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Show Me the Money: How to Successfully Forecast ROI

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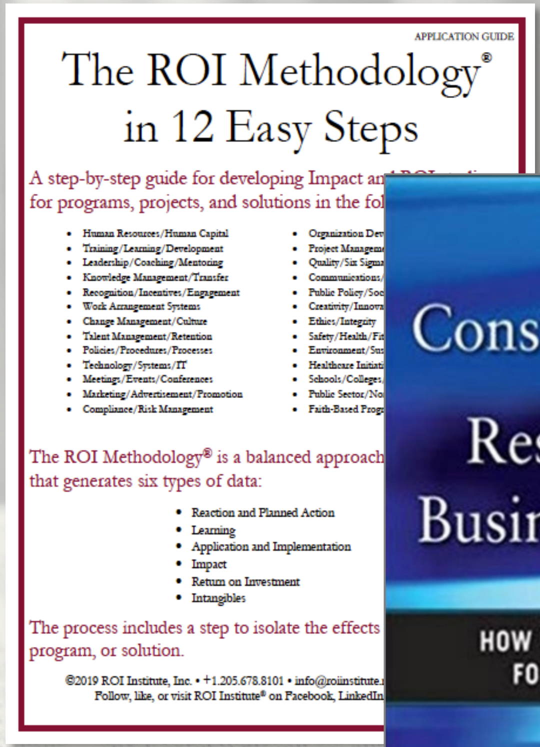
Objectives

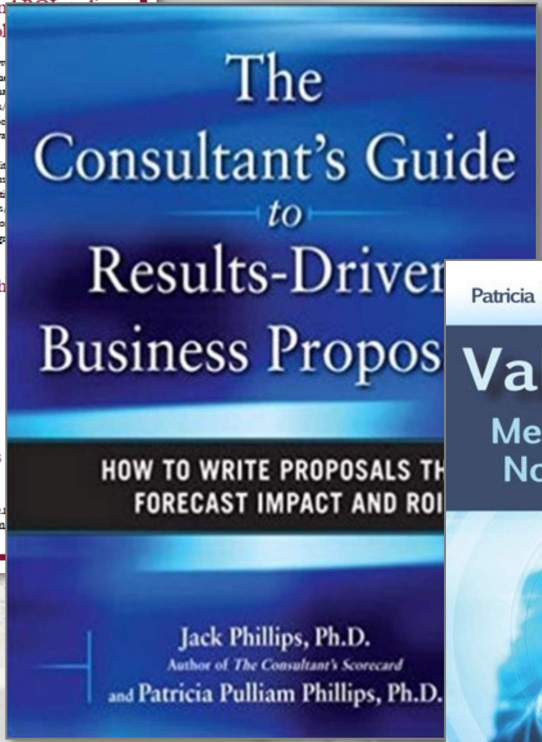
After attending this session, participants will be able to:

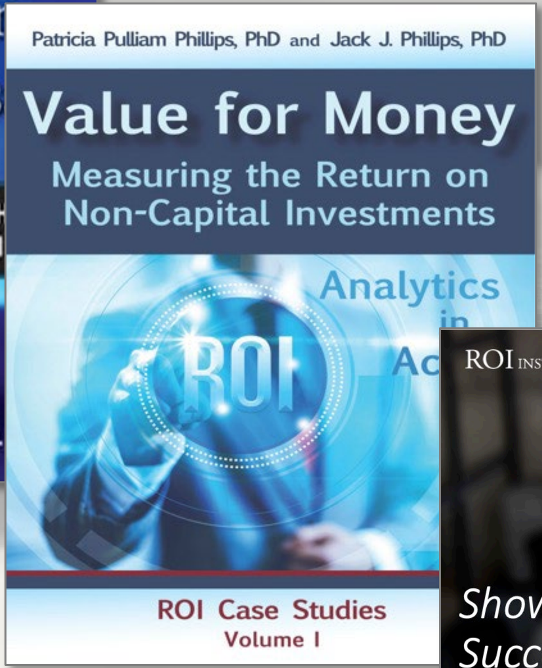
1. Explain the rationale for using ROI on a pre-project basis.
2. Describe the six types of data that can be forecasted.
3. Conduct a pre-project forecast of data.
4. Describe the factors that create a positive ROI.
5. Present the forecast in a convincing way to senior executives.
6. Use forecasting as a routine process to secure project approval and build relationships with clients.

Resources

Please contact us at info@roiinstitute.net
to receive the resources.







The Value Chain

	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	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

Must take a step to isolate the effects

**Best Practice: Percent of programs evaluated at this level each year.

The Concern: The Executive View of Project Value

Measure	We Currently Measure This	We Should Measure This in the Future	My Ranking of the Importance of This Measure
1. Inputs	94%	85%	6
2. Reaction	53%	22%	7
3. Learning	32%	28%	5
4. Application (Actions)	11%	61%	4
5. Impact	8%	96%	1
6. ROI	4%	74%	2
7. Intangibles	40%	44%	3

Any surprises here?

Why Forecast ROI?

- Project failures in the past
- Budget constraints
- Project costs
- Competition for resources
- Demanding sponsors/donors
- Executive appetite for monetary value

Why do you need to develop an ROI forecast?

Challenges

- Fear of the outcome (be proactive)
- No one is asking for this (dangerous)
- Preparation and skills (available)
- Time constraints (manageable)
- We are not a business (it doesn’t matter)

The Reality

- Any project should begin with the end in mind (business impact)
- This is usually a change in approach
- Executives want Impact and ROI
- Resources can be managed
- Payoffs are huge

What are your concerns about making a better business case?

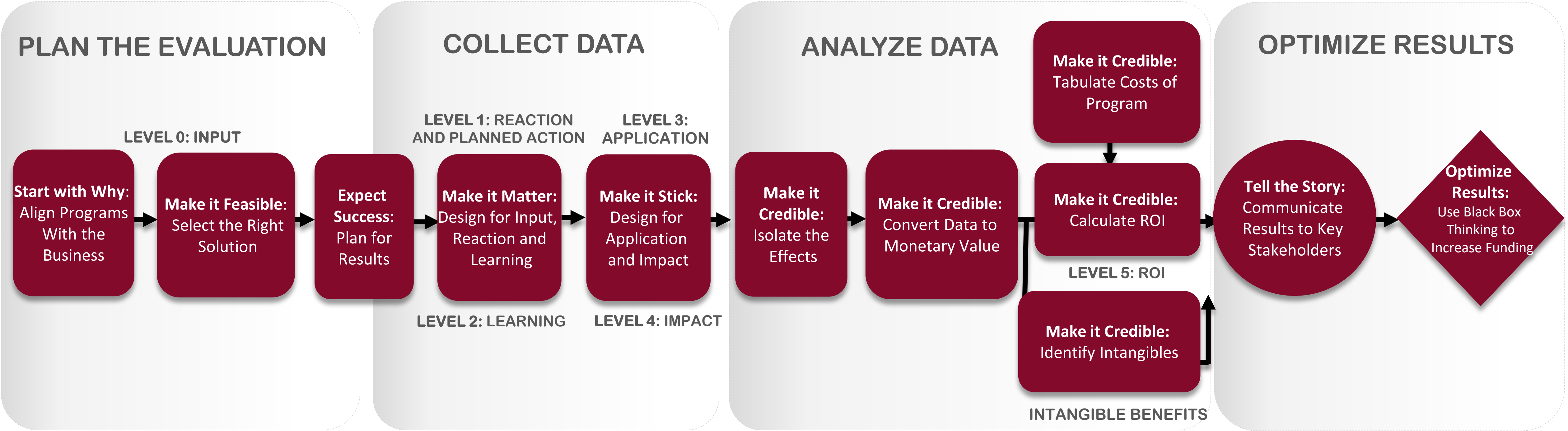
What is ROI?

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

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

The ROI Methodology Process Model

Designing for the Delivery of Business Results



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Start with Why

Align Programs with the Business

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

Make It Feasible

Select the Right Solution

- What are we doing (or not doing) that’s influencing the business measure?
- How can we achieve this performance?

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.
8. Use diagnostic tools.

Example

Problem: "We are experiencing 35% turnover of pharmacy technicians."

Solution: Train the pharmacy managers.

Two issues:

- Is this the right solution?
- How do you forecast the ROI?

Diagnostic Tools

- 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
- Statistical process control

Expect Success

Design for Results

- Set objectives at multiple levels
- Redefine success of program
- Expand responsibilities

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

Pre-Program 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

1. Develop Level 1, 2, and 3 objectives with as many specifics as possible.
2. Estimate/Forecast monthly improvement in 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.

Pre-Program ROI Forecast Steps

A Conservative Approach to Estimates

1. Start with the anticipated improvement in a business measure.
2. Identify the most credible sources of data to help understand how much improvement will be driven by the project.
3. Ask the source(s) three simple questions:
   - How much improvement in the measure will be caused by the project?
   - What is the basis for your estimate?
   - As a percentage, how confident are you in your estimate? (0 = no confidence; 100% = certainty)
4. Discard extreme data.

Input to Forecast

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

Need Experts for Content and Context

Who should provide impact estimates for your project?

Converting Data to Money

- Use standard values.
- Convert employee’s time savings using compensation.
- Use internal and external experts.
- Use data from external databases/studies.
- Link with other measures.
- Use participants’ estimates.
- Use supervisors’ and managers’ estimates.
- Calculate it yourself.

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		✓

ROI Objective Options

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.

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

Example: Customer Retention Program

Presented to Customer Service Staff:
Designed to retain customers who are cancelling contracts

1. Unit of Measure: 1 additional year
2. V = $121 (average profit per year)
3. △P = 14.6 per month
4. A△P = 14.6 x 12 =
5. A△P x V =

Assume anticipated one-day workshop program cost: $16,300.

What is the forecasted ROI?

ROI Calculation

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

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

Presentation Sequence

1. Describe the project and explain why it is being proposed.
2. Present the methodology.
3. Present the expected reaction and learning data.
4. Present the expected application data.
5. List the anticipated barriers and enablers to success.
6. Present the expected business impact.
7. Show the costs.
8. Forecast the ROI, if needed.
9. Show the intangibles.
10. Review the credibility of the data.
11. Summarize the conclusions.
12. Present the recommendations.

What Causes a Positive ROI?

Can you design for ROI?

Research project funded by Warwick Conferences

10,000 ROI Studies

↓

3,000 (L&D)

↓

2,000 (Usable)

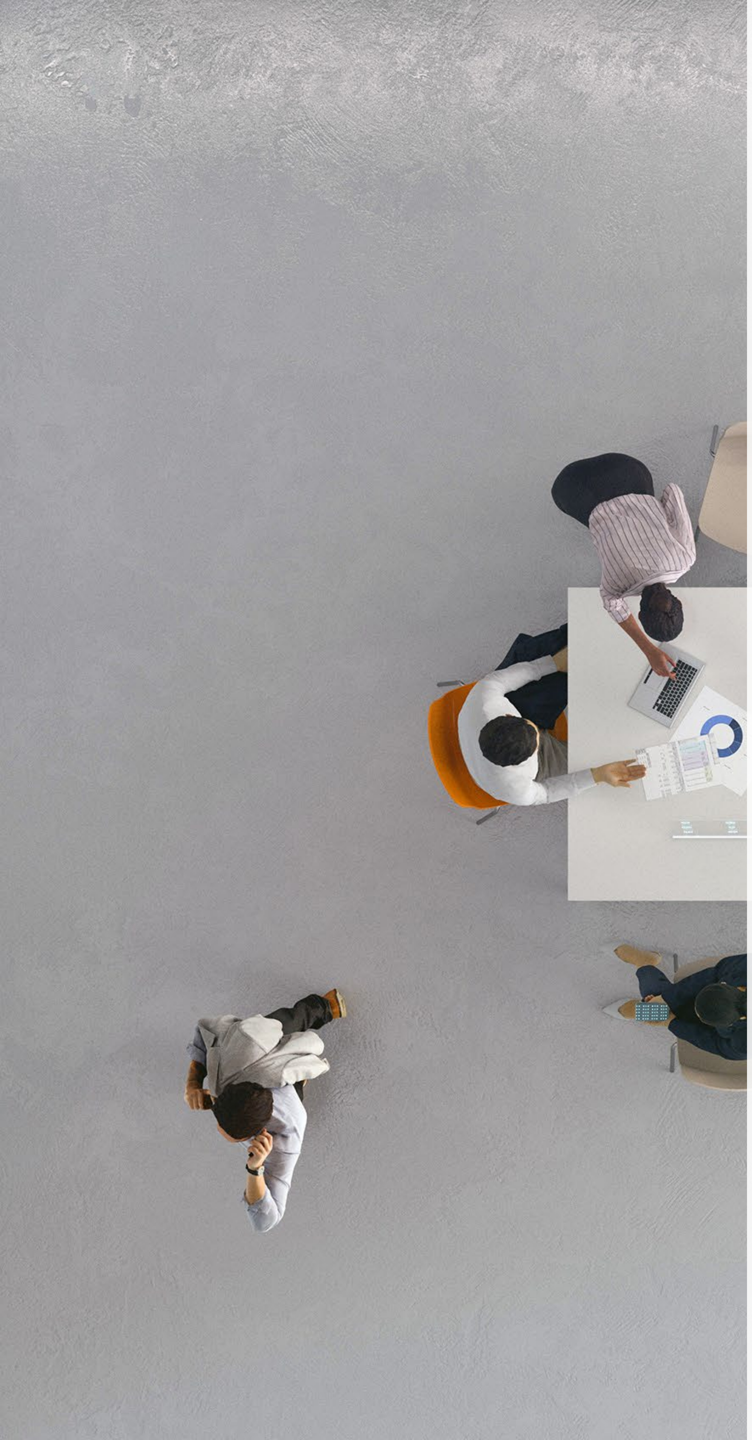
Goal: Which factors influence ROI?

The Approach

- Start with 14 factors.
- Identify the presence of absence of each factor.
- Using a control group arrangement, compare studies with each factor to studies without each factor.
- Develop a weight for each factor.

1. Align the program to business measures in the beginning. (Business Alignment)
2. Ensure that the proposed program (solution) is the right solution to improve the business measures. (Right, Appropriate Solution)
3. Design for success at each outcome level. (Expect Success)
4. Involve the right audience for the program. (Proper, Appropriate Audience)
5. Involve participants with the direct reports. (Direct Reports)
6. Establish supportive partnerships with key managers. (Manager Support)
7. Ensure that the program is valuable to participants. (Perceived Value)
8. Minimize distraction and interruption with program delivery. (Delivery)

Eight Important Factors



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.

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

training magazine Network

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

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Chairman
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ROI CERTIFICATION®

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TMN members receive 10% off
Use code ROITMN10

March 20- 31, 2023 – Live Virtual

April 3-7, 2023 – New Orleans, LA

April 24-28, 2023 – Williamsburg, VA

May 1-5, 2023 - Huntsville, AL

May 15-19, 2023 – San Diego, CA

June 12-23, 2023 – Live Virtual

July 24-28 – Location TBD

September 18-29, 2023 – Live Virtual

October 16-20, 2023 – Location TBD

November 6-17, 2023 – Live Virtual

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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Please email us at info@roiinstitute.net to receive the resources from today's session.

Questions?

Visit us online:

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Connect with Us

Jack J. Phillips, Ph.D.

Jack J. Phillips, chairman of ROI Institute, Inc., is a world-renowned expert on accountability, measurement, and evaluation. A former HR executive, Phillips consults for Fortune 500 companies and major global organizations. The author or editor of more than 75 books, including *Show the Value of What You Do* (Berrett-Kohler, 2022), he conducts workshops and presents at conferences throughout the world.

Jack has been recognized and awarded for his work in the field by numerous professional organizations, including receiving the 2022 Association of Talent Development (ATD) Thought Leader Award. SHRM presented Jack with its highest creativity award for an ROI study and awarded an ROI Institute book with a best book award. His work has been featured in the *Wall Street Journal, BusinessWeek*, and *Fortune* magazine, and he has been interviewed by several television programs, including CNN.