

Value for Money:

How the ROI Methodology Shows the Value for Money for All Types of Projects and Programs

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

1

Objectives

After attending this session, participants should be able to:

1. Explain the need for an improved logic model.
2. Identify the key characteristics of the ROI Methodology.
3. List the advantages of using the ROI Methodology.
4. Describe different applications of the ROI Methodology.

2

Resources

3

Reasons Why Many Programs Fail to Deliver Impact and ROI



Waiting too late to start the evaluation process



Failure to align to the business



Not expecting success



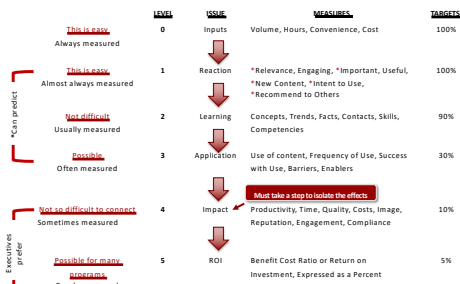
Failure to design for application and impact



Not isolating the effects of the program

4

The Value Chain is Always There!



5

Pressures Facing the Public Sector Today

- Budget constraints
- Need to do more with less
- Need process improvements (effectiveness and efficiency)
- Need to show value of programs
- Need for public accountability and transparency



6

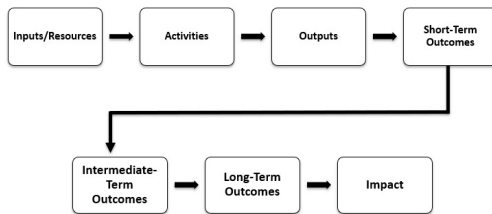
Issues — Real or Imagined?

- No profits — no ROI?
- Lack of alignment
- Absence of hard data
- Too much politics
- Programs are necessary
- Multiple ROI Perspectives



7

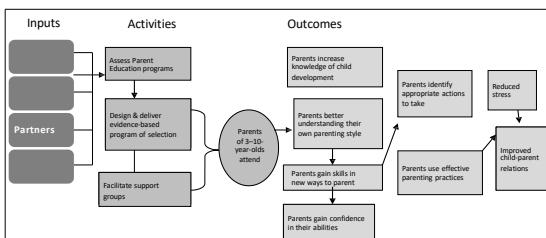
A Basic Program Logic Model



8

Parent Education Program

Situation: Parents reported that they were having difficulty parenting and feel stressed.



9

Application of This Methodology

- Publicly traded businesses
- Privately held businesses
- Governments (federal, state, and local level)
- Nongovernment organizations
- Nonprofits
- Universities
- Community colleges and technical institutes
- K-12 school systems
- Foundations
- Charities
- Healthcare organizations
- Networks and alliances
- Associations
- Religious organizations



13

ROI is Appropriate for Many Fields

- 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

14

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

15

What is Design Thinking?

Basic Principles*

- 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.

16

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

17

What is ROI?

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

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

18

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?

19

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

20

The ROI Methodology Process Model

Designing for the Delivery of Business Results

PLAN THE EVALUATION

LEVEL 0: INPUT

Start with Why: Align Programs with the Business

Make it Feasible: Select the Right Solution

Expect Success: Plan for Risks

COLLECT DATA

LEVEL 1: REACTION AND PLANNED ACTION

Make it Matter: Design the Right Reaction and Learning

Make it Stick: Design for Application and Impact

LEVEL 2: LEARNING

LEVEL 4: IMPACT

ANALYZE DATA

Make it Credible: Calculate the Costs of Program

Make it Credible: Calculate ROI

LEVEL 3: ROI

Make it Credible: Identify Intangibles

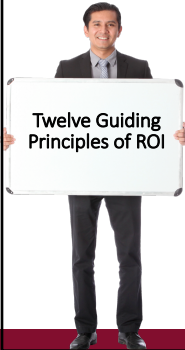
INTANGIBLE BENEFITS

OPTIMIZE RESULTS

Tell the Story: Communicate Results to Key Stakeholders

Calculate Results: Measure the Return to Expected Audience

21



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.

22

How Does Your Current Model Stack Up?

Topic	Problem or Issue	What Is Needed	ROI Methodology
Focus of use	Audit focus; punitive slant; surprise nature	Process improvement focus	This is the number one use for the ROI Methodology
Standards	Few, if any, standards exist	Standards needed for consistency and credibility	Twelve standards accepted by users
Types of data	Only one or two data types	Need a balanced set of data	Six types of data representing quantitative, qualitative, financial, and non-financial data
Dynamic adjustments	Not dynamic; does not allow for adjustments early and often in the program cycle	A dynamic process with adjustments made early and often	Adjusts for improvement at four levels and at different timeframes
Connectivity	Not respectful of the chain of value that must exist to achieve a positive impact	Data collected at each stage of the value chain	Every stage has data collection and a method to isolate the program's contribution to impact

23

How Does Your Current Model Stack Up?

Topic	Problem or Issue	What Is Needed	ROI Methodology
Approach	Activity based	Results based	Twelve steps are used to design for results
Conservative nature	Analysis not very conservative	A conservative approach is needed for buy in	Very conservative: CFO and CEO friendly
Simplicity	Not user-friendly; too complex	User friendly, simple steps	Twelve logical steps
Theoretical foundation	Not based on sound principles	Should be based on theoretical framework	Endorsed by hundreds of professors and researchers; grounded in research and practice
Acceptance	Not adopted by many organizations	Should be used by many	More than 5,000 organizations using the ROI Methodology

24

Start with Why

Align Programs with the Business

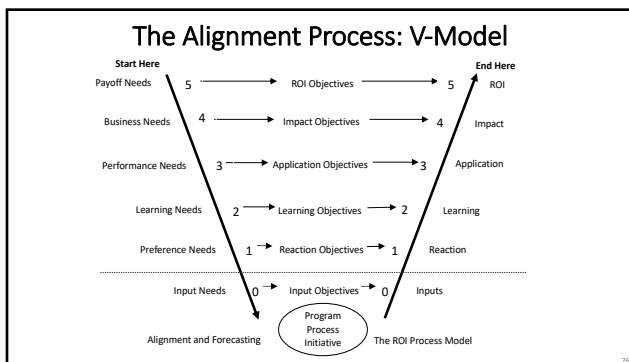
Design Thinking Principle 1

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.



25



26

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?



27

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.



28

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
--	--



29

Expect Success

Design for Results

Design Thinking Principle 3

A framework to balance needs and feasibility



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

30

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

31

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. I. 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. I. Phillips, *10 Steps to Success in Business Alignment*, Alexandria, VA: ASTD Press, 2012.
J. Dean, *Measure What Matters*, New Google, Bono, and the Gates Foundation Build the World with OKRs, New York: Penguin, 2018.

32

Matching Evaluation Levels with Objectives

After completing this program, participants should:

1.	Decrease citizen complaints by 20% in one year.	
2.	Use problem-solving skills to uncover causes of problems.	
3.	Be able to demonstrate the five steps to determine if there is a food security issue.	
4.	Rate the facilitator 4 out of 5 on presentation skills.	
5.	Decrease the amount of time required to develop a proposal by 25%.	
6.	Achieve a 20% ROI one year after program implementation.	
7.	Perceive the Crime Prevention Program to be relevant to the community (4.5 out of 5).	
8.	Decrease security breaches by 25% in six months.	
9.	Conduct a proper investigation using the seven-step process in 95% of complaint situations.	
10.	Score an average of 20 or better on AIDS Awareness quiz.	
11.	Complete a conflict-of-interest questionnaire each year as part of the new ethics policy.	
12.	Use all 10 negotiation skills in at least 50% of negotiation situations.	

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

33

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

34

Make it Stick

Design for Application and Impact

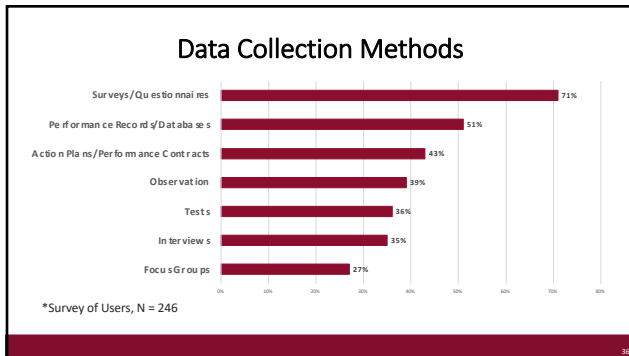
Design Thinking Principle 5

A culture that fosters exploration and experimentation

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



35



36

Make it Credible

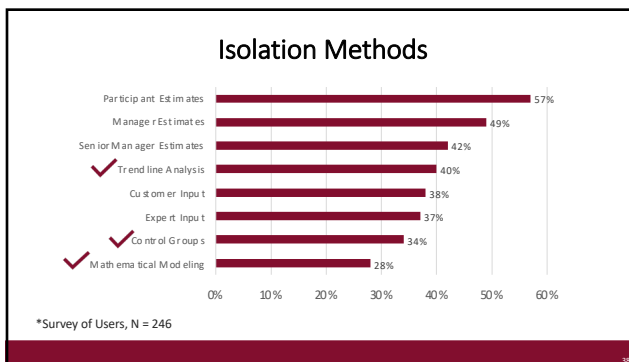
Measure Results and Calculate ROI

Design Thinking Principle 6

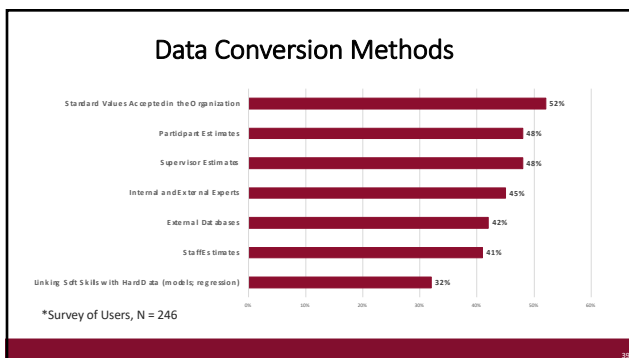
A fixed process and a tool kit

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

37



38



39

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



40

Fully-Loaded Costs

DIRECT

- ☐ Program materials
- ☐ Instructor/facilitator
- ☐ Facilities
- ☐ Travel, lodging, meals

INDIRECT

- ☐ Needs assessment (Prorated)
- ☐ Program development (Prorated)
- ☐ Participant time (salaries & benefits)
- ☐ Administrative/overhead
- ☐ Evaluation

"When in doubt, put it in."

The process should withstand even the closest scrutiny in terms of its credibility.



41

Example: Crime Prevention Program

Presented to Community: Designed to reduce burglaries

1. Unit of Measure: 1 burglary
2. V = \$13,096 RAND Corporation
3. $\Delta P = 3$ per month
4. $A\Delta P = 3 \times 12 = 36$
5. $A\Delta P \times V = 36 \times \$13,096 = \$471,456$

Assume anticipated blended learning program cost: \$239,700.

What is the ROI?

42

ROI Calculation

BCR = _____ =

ROI = _____ x 100 =

43

43

Tell the Story

Communicate Results to Key Stakeholders

Design Thinking Principle 7

A storytelling process to inspire senior executives

- Define audience
- Identify why they need it
- Select method
- Move quickly
- Consider one-page summary

44

44

Methods of Communication

Meetings

- Executives
- Management
- Stakeholders
- Staff

Brief Reports

- Executive summary
- Slide overview
- One-page summary
- Brochure

Mass Publications

- Announcements
- Bulletins
- Newsletters
- Brief articles
- Press releases

Detailed Reports

- Impact study
- Case study (internal)
- Case study (external)
- Major articles

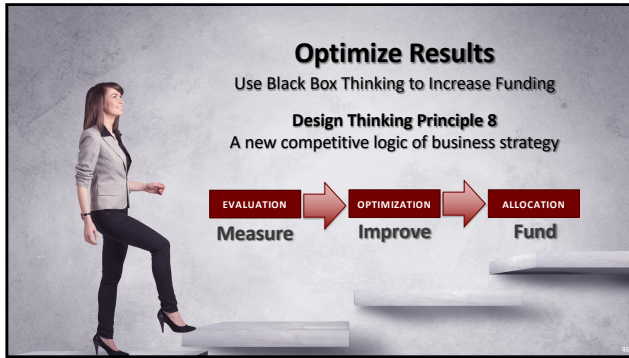
Electronic reporting

- Website
- Email
- Blog/Social media
- Video

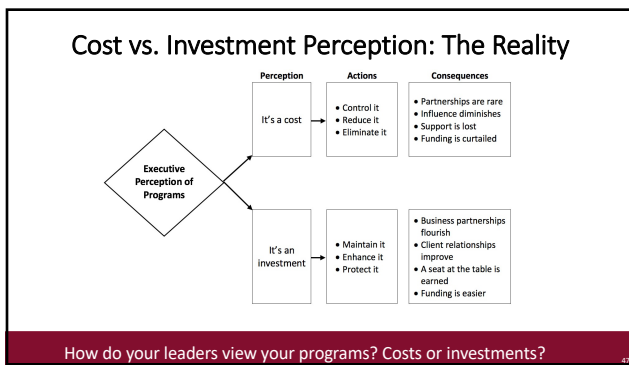
What are your preferred methods?

45

45



46



47



48



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.

49

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".



50



Be Proactive

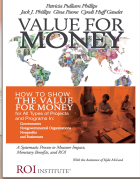
Remember, when it comes to delivering results:

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

Change is inevitable.
Progress is optional.

51

Congratulations! Ten lucky winners will receive a copy of
*Value For Money: How to Show the Value for Money For All Types of
 Project and Programs In: Governments, Nongovernmental
 Organizations, Nonprofits, and Businesses*



ROI INSTITUTE

52



Click the link below or scan the QR code to receive
 resources from today's session.

<https://roiinstitute.net/indiana-evaluation-association-value-for-money-2/>



53

Live Virtual ROI Boot Camp
 July 27, 2021

During ROI Boot Camp, participants will learn about:

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

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

This activity has been approved for 5 HR (General) re-certification credit hours toward aPHR®, PHR®, PHRca®, SPHR®, GPHR®, PHR™ and SPHR™ re-certification through HR Certification Institute® (HRCI®).
 This Boot Camp has been pre-approved by Training Industry for 5 continuing education/recertification hours toward the Certified Professional in Training Management credential.

54

ROI CERTIFICATION®

SCHEDULED EVENTS

August 10-September 9, 2021 – Live Virtual
(Delivered in Spanish)

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

September 13-24, 2021 – Live Virtual

September 13-24, 2021 – Live Virtual
(Focused on Healthcare)

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





55



Questions?

Visit us online:
www.roiinstitute.net

Email:
Jack@roiinstitute.net

Connect with Us



56
