

Show Me the Money

By Jack and Patti Phillips

In their first column, Jack and Patti Phillips introduce us to the concept of return on investment and how important it is to running a successful small business.

The movie *Jerry McGuire* may have popularized the quote, but the meaning of the phrase "Show me the money," today is more than that of a clever quip offered by an unwanted athlete trying to encourage his agent to give him something for his money. "Show me the money!" is becoming the executive mantra of the day, thanks to legislation like Sarbanes Oxley, increasingly vigilant Boards of Directors and increasingly organized shareholder groups. No longer are executives satisfied with vague results. Rather, leaders, shareholders, and taxpayers want to see the actual economic return on their investment. For small business owners the concept of return on investment becomes much more critical -- every cent spent should really enhance the business's bottom line.

While some functions within organizations have softened the concept of return on investment (ROI) by developing clever acronyms describing meaningless calculations (ROO -- Return on Objectives is an interesting and vague one we seen used), the organizations that really mean business when it comes to their key objectives apply the fundamental ROI equation earnings compared to investment or net benefits compared to costs, to all types of projects.

The ROI Methodology™ is a "comprehensive measurement and evaluation process" and was developed by Jack Phillips over a 30-year period, to help any company (large and small) measure the effect of any program or implementation on that company's bottom line. We will be discussing key elements of the ROI Methodology and ways to apply it in future columns. But for now, we'd like to point out that ROI -- if calculated carefully is the best way to address the request, "Show me the money." Lately we have seen companies and organizations using ROI in new, exciting and important ways.

For example, The CEO of a communications company initiated an ROI study on his annual Pro-Am golf tournament, after shareholders questioned this expenditure. The result was an 81 percent ROI. That probably shocked a few people. The tournament was very good for business.

A hospital conducted an ROI analysis on its sexual harassment prevention program. While the majority of organizations have those programs, not too many consider the impact those programs have on an organizations bottom line. In this case, the ROI on the program was 162 percent. You can bet they will be maintaining that program with resources.

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Phone: 205-678-8101 · Fax: 205-678-8102
Email: info@roiinstitute.net

Why are organizations applying ROI to these types of projects along with others such as leadership development, communications, and marketing initiatives? Bottom line: money. Every project, program, or initiative should ultimately lead to making money, saving money, or avoiding costs. The ultimate tool to compare and show value of investments is ROI. The simple calculation has been used for centuries to show the performance of tangible investments; executives now recognize that with a systematic approach ROI can be applied to those more esoteric investments. John Caparella, executive vice president and chief operating officer of Gaylord Hotels, is such an executive.

Gaylord Hotels is a leader in the meetings and events industry -- a \$150 billion industry in the U.S. alone. Caparella and his team recognize the importance of ROI in organizations so much so that they sponsored a three-year effort with us to develop an ROI measurement strategy for meetings and events. We collected case studies from tiny non-profit organizations to huge conglomerates and learned that the ROI Methodology works especially well in areas often considered "soft." It is extremely transformative when a company can measure the effect of "soft" programs in hard dollars.

Organizations in more than 40 countries have adopted ROI into their measurement mix, but not without the help of technology. Collecting data necessary to provide a complete assessment of project success, including ROI, can be time consuming and costly. One organization that is helping is iDNA, a leading communications and technology organization. iDNA has adapted one of its audience response systems to support the ROI Methodology. The "ROI Toolkit" will collect data, in real time, and allow executives to forecast ROI at the end of a conference, meeting, or program. This technology, as well as Internet-based applications, is making it easier for organizations to measure ROI on key programs.

The use of ROI continues to grow. Together we have 50 years devoted to ROI and, we're sometimes surprised by its surging relevance. But there are executives and business owners who still have their doubts. If you are one of them, join us for our future columns as we continue to describe the use of ROI and break the methodology down into its key components. If you have specific questions that you would like us to address, please let us know by sending questions to the Ask the Expert at www.inc.com/resources/office/asktheexpert.html.

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