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Making the Business Case for Learning: How to Secure Approval for Unexpected Projects

Presented by
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CEO, ROI Institute, Inc.

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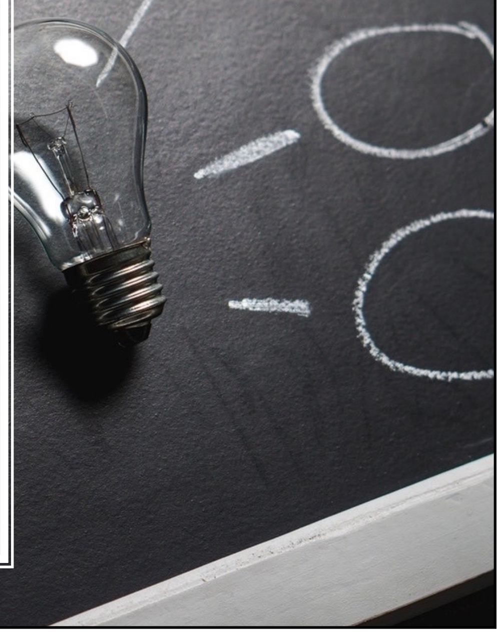
Objectives

After attending this session, participants should be able to:

1. List the five levels of data that are present with any training and performance improvement project.
2. Identify the data needed by executives along with their expectations.
3. Select the experts to provide data to make the estimates for a forecast.
4. Forecast the impact, ROI, and intangibles of an important performance improvement project.
5. Present the ROI forecast in a compelling way.
6. Describe an example of an ROI forecasting case study.



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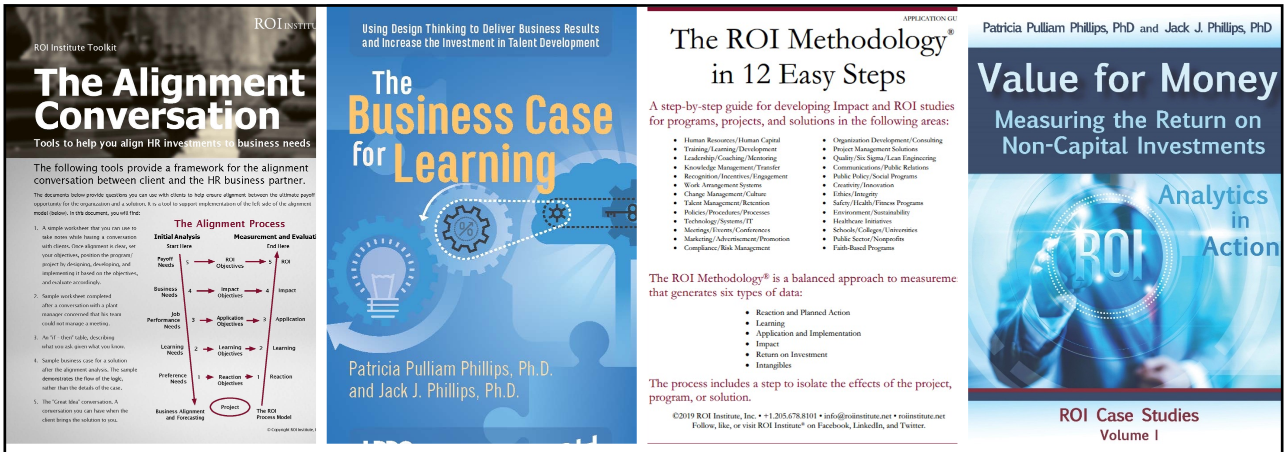

Resources

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Serious Performance Challenges

Which of the following are true?

1. Most learning and development is wasted (not used).
2. The learning and development outcomes desired by executives in client organizations is rarely measured.
3. Most learning and development providers do not have data showing that they make a difference in the organization.
4. Most executives see learning and development as a cost and not an investment.
5. Most executives view hard skills more valuable than soft skills.

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Learning Drives Value

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

Senior leaders want it.

Sixty-seven percent of CEOs say they get a least a basic set of human capital metrics from HR – but ***only 24% of survey respondents*** said HR also provides analytics that connect their people metrics to business metrics.

Really, the question isn't about relevance of the (HR) function or a 'seat at the table;" rather, it is ***what impact has HR made on the business***.

Seventy-four percent of CEOs report that they want ROI, but only 4% are getting it. Next to business impact data, ***ROI is the most important metric*** in their decision making making about the learning investment.

What is Your Experience with ROI?

- ❑ No experience with it.
- ❑ It's been suggested, but no action has been taken.
- ❑ I have attempted it.
- ❑ I have conducted an ROI study.
- ❑ I wish ROI would go away.

What is ROI?

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

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

What is ROI?

(Rapid-fire chat response)

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

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

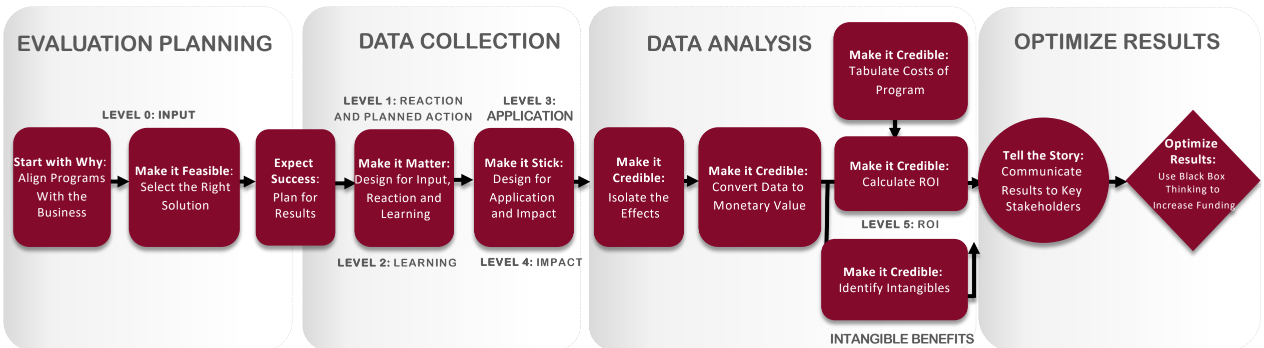
What is ROI?

$$\text{BCR} = \frac{\$750{,}000}{\$425{,}000} = 1.76{:}1$$

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

The ROI Methodology Process Model

Designing for the Delivery of Business Results



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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”.

How can an ROI forecast help when you need funds for an unexpected project? (rapid fire chat)

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How can an ROI forecast help when you need funds for an unexpected project?

- Focus attention on business outcomes.
- Consider all inputs required to achieve those outcomes.
- Monitor the path for success.
- Help us make a better business case for investing in the project.

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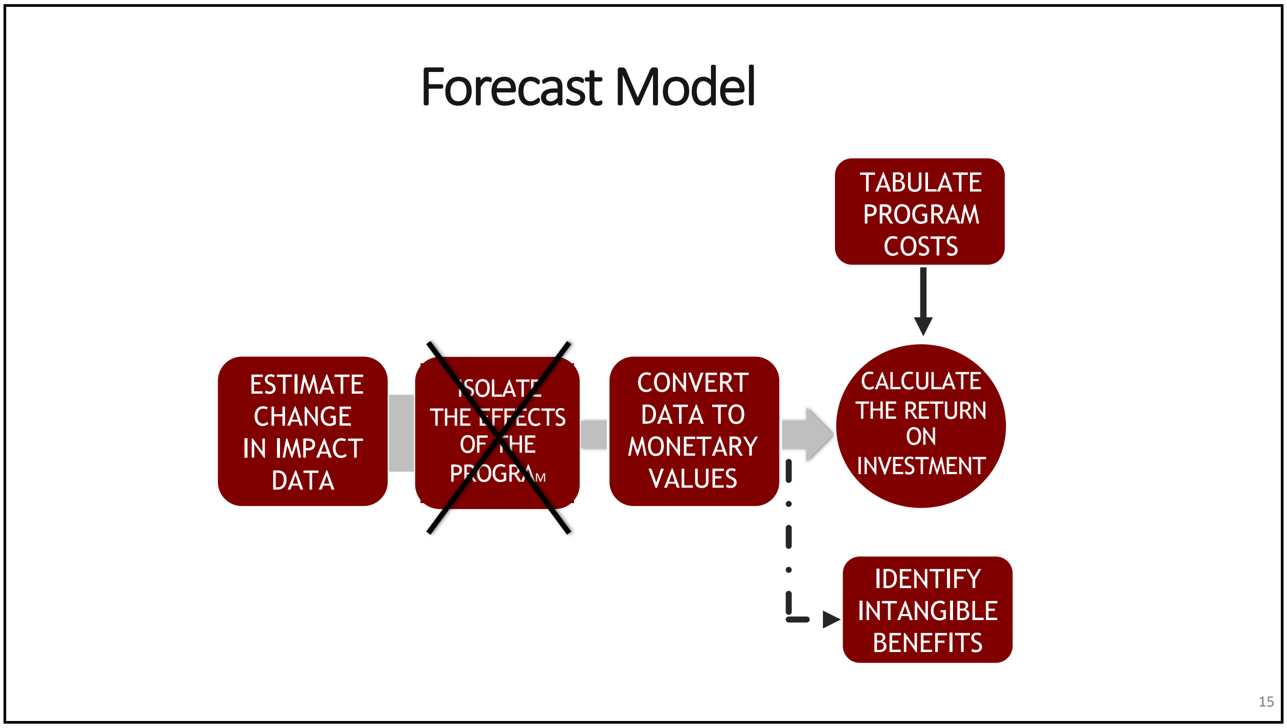
Forecast Model
TABULATE PROGRAM COSTS
ESTIMATE CHANGE IN IMPACT DATA
~~ISOLATE THE EFFECTS OF THE PROGRAM~~
CONVERT DATA TO MONETARY VALUES
CALCULATE THE RETURN ON INVESTMENT
IDENTIFY INTANGIBLE BENEFITS
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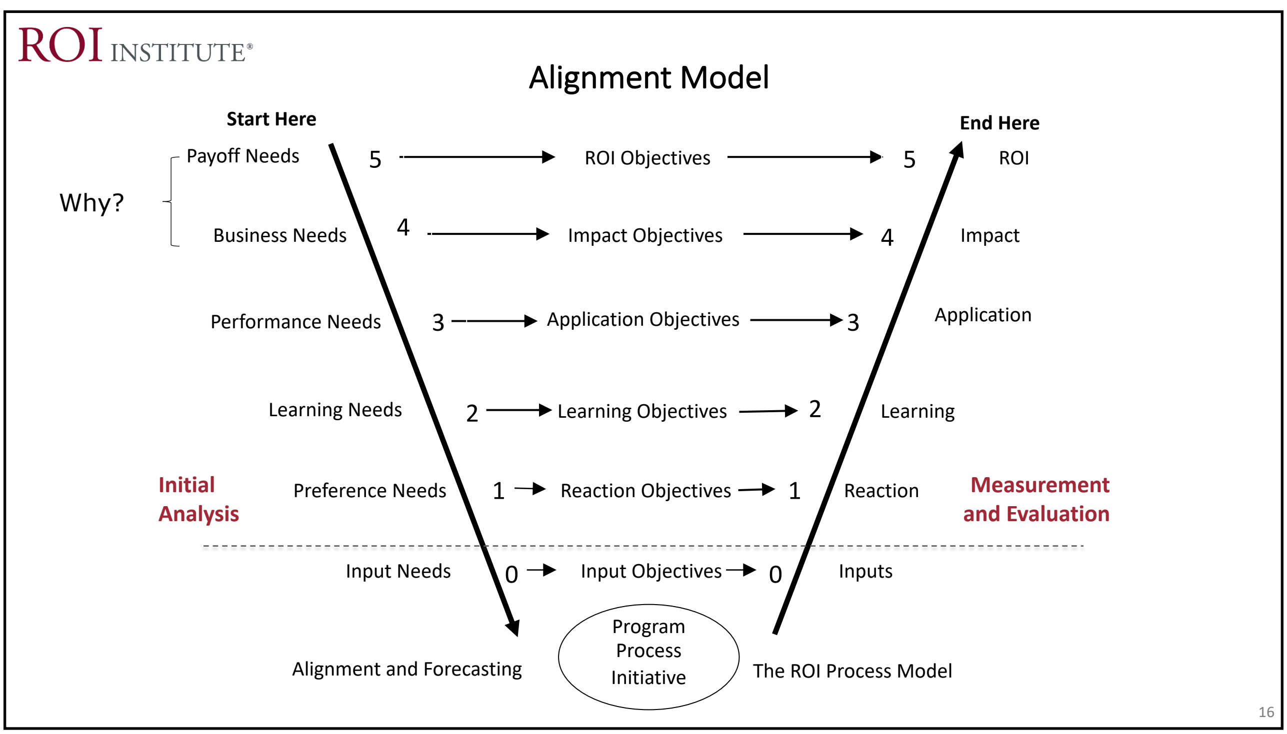
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Alignment Model
Start Here
End Here
Why?
Payoff Needs
5
ROI Objectives
5
ROI
Business Needs
4
Impact Objectives
4
Impact
Performance Needs
3
Application Objectives
3
Application
Learning Needs
2
Learning Objectives
2
Learning
Initial Analysis
Preference Needs
1
Reaction Objectives
1
Reaction
Measurement and Evaluation
Input Needs
0
Input Objectives
0
Inputs
Alignment and Forecasting
Program Process Initiative
The ROI Process Model
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Five Steps to Forecast the Program Benefits

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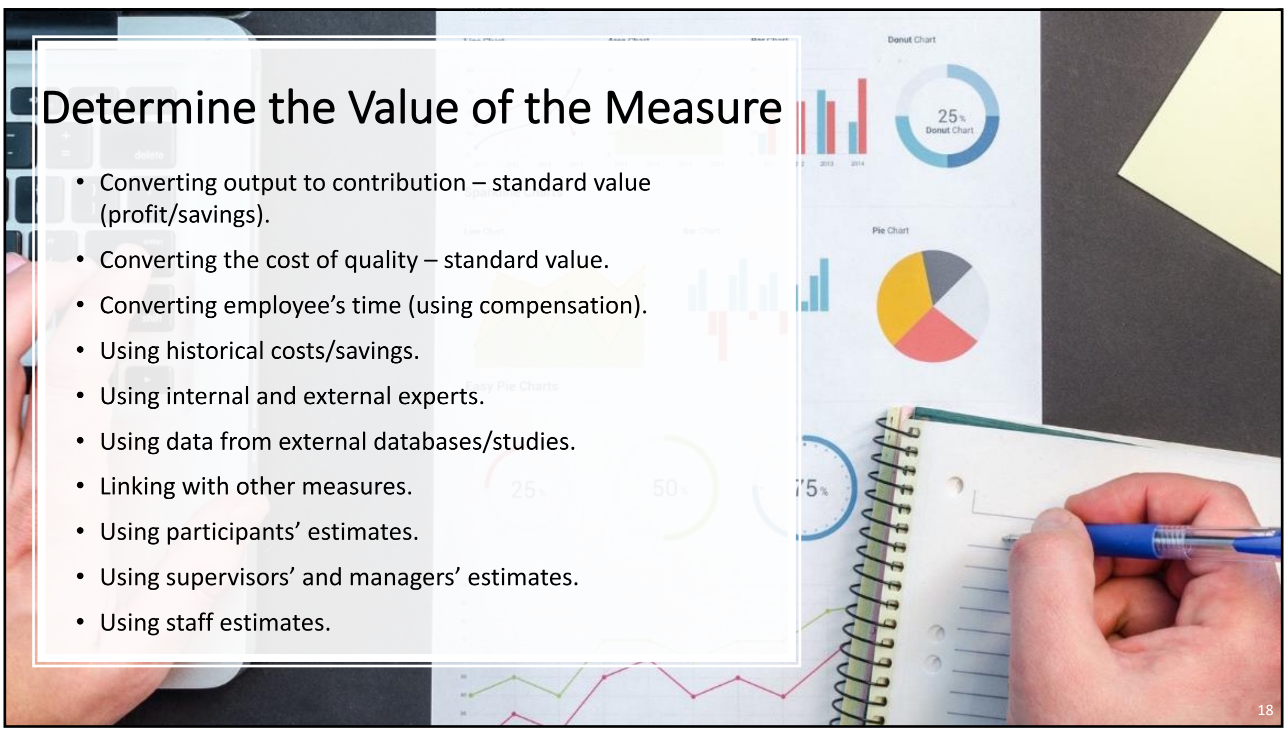
1. Define the unit of measure
2. Determine the value of the measure (V)
3. <u>Forecast</u> change in performance (ΔP)
4. Calculate the annual change in performance (AΔP)
5. Calculate the annual monetary benefit (AΔP x V)



Determine the Value of the Measure

- 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.

Example: Sales

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1. Unit of measure: 1 sale to one new customer
2. V: 2% profit margin (standard)
3. ΔP: $25,000 per month
4. $A\Delta P$:
5. $A\Delta P$ x V:

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Example: Sales

5

1. Unit of measure: 1 sale to one new customer
2. V: 2% profit margin (standard)
3. ΔP: $25,000 per month
4. $A\Delta P$: $25,000 x 12 = $300,000
5. $A\Delta P$ x V: $300,000 x .02 = $6,000

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ROI Formula

$$BCR = \frac{\$6{,}000}{\text{Program Costs}}$$

$$ROI = \frac{\$6{,}000 - \text{Program Costs}}{\text{Program Costs}} \times 100$$

Costs to Include

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

Example: Sales

5

1. Unit of measure: 1 sale to one new customer
2. V: 2% profit margin (standard)
3. △P: $25,000 per month
4. A△P: $25,000 x 12 = $300,000
5. A△P x V: $300,000 x .02 = $6,000

Assume program cost is $5,000. What is the ROI?

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What is the ROI?

$$\text{BCR} = \frac{\$6{,}000}{\$5{,}000}$$

$$\text{ROI} = \frac{\$6{,}000 - \$5{,}000}{\$5{,}000} \text{ X } 100$$

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What is ROI?

$$BCR = \frac{\$6{,}000}{\$5{,}000} = 1.20$$

$$ROI = \frac{\$6{,}000 - \$5{,}000}{\$5{,}000} \times 100 = 20\%$$

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Gather input from multiple sources.

Measure: Sales
Profit Margin: 2%

Source	Monthly Change	Value (2%)	Annual Change	Program Cost	ROI
SME	$25,000	$500	$6,000	$5,000	20%
Supplier	$50,000	$1,000	$12,000	$5,000	140%
Participant	$30,000	$600	$7,200	$5,000	44%
Supervisor	$28,000	$560	$6,720	$5,000	34%

Use sensitivity analysis when considering improvement in multiple measures.

Potential Sales Increase	Potential Complaint Reduction	Potential ROI
$25,000	10	60%
$25,000	20	90%
$25,000	30	120%
$30,000	10	90%
$30,000	20	120%
$30,000	30	150%
$50,000	10	120%
$50,000	20	150%
$50,000	30	180%

Calculate the Forecast ROI

1. Unit of measure: Support call (reduction)
2. V: $88 (average cost of 1 call)
3. △P: 65 per month
4. A△P:
5. A△P x V:

- Calculate the annual monetary benefit for the reduction in support calls.
- Add to that the $6,000 increase in profit.
- Compare to the program cost of $45,000.
- What is the forecast ROI?

What is ROI?

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

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

Calculate the Forecast ROI

1. Unit of measure: Support call (reduction)
2. V: $88 (average cost of 1 call)
3. △P: 65 per month
4. A△P: 65 x 12 = 780
5. A△P x V: 780 x $88 = $68,640

- Calculate the annual monetary benefit for the reduction in support calls.
- Add to that the $6,000 increase in profit.
- Compare to the program cost of $45,000.
- What is the forecast ROI?

What is ROI?

$$BCR = \frac{\$74{,}640}{\$45{,}000}$$

$$ROI = \frac{\$74{,}640 - \$45{,}000}{\$45{,}000} \text{ X } 100$$

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What is ROI?

$$BCR = \frac{\$74{,}640}{\$45{,}000} = 1.66$$

$$ROI = \frac{\$74{,}640 - \$45{,}000}{\$45{,}000} \text{ X } 100 = 66\%$$

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Intangible Benefits

- Adaptability
- Awards
- Brand awareness
- Career minded
- Caring
- Collaboration
- Communication
- Commitment
- Conflicts
- Cooperation
- Corporate social responsibility
- Creativity
- Culture
- Customer complaints
- Customer response time
- Customer satisfaction
- Decisiveness
- Employee complaints
- Engagement
- Execution
- Image
- Innovation
- Job satisfaction
- Leadership
- Networking
- Organizational climate
- Organizational commitment
- Partnering
- Reputation
- Resilience
- Stress
- Talent
- Teamwork

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Sample Business Case for a Solution

The Business Case for Skill-Based Pay in a Financial Institution (HR presenting to Executive)

Payoff Need	As you know, throughout our industry, mergers and acquisitions are occurring, reducing the number of competitors. We are faced with a variety of operational issues and customer service is at an all-time low. Currently our overall turnover is 57% compared to industry, which is about 26%. The cost of turnover, depending on position, ranges from 110% to 125% of salary.
Business Need	Voluntary turnover in the branches is the biggest problem. Branch employees interact most directly with our customers. Currently, turnover is at 71%; that is 336 employees voluntarily leaving each year, contributing to our customer service problem. The cost of turnover of these particular jobs is $16,650.
Performance Needs	Because of the cost associated with this problem, we felt it was important to understand why the turnover was occurring. Exit interviews offer a limited perspective. We conducted six focus groups, hearing from 72 people. Participants included those individuals in the same jobs as those who were leaving. We used a process called nominal group technique to get to the root cause of our turnover. By asking focus group participants the question: "Why are your colleagues leaving?" we attempted to remove bias from their responses. Their responses served as a proxy for why they would leave. Through a structured process that lead to ranking and weighing the different reasons for departure, we identified the top ten reasons. The top five reasons for departure include: 1. Lack of opportunity for advancement 2. Lack of opportunity to learn new skills and new product knowledge 3. Pay level not adequate 4. Not enough responsibility and autonomy 5. Lack of recognition and appreciation We can address these issues with a skill-based pay program.
Learning Needs	To make this solution work, branch employees will need to understand why the initiative is underway and their role in addressing the issues. They will need to know how the skill-based pay process works. Additionally, the targeted staff will need to acquire certain knowledge and skills before advancing to a higher level pay. We have already begun conversations with learning and development to identify courses to help branch staff build skills so they can take on additional responsibilities. HR will develop new procedures for how the pay portion of the process works. For the most part, branch supervisors have bought into the idea.
Preference Needs	The best way to role this out is to launch within each of the branches. Knowing that not all staff will want to participate, we will need to ensure that those who do not are not penalized.
Investment	We estimate the program will prevent a minimum of 60 turnovers in the first year. That's $999,000 in cost avoidance. To launch the program, we are asking for an $800,000 investment. So, our target return, in year one, is 25%. Just as important, through the process, employees will begin to perceive that our organization cares about their development. By taking on new responsibilities and having greater autonomy, branch employees will better serve our customers—this should be evident in the customer data over time.

Adapted from Phillips, P. P. and Phillips, J. J. (2016) *Measuring the Success of Employee Engagement.* Alexandria, VA: ATD Press.

When presenting the forecast, start with why.

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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.

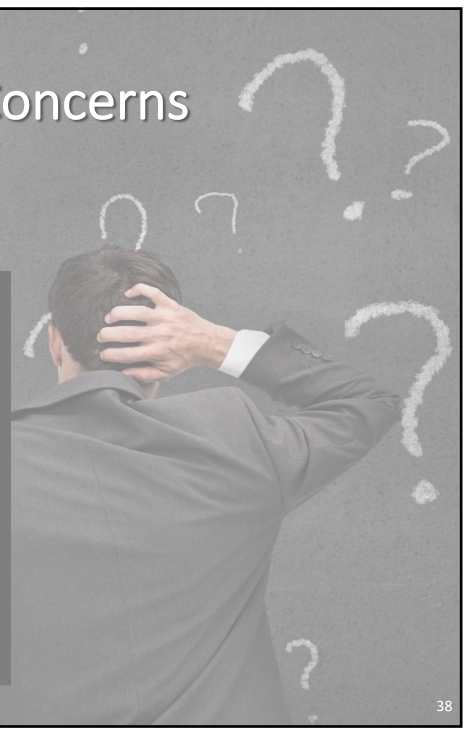
An ROI forecast does not replace the need to demonstrate a program's actual value!

Work-at-Home Case Study

Large Insurance Company

Target Group	Number Of Employees In Current Position	Number Of Employees Interested In Working At Home	Number Of Employees Working At Home
Claims Processors	715	259	234
Claims Examiners	235	83	77
TOTAL	**950**	**342**	**311**

Executive Motivation/Concerns



CEO	Environment
COO	Office Space and Productivity
CHRO	Employee Turnover
VP Claims	Manager Resistance
CIO	Security
VP Sales/Marketing	Customer Service
VP Legal	Liability
CFO	ROI Forecast

Results

Impact Data

Business Performance	Work-at-Home Group	Comparison Group	Change	Number of Participants
Daily Claims Processed	35.4	33.2	2.2	234
Daily Claims Examined	22.6	20.7	1.9	77
Office Expense Per Person	$12,500	$17,000	$4,500	311
Annualized Turnover (Processors and Examiners)	9.1%	22.3%	13.2%	311

Different ROIs

Forecast = 165%

Objective = 25%

Actual = 299%

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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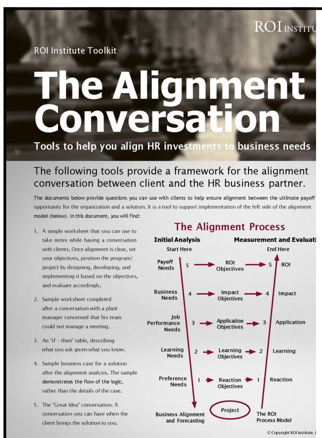

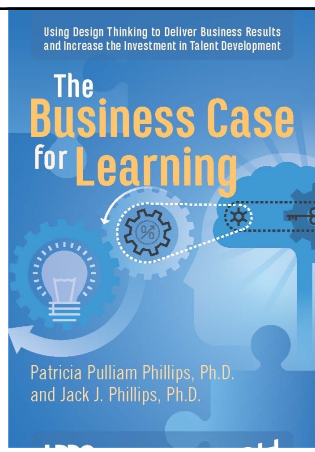

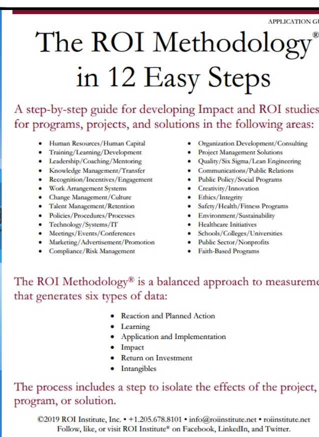

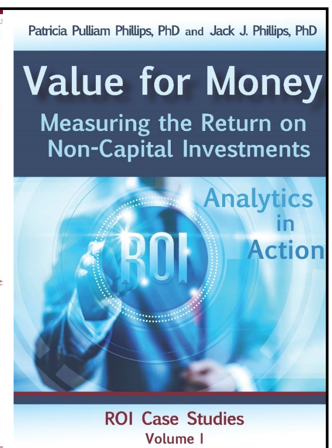

Scan the QR code or click the link below to receive resources from today's session, including a chapter from the book, ***The Business Case for Learning.***

https://roiinstitute.net/making-the-business-case-for-learning/

SCAN ME

ROI Learning Center

Hosted by Training Magazine Network
Created by ROI Institute, Inc.

Four realities occur in today's learning and development environment, globally.
1. Most top executives want learning and development to be aligned with the business.
2. The concept of ROI is familiar to most people.
3. Connecting learning and development to the business is not that difficult.
4. Thousands of L&D professionals are routinely doing this.

The ROI Learning Center provides tools, templates, and case studies to help prepare you for success in today's environment. Our goal is to take the mystery out of the ROI process.

Start at Level 1 and explore each level at your own pace. Each of the five levels will bring you closer to calculating the ROI of your program or project. There is also a calculator to help you calculate ROI when you have the appropriate data.

https://www.trainingmagnetwork.com/roilearningcenter

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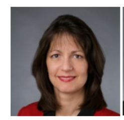
- Level 1 Reaction
- Level 2 Learning
- Level 3 Application
- Level 4 Impact
- Level 5 ROI
- ROI Calculator


Patti Phillips, Ph.D.
Chief Executive Officer
ROI Institute


Jack Phillips, Ph.D.
Chairman
ROI Institute

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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

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.

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ROI INSTITUTE®
Making the Business Case for Learning:
How to Secure Approval
for Unexpected Projects
Presented by
Patti P. Phillips, Ph.D.
CEO, ROI Institute, Inc.

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Patti P. Phillips, Ph.D.

Dr. Patti Phillips, CEO of ROI Institute, Inc., is a renowned leader in measurement and evaluation. Patti helps organizations implement the ROI Methodology® in more than 70 countries around the world.

Patti serves as a member of the Board of Trustees of the United Nations Institute for Training and Research (UNITAR). She also serves on the board of the International Federation of Training and Development Organizations (IFTDO). Patti serves as chair of the Institute for Corporate Productivity (i4cp) People Analytics Board; Principal Research Fellow for The Conference Board; board chair of the Center for Talent Reporting (CTR); and is an Association for Talent Development (ATD) Certification Institute Fellow. Patti also serves on the faculty of the UN System Staff College in Turin, Italy. Her work has been featured on CNBC, Euronews, and in more than a dozen business journals.

Patti, along with her husband Jack J. Phillips, contributes to a variety of journals and has authored many books on measurement, evaluation, analytics, and ROI. In February 2019, she and Jack received the Distinguished Contributor Award from the Center for Talent Reporting for their contribution to the measurement and management of human capital. In November 2019, the Thinkers50 organization recognized Patti and Jack Phillips as two of the initial Top 50 World Leaders in Coaching. At the same time, they were listed as top finalists for the Marshall Goldsmith Distinguished Achievement Award in Coaching. ROI Institute was the winner of the Measurement, Testing, and Assessment category of the 2020 Training Magazine Network Choice Awards program.