



Measuring the Return on Investment of Learning, Development, and Performance Initiatives

Patti P. Phillips, Ph.D., CEO, ROI Institute, Inc.
Jack J. Phillips, Ph.D., Chairman, ROI Institute, Inc.

1

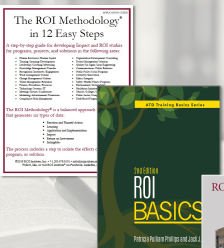
Objectives

After attending this session, participants should be able to:

- Explain the need for an improved evaluation model.
- Identify the key characteristics of the ROI Methodology.
- List the advantages of using the ROI Methodology.
- 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



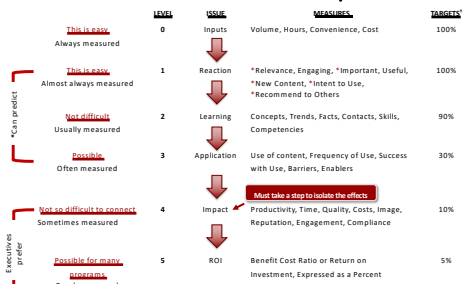
Failure to design for application and impact



Not isolating the effects of the program

4

The Value Chain is Always There!



5

Concerns about Current Models

- Lack of focus on benefit-cost analysis
- Lack of emphasis on attribution
- Confusion on outcomes and impact
- Lack of focus on results
- Inability to “show the money”
- Not CEO- and CFO-friendly
- Lack of focus on process improvement
- The inability to influence investment

6



What is your experience with measuring ROI?

(Select all that apply.)

- A. No experience with it.
- B. It has been suggested, but no action has been taken.
- C. I have attempted it.
- D. I have successfully conducted an ROI study.
- E. I have successfully conducted many ROI studies.
- F. I wish ROI would go away.

7

Application of This Methodology

- Publicly traded businesses
- Privately held businesses
- Governments (federal, state, and local)
- Nongovernment organizations
- Nonprofits
- Universities, community colleges, and technical institutes

- K-12 school systems
- Foundations
- Charities
- Healthcare organizations
- Networks and alliances
- Associations
- Religious organizations



8

The ROI Methodology is Used in 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

9



The ROI Methodology^o

- 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

10

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

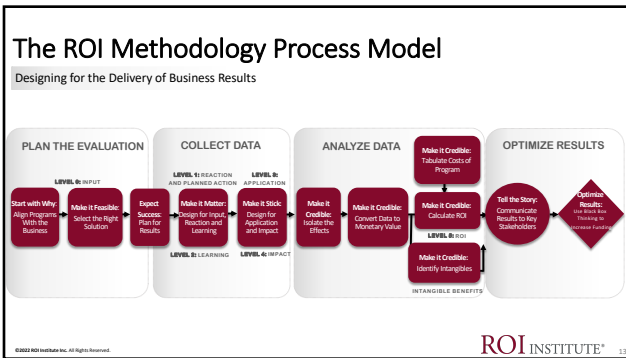
11

What is ROI?

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

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

12



13

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

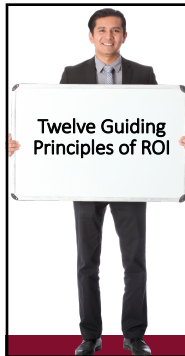
What is your status?

14

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

15



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.

16

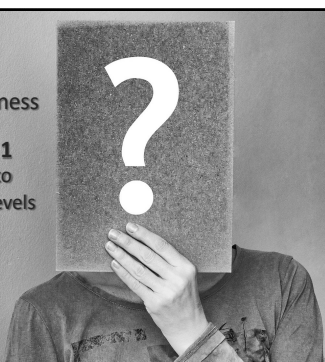
Start with Why

Align Programs with the Business

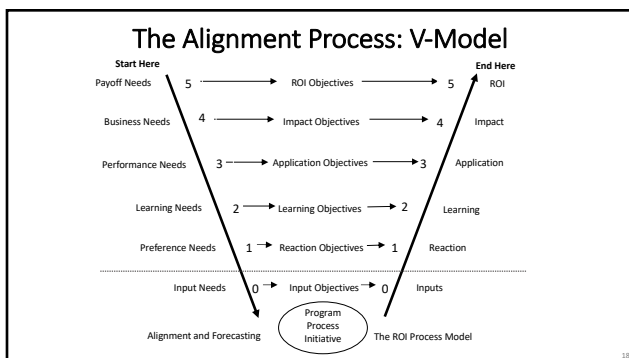
Design Thinking Principle 1

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.



17



18

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?



19

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.



20

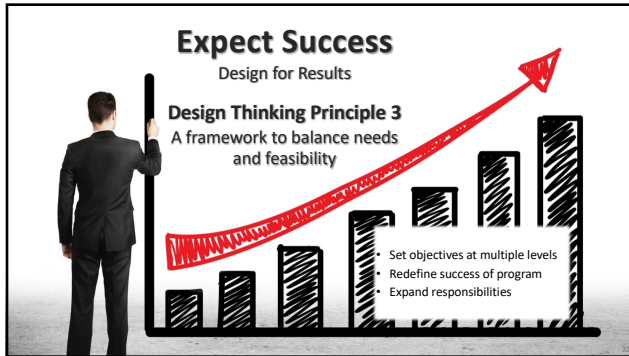
Have a Discussion and Use Diagnostic Tools

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
--	--



21



22

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

23



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

24

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 causes of problems.	3
3.	Be able to demonstrate the five steps to determine if there is a food security issue.	2
4.	Rate the facilitator 4 out of 5 on presentation skills.	1
5.	Decrease the amount of time required to develop a proposal by 25%.	4
6.	Achieve a 20% ROI one year after program implementation.	5
7.	Perceive the Crime Prevention Program to be relevant to the community (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 safety program quiz.	2
11.	Complete a conflict-of-interest questionnaire each year as part of the new ethics policy.	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

25

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

26

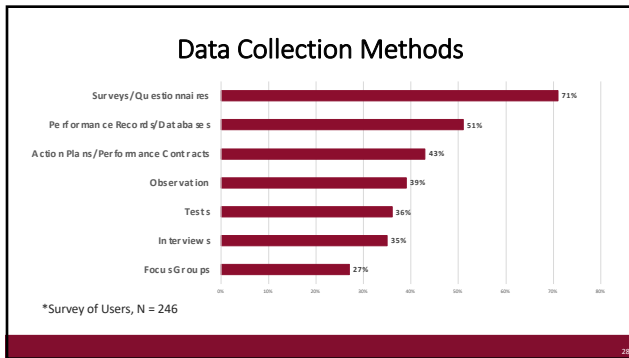
Make it Stick

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

27



28

Make it Credible

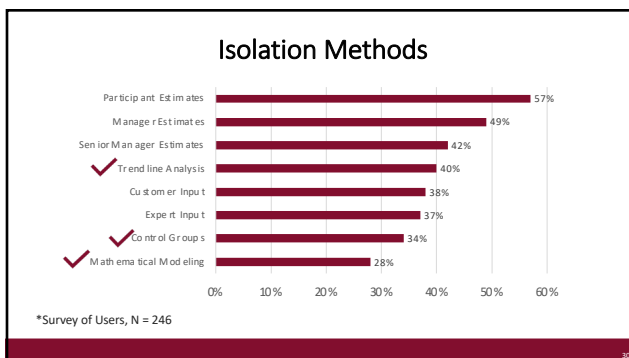
Measure Results and Calculate ROI

Design Thinking Principle 6

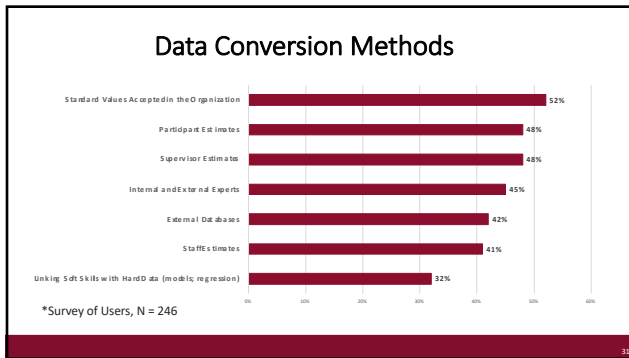
A fixed process and a tool kit

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

29



30



31

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

32

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

33

Example: Leadership Development Program

Presented to Managers: Designed to reduce employee turnover

1. Unit of Measure: 1 voluntary turnover
2. $V = 80\%$ of salary = \$32,000
3. $\Delta P = 3$ per month
4. $A\Delta P = 3 \times 12 = 36$
5. $A\Delta P \times V = 36 \times \$32,000 = \$1,152,000$

Assume anticipated blended learning program cost: \$545,000.

What is the ROI?

34

ROI Calculation

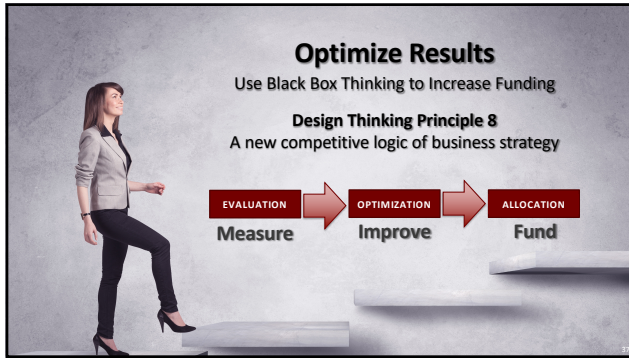
$$BCR = \frac{\$1,152,000}{\$545,000} = \boxed{2.11:1}$$

$$ROI = \frac{\$1,152,000 - \$545,000}{\$545,000} \times 100 = \boxed{111\%}$$

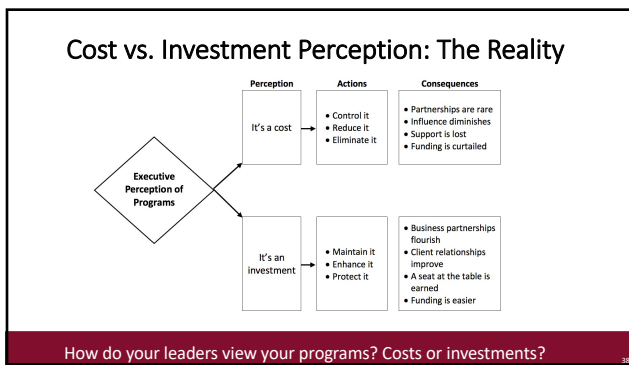
35



36



37



38



39

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".



40



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.

41





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

<https://roiinstitute.net/aramco-mroi/>

42



Need an ROI study on an important program or project?

ROI Certification is the Solution!

By attending ROI Certification, participants will:

- Build serious measurement and evaluation capability.
- Participate in live weekly coaching with ROI Institute leaders.
- Complete an ROI evaluation study on an important program.
- Earn the Certified ROI Professional® (CRP) designation.
- Join a Network of more than 6,000 ROI professionals.



Join us in December 2022!

Contact Corporate Academy Support for details.



43



Questions?

Visit us online:
www.roiinstitute.net

Email:
Patti@roiinstitute.net
Jack@roiinstitute.net

Connect with Us



44
