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Making a Business Case for Service Design

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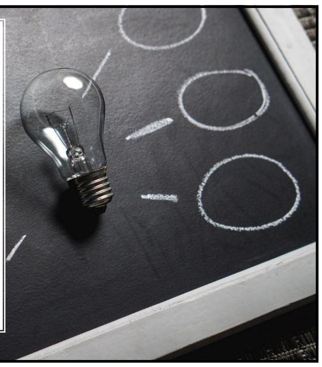
Objectives

After attending this session, for every design initiative, participants should be able to:

1. Identify the five levels of outcome data needed to showcase and deliver impact and ROI.
2. Identify the data needed by executives along with their expectations.
3. Forecast and present the impact, ROI, and intangibles in a compelling way.
4. Plan the next steps to ensure maximum business value.



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Stay until the end of the session for access to free tools!

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Service design uses a holistic and highly collaborative approach to **generate value** for both the service user and the service provider throughout the service's lifecycle.

Service Design Network
service-design-network.org

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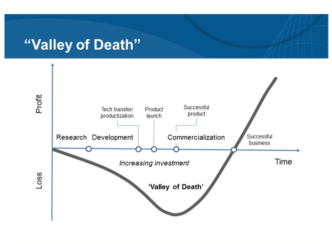
The sooner a solution delivers value, the less likely it will fall into the valley of death.



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All functional areas can leverage service design to create value.

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

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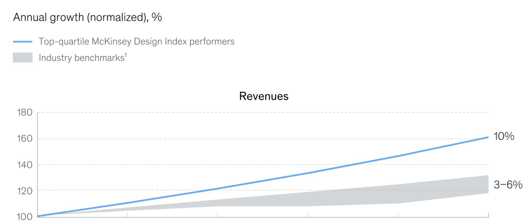
Design focused organizations tend to generate greater revenue than the benchmark.



McKinsey. The Business Value of Design (2018)
https://www.mckinsey.com/business-functions/mckinsey-design/our-insights/the-business-value-of-design

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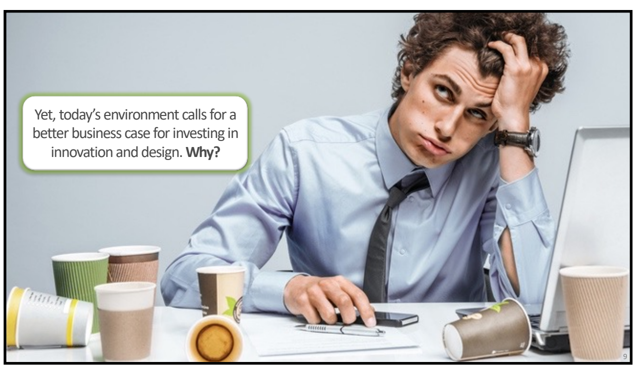

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A better business case is needed because…

- Budget constraints
- Project costs
- Demanding sponsors/donors
- Project failures
- Evidence-based/ fact-based thinking
- Benchmarking limitations
- Executive appetite for monetary value

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The Value Chain

Levels of Evaluation	Measurement Focus	Typical Measures
0. Inputs	The input into the project in terms of scope, volume, efficiencies, costs	Types of projects, Numbers of people involved, Hours, Costs, Timing
1. Reaction & Planned Action	Measures reaction to projects/solutions including perceived value and planned action to make it successful	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to take action
2. Learning	Measures acquisition in knowledge, skill, and information required to make project/solution successful	Skills, Knowledge, Capacity, Competencies, Confidence, Contacts
3. Application & Implementation	Measures changes in behavior or actions, application of process, system support for implementation	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?

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

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

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What is ROI?

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

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

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What is ROI?

A. BCR = 1.76; ROI = 76%

B. BCR = 2.76; ROI = 176%

C. BCR = 76; ROI = 176%

D. BCR = 3.19; ROI = 219%

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What is ROI?

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

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

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An ROI Objective is the Minimally Acceptable ROI

When setting an ROI target, consider the following:

1. Set the value at the same level as other investments: 15%
2. Set slightly above other estimates: 25%
3. Set at breakeven: 0%
4. Set at client expectations.

Private sector organizations usually go with option #2; public sector organizations prefer #3.

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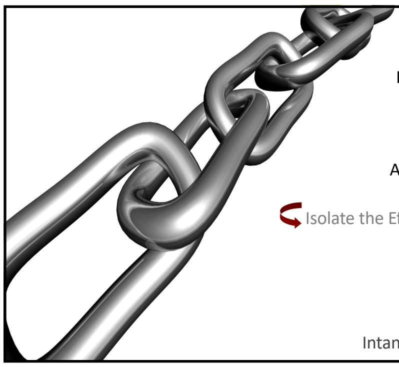

Inputs
↓
Reaction
↓
Learning
↓
Application
↓
Isolate the Effects of the Program
↓
Impact
↓
ROI

Intangible Benefits

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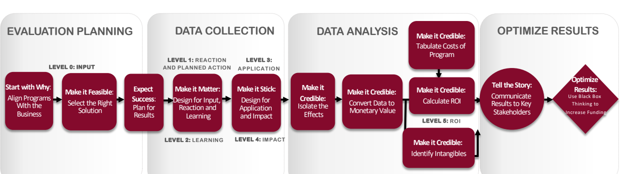
The ROI Methodology Process Model

Designing for the Delivery of Business Results



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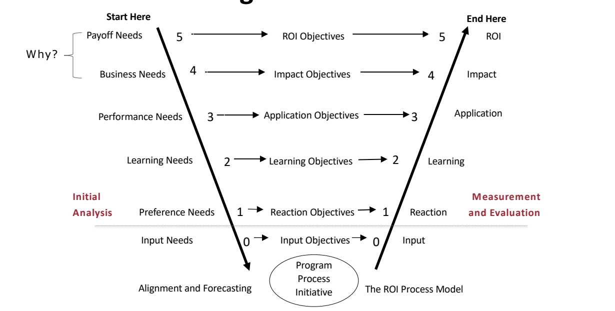
Alignment Model



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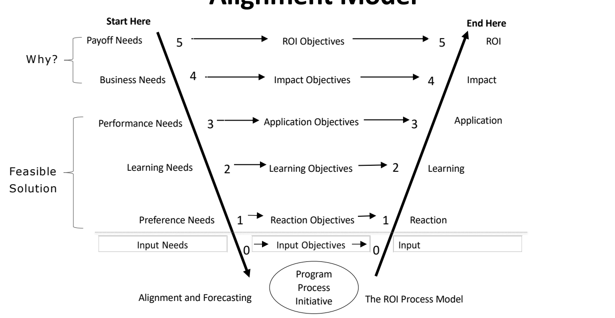
Alignment Model



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Expect Success: Develop Objectives

Levels	Focus
Level 1, Reaction	Defines specific measures of expected reaction to the project 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 project successful
Level 3, Application	Defines specific measures of actions taken that define success with application and implementation of project
Level 4, Impact	Defines the specific impact measures that will change or improve as a consequence of the project's implementation
Level 5, ROI	Defines the minimum return on investment from the project, comparing project costs with monetary benefits from the project

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Matching Evaluation Levels with Objectives

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

After completing this program, participants should:

1.	Decrease citizen complaints by 20% in one year.	
2.	Use problem-solving skills to uncover product defect causes.	
3.	Be able to demonstrate the five steps to calm an upset customer.	
4.	Rate the facilitator 4 out of 5 on presentation skills.	
5.	Decrease the amount of time required to develop a proposal.	
6.	Achieve a 20% ROI one year after implementation of sales incentive system.	
7.	Perceive the content to be relevant their situation (4.5 out of 5).	
8.	Decrease security breaches by 25% in six months.	
9.	Follow the correct sequences after three weeks of use.	
10.	Score an average of 75 or better on new strategy quiz.	
11.	Complete a disclosure form each year as part of the new ethics policy.	
12.	Use all 10 negotiation skills in at least 50% of negotiation situations.	

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Pre-Project Forecasting Model

Estimate Program Costs

Anticipate the Reaction to the Program → Estimate the Amount of Learning to Make the Program Successful → Estimate Application- the Steps and Actions to Make the Program Successful → Estimate Change in Impact Data → Convert Data to Monetary Values → Calculate the Return on Investment

Anticipate Intangible Benefits

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Steps to Pre-Project ROI Forecast

1. Develop Levels 1-3 objectives, with as many specifics as possible.
2. Estimate/Forecast monthly improvement in impact (Level 4) data (ΔP).
3. Convert Level 4 measure to monetary value (V).
4. Develop the estimated annual impact for each measure (ΔPxVx12).
5. Estimate fully loaded program costs.
6. Calculate the forecasted ROI using the total projected benefits and costs.
7. Use sensitivity analysis to develop several potential ROI values with different levels of improvement (ΔP).
8. Identify potential intangible benefits.
9. Communicate analysis with caution.

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Input to Forecast

- Previous experience with same or similar projects
- Suppliers/Designers experience in other situations
- Estimates from suppliers/designers
- Estimates from experts
- Estimate from clients/sponsors
- Estimates from target participants

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Techniques to Convert Data to Money

- Converting output to contribution – standard value (profit/savings).
- Converting the cost of quality – standard value.
- Converting employee's time (using compensation).
- Using historical costs/savings.
- Using internal and external experts.
- Using data from external databases/studies.
- Linking with other measures.
- Using participants' estimates.
- Using supervisors' and managers' estimates.
- Using staff estimates.

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Project Costs

Cost Item	Prorated	Expensed
Initial analysis and assessment	✓	
Development of projects	✓	
Acquisition of projects	✓	
Implementation and application		
Salaries/benefits for project team time		✓
Salaries/benefits for coordination time		✓
Salaries/benefits for participant time (if appropriate)		✓
Project materials		✓
Hardware/software	✓	
Travel/lodging/meals		✓
Use of facilities		✓
Capital expenditures	✓	
Maintenance and monitoring		✓
Administrative support and overhead	✓	
Evaluation and reporting		✓

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Example: Customer Retention Program

Designed to retain customers who are cancelling contracts.

1. Unit of Measure: 1 additional year
2. V = $121 (average profit per year)
3. ΔP = 14.6 per month
4. $A\Delta P$ =
5. $A\Delta P \times V$ =

Anticipated one-day virtual workshop cost: $16,300.

What is the forecasted ROI?

Example: Leadership Development

Designed to create a better employee experience in order to reduce departures of staff.

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

Anticipated blended learning program cost: $339,400.

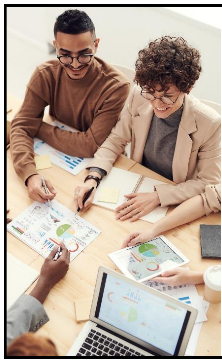
What is the forecasted ROI?

Financial Services Company

Innovative approach to enable sales relationship managers to track routine correspondence and communication with customers. Measures of interest were Sales and Customer Complaints. Data below provides summary of forecasts from multiple stakeholders.

Source	Potential sales increase	Basis	Potential complaint reduction (monthly)	Basis	Expected ROI	Credibility rating (5=high; 1=low)
Relationship manager	3.5%	Sales opportunity	3	Lower response time	60%	3
District manager	4%	Customer satisfaction	4	Lower response time	90%	4
Marketing analyst	3%	Missed opportunity	5	Quicker response	120%	4
Project sponsor	5%	Customer service	4	Quicker response	77%	4
Vendor	10%	Customer loyalty	12	Higher priority	180%	2
IT Analyst	2%	Customer relationships	3	Faster response	12%	2

Phillips, J. J. and Phillips, P. P. (2018) The Value of Innovation: Knowing, Proving, and Showing the Value of Innovation and Creativity. Scrivener/Wiley.



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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Forecasting Realities

- If you must forecast, forecast frequently.
- Consider forecasting an essential part of the evaluation mix.
- Forecast different types of data.
- Secure input from those who know the process best.
- Long-term forecasts will usually be inaccurate.
- Expect forecasts to be biased.
- Serious forecasting is hard work.
- Review the success of forecasting routinely.
- The assumptions are the most serious error in forecasting.
- Utility is the most important characteristic of forecasting.

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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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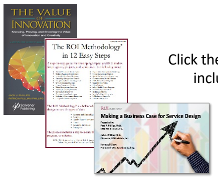

Click the link below to receive resources from today's session, including Chapters 1–4 from ***The Value of Innovation.***

https://roiinstitute.net/making-a-business-case-for-service-design/

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Questions?

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2021 SCHEDULED EVENTS

May 21-June 4 — Live Virtual (Delivered in Arabic)

June 7-18 — Live Virtual (Focused on Healthcare)

June 14-25 — Live Virtual

August 2-6 — Columbus, Ohio

August 3-September 16 — Live Virtual (Delivered in Spanish)

August 23-27 — Salt Lake City, Utah

September 13-24 — Live Virtual

September 27-October 1 — New Orleans, LA

October 4-8 — Atlanta, GA

October 18-22 — Boston, MA

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

This program has been approved for 36 (HR General) Recertification Credit Hours toward PHR, SPHR and GPHR recertification through the HR Certification Institute (HRCI).

This program has been pre-approved by Training Industry for 24 continuing education recertification hours toward the Certified Professional in Training Management credential.

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