make a dramatic difference in the end results.

The setting is a manufacturing company that produces medical devices and sells them to hospitals and clinics throughout the world. This is a small organization with a sales force of 74, including sales reps, district sales managers, and vice presidents. Joe Lockhart, CEO of Medical Devices, Inc., is concerned about a request from Carla Wilson, vice president of sales.

Carla wants to take the entire sales force off the job for a three-day business development conference. The cost for the conference is about $400,000, considering travel, hotel, and meeting expenses, and time out of the field for the team. This is expensive. Joe calculates that with current profit margins, $3 - 4 million would need to be generated to pay for the conference. His concerns are simple: "Is this worth it? Is this needed? Is there a better way to do this?"

Carla thinks ahead and considers, "It will pay off, and we can measure it. We will be successful if we focus on specific strategies, convince stakeholders to buy in to very aggressive business development plans, and create the kind of support we need to work as a team." With some discussion and mild debate, Carla secures permission. However, Joe has one request: "Show me the money!"

Carla's top concern is to ensure that the conference will make a difference with new business generated for the company. Her first mission is to develop clear, specific objectives. She wants the overall sales to increase 5 percent and wants to capture at least 15 new clients. She also wants to cross sell products with at least 40 existing clients. These are ambitious goals, but Carla feels confident they can be accomplished with team motivation and commitment.

Working in reverse order of the typical approach, she first focuses on application objectives -- what the sales force needs to do differently. She develops objectives for the use of business development tools, new prospecting approaches, new cross-sales techniques, and focused planning tools.

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Next, Carla develops learning objectives. What can participants learn that they didn't already know? These takeaways are translated into specific things that can be learned from speakers and facilitators and through team networking.

Finally, Carla considers reaction objectives. She wants participants to see the conference as relevant to their clients' needs and important to their own success. She also wants them to be motivated and committed to take action. These multiple levels of objectives provide the focus Carla needs to drive business impact.

To show business results early, Carla wants to forecast the success at the conference. As she captures reaction and learning data, she wants her team to plan improvements. Part of the planning is a forecasted sales increase, cross selling, and new clients. This is easy to show with audience response systems, especially ones designed for ROI, such as those available from iDNA Inc. This data is collected with handheld devices at the end of the meeting. Because these are estimates, there can be errors. Therefore, each participant is asked about their level of confidence with each data item provided. This provides an error adjustment (e.g., if someone is forecasting 10 percent sales increase, but they are only 80 percent confident, the 10 percent is multiplied by the 80 percent to yield 8 percent to be used in the forecast).

Using iDNA Systems, Carla is able to program the profit margin for sales and the value of new customers. This information is readily available from marketing. In essence, new revenue generated is factored by profit margins to show the profit from the meeting. In addition, the cost of the meeting is easily determined and programmed into the system. With the monetary benefits and the costs, the ROI forecast is developed.

Imagine, at the close of the conference, with the CEO in the audience, every team member has entered data and the results are instantly flashed on the screen. The total profit generated as a result of the meeting is quickly presented, including an impressive ROI of 438 percent.

Carla knows this forecast is optimistic, generated after much fun and excitement from a productive conference. Therefore, she adjusts it by applying a 50 percent discount. Obviously, this is still an impressive ROI. Imagine how the CEO will feel when leaving this conference. Usually, people leave a conference saying "Good-bye, and by the way, we have great feedback." While that is interesting, nothing is more convincing that seeing the money from credible sources, already adjusted for error.

To be fully accountable, the actual follow up would need to be completed. As one last conference business item, Carla prepares a simple questionnaire to be sent to each sales person in three months. This will show the ROI for this meeting and compare the actual results to the forecast.

The follow-up results are impressive. When all the conservative standards -- inherent in the ROI Methodology used in this example -- are used, the actual ROI is 113 percent. Carla removed the mystery from the possible outcome of this conference, and the analysis is credible. For example,

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when sales increase, we know there are always other factors influencing sales. So there was an additional step in the process to isolate the effects of the conference.

The power of using the ROI Methodology is awesome. It can make a huge difference. Thinking about it upfront is the key. Had Carla not thought about it initially, and planned accordingly, the results would not be there. "Thinking ROI" in advance helped her to stay focused on results throughout the process, and gave her the ability to immediately show her CEO the money.

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