ROI INSTITUTE®



How to Measure, Prove, and Improve the Value of Culture Change

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Objectives

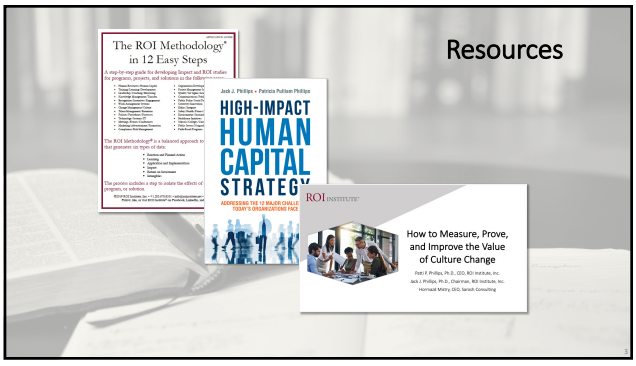
After attending this session, participants should be able to:

1. Identify the five levels of outcomes from any culture change activity.
2. Explain the need to deliver impact and ROI of culture change.
3. Design culture change activities that deliver application, impact, and ROI, using design thinking principles.
4. Plan next steps to ensure culture change delivers business value.



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Resources



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Why are you pursuing ROI now?

- ❑ Top executives require impact and ROI. I must pursue this.
- ❑ I have pressure to justify my budget. I need to pursue this.
- ❑ I know I will need to demonstrate more value in the future.
- ❑ I want to show increased accountability for our expenditures.
- ❑ I want to experiment with and explore new techniques to measure program success.

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Rationale for Pursuing ROI

30%	☐	Top executives are requiring ROI. I must pursue this!	Reactive
30%	☐	I have pressure to justify my budget. I need this!	
25%	☐	I know I will need to demonstrate more value in the future.	
10%	☐	I want to show increased accountability for our expenditures.	
5%	☐	I want to experiment with and explore, new techniques to measure program success.	Proactive

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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

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Culture: Definition

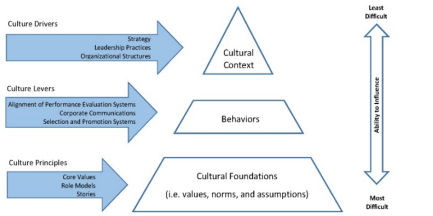
Culture is an umbrella term which encompasses the social behavior and norms found in human societies, as well as the knowledge, beliefs, arts, laws, customs, capabilities, and habits of the individuals in these groups.[1]

The customs, arts, social institutions, and achievements of a particular nation, people, or other social group.[2]

[1] Tylor, Edward. (1871). Primitive Culture. Vol 1. New York: J.P. Putnam's Son
[2] Definitions from Oxford Languages

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Culture Change



Source: Human Capital and Global Business Strategy by Howard Thomas, Richard Smith, Fermin Diez. (Cambridge University Press: United Kingdom, 2013).

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The Value Chain is Always There!

	LEVEL	ISSUE	MEASURES	TARGETS*
This is easy. Always measured	0	Inputs	Volume, Hours, Convenience, Cost	100%
This is easy. Almost always measured	1	Reaction	*Relevance, Engaging, *Important, Useful, *New Content, *Intent to Use, *Recommend to Others	100%
Not difficult. Usually measured	2	Learning	Concepts, Trends, Facts, Contacts, Skills, Competencies	90%
Possible. Often measured	3	Application	Use of content, Frequency of Use, Success with Use, Barriers, Enablers	30%
Not so difficult to connect. Sometimes measured	4	Impact	Must take a step to isolate the effects. Productivity, Time, Quality, Costs, Image, Reputation, Engagement, Compliance	10%
Possible for many programs. Rarely measured	5	ROI	Benefit Cost Ratio or Return on Investment, Expressed as a Percent	5%

• Can predict

Executives prefer

* Best Practice: Percent of Programs Evaluated at this level each year.

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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
- 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

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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

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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.

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Evaluation Framework

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

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What is ROI?

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

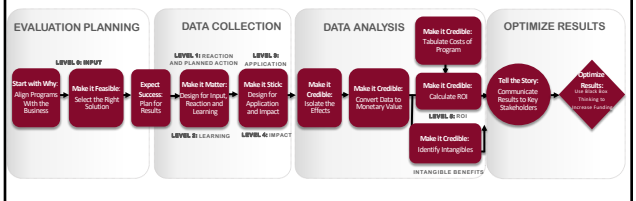
$$ROI = \frac{\text{Benefits - Costs}}{\text{Costs}} \times 100$$

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The ROI Methodology Process Model

Designing for the Delivery of Business Results

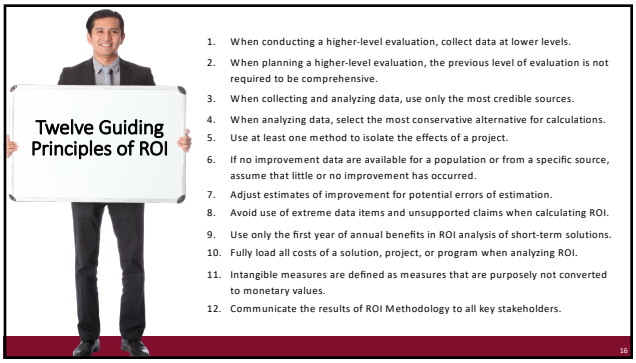


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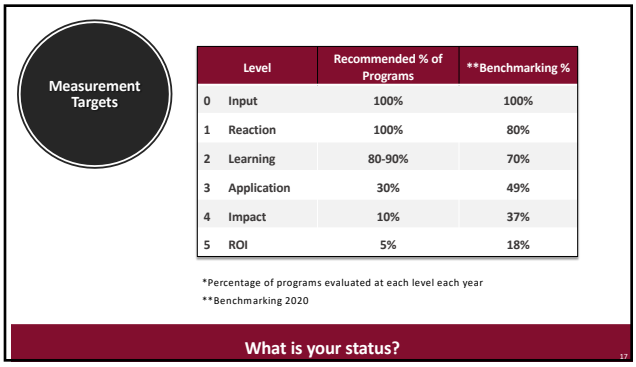
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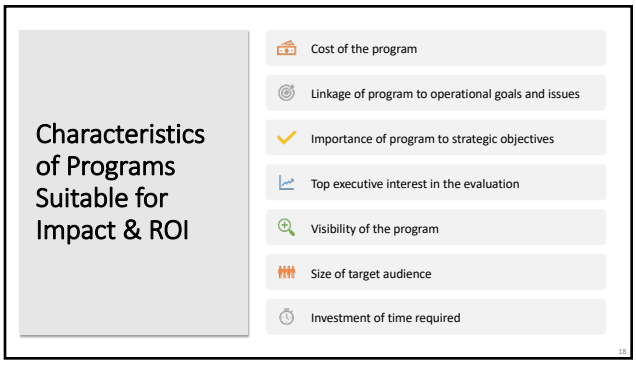
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Twelve Guiding Principles of ROI
1. When conducting a higher-level evaluation, collect data at lower levels.
2. When planning a higher-level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analyzing 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.
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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?
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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
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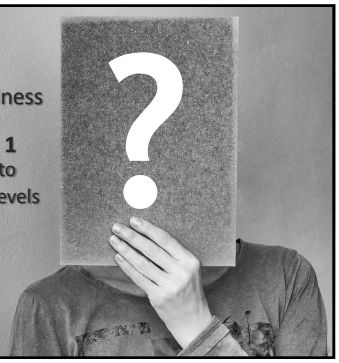
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Start with Why

Align Programs with the Business

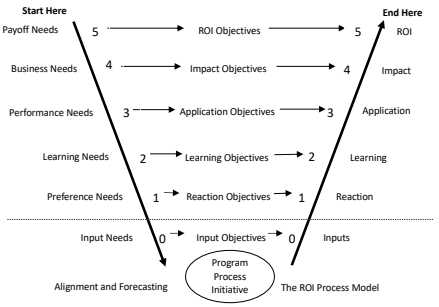
Design Thinking Principle 1
A problem-solving approach to handle problems on a systems levels

- Alignment is the key.
- Is it a problem or opportunity?
- Need specific business measures.



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The Alignment Process: V-Model



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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?



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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.



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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

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A Recent Example

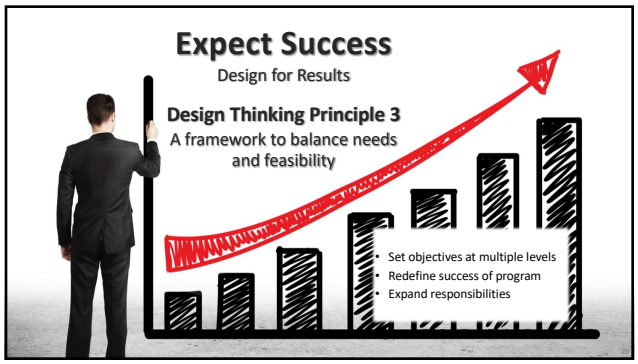
A consulting company is developing a Culture Change program for a large company in the Middle East. The culture framework is an approach to building a meaningful life and for improving the business. It comprises three principles, five values, and ten golden rules that apply equally to every realm of activity, whether in business, the public sector, nonprofit and personal level. This approach has been developed by the CEO. The consulting company has been asked to develop training for the framework and to measure the ROI of the framework

QUESTIONS

1) What's your approach to align these programs to the business?
2) How would you ensure it's the right solution?

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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

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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. J. 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. J. Phillips. *10 Steps to Successful Business Alignment.* Alexandria, VA: ASTD Press. 2012.
J. Doerr. *Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs.* New York: Penguin. 2018.

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Matching Evaluation Levels with Objectives

After completing this program, participants should:

1.	Decrease customer complaints by 20% in one year.	4
2.	Use problem-solving skills to uncover product defect causes.	3
3.	Be able to demonstrate the five steps to calm an upset customer.	2
4.	Rate the facilitator 4 out of 5 on presentation skills.	1
5.	Decrease the amount of time required to complete a project.	4
6.	Achieve a 20% ROI one year after implementation of culture framework.	5
7.	Perceive the content to be relevant their situation (4.5 out of 5).	1
8.	Decrease security breaches by 25% in six months.	4
9.	Conduct a proper investigation using the seven-step process in 95% of complaint situations.	3
10.	Score an average of 20 or better on a culture framework quiz.	2
11.	Improve productivity by 10% in six months.	4
12.	Use all 10 negotiation skills in at least 50% of negotiation situations.	3

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

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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

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Make it Stick

Design for Application and Impact

Design Thinking Principle 5

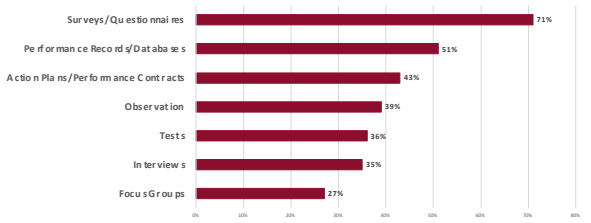
A culture that fosters exploration and experimentation

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



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Data Collection Methods



*Survey of Users, N = 246

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Make it Credible

Measure Results and Calculate ROI

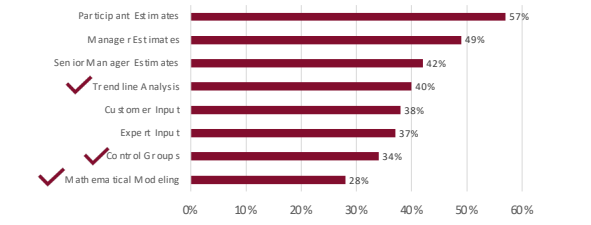
Design Thinking Principle 6

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

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Isolation Methods

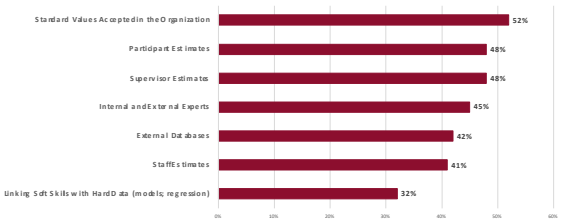


*Survey of Users, N = 246

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Data Conversion Methods



*Survey of Users, N = 246

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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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Fully-Loaded Costs

"When in doubt, put it in."

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



DIRECT

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

INDIRECT

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

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Example: Culture Change Project

Presented to Managers: Designed 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. AΔP = 3 x 12 = 36
5. AΔP x V = 36 x $21,000 = $756,000

Assume anticipated blended learning program cost: $339,400.

What is the ROI?

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ROI Calculation

$$\text{BCR} = \frac{\$756{,}000}{\$339{,}400} = \boxed{2.2:1}$$

$$\text{ROI} = \frac{\$756{,}000 - \$339{,}400}{\$339{,}400} \times 100 = \boxed{122\%}$$

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Methods of Communication

Meetings
- Executives
- Management
- Stakeholders
- Staff

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

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

Electronic reporting
- Website
- Email
- Blog/Social media
- Video

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



What are your preferred methods?

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Optimize Results

Use Black Box Thinking to Increase Funding

Design Thinking Principle 8
A new competitive logic of business strategy



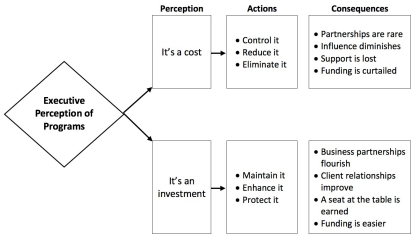
EVALUATION → OPTIMIZATION → ALLOCATION

Measure → Improve → Fund

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Cost vs. Investment Perception: The Reality



How do your leaders view your programs? Costs or investments?

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It's That Easy

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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".



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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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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

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Questions?

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