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Optimizing the ROI of Learning and Development

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1

Objectives

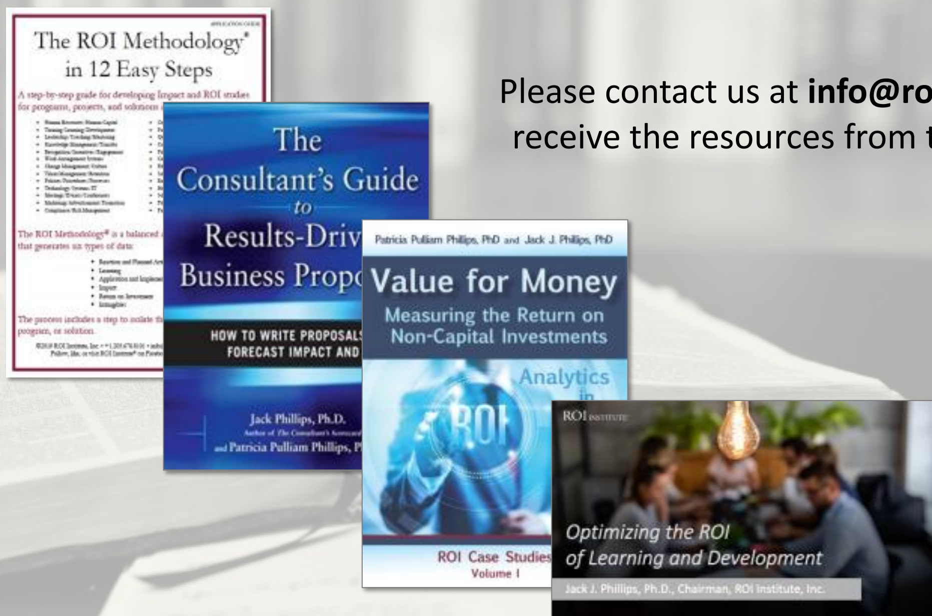
After attending this session, participants should be able to:

1. Define optimization.
2. Describe the importance of optimization.
3. Optimize the L&D investment with a variety of approaches.
4. Select a strategy for optimization in your organization.

2

Resources

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



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3

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%

Must take a step to isolate the effects

*Can Predict

Executives prefer

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

4

4

Wake Up Call: What CEOs Want

ROI Institute and ATD research show that the data CEOs receive are not demonstrating what they want out of their talent investment. (N=96)

Measures	Currently Measure	Should Measure	Importance
Inputs and Indicators	94%	86%	6
Efficiency	78%	82%	7
Reaction	53%	22%	8
Learning	32%	28%	5
Application	11%	61%	4
Impact	8%	96%	1
ROI	4%	74%	2
Awards	40%	44%	3

5

5

CLOs Use or Plan to Use ROI

35.6% → Use business data to demonstrate the impact of the training organization on the broader enterprise.

21.6% → Use ROI for that purpose.

22.6% → Plan to implement ROI within twelve months.

9.7% → Plan implementation in twelve to twenty-four months.

17.3% → Plan implementation with no time frame.

71.2%

(N=335)

2015 Measurement and Metrics Study by CLO Magazine

6

6


"Ultimately, the success of any program is based on whether it improves business results."
— Training Top 10 Hall of Fame – May 2017
7

7


A 2020 benchmarking report indicates that **37%** of programs are evaluated at the **impact** level and **18%** at the **ROI** level.
— ROI Institute, Inc. User Survey
8

8

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?

9

9

Reality: Serious Performance Challenges

True or False?

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

10

10

What Gets In the Way of Delivering Impact and ROI?

Top five barriers to Impact and ROI measures:

- Fear of the outcome
- Lack of business alignment
- Inappropriate solution
- Lack of focus
- Not designed for impact

11

11

Changing Paradigms for Learning

	Traditional	Emerging
	Job Training	Talent Development
	Scale and Scope	Speed and Adaptability
✓	Input Focus	Outcome Focus
✓	Cost	Investment
	Necessity	Value Driver
	Standardization	Customization
	Fixed Setting and Time	Agile and Flexible
✓	Science of Learning	Learning Analytics
	Command and Control	Empowerment
✓	Needs Assessment	Alignment
✓	Reaction and Learning	Impact and ROI

12

12

Key Definitions

- **Design Thinking** is a process that teams use to understand users, challenge assumptions, redefine problems, and create solutions to deliver impact.
- **Optimization** is the action of making the best or most effective or efficient use of a situation or resource.*
- **Forecast** is the prediction or estimation of a future event or trend.*

*Oxford Dictionary

13

13

What is ROI?

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

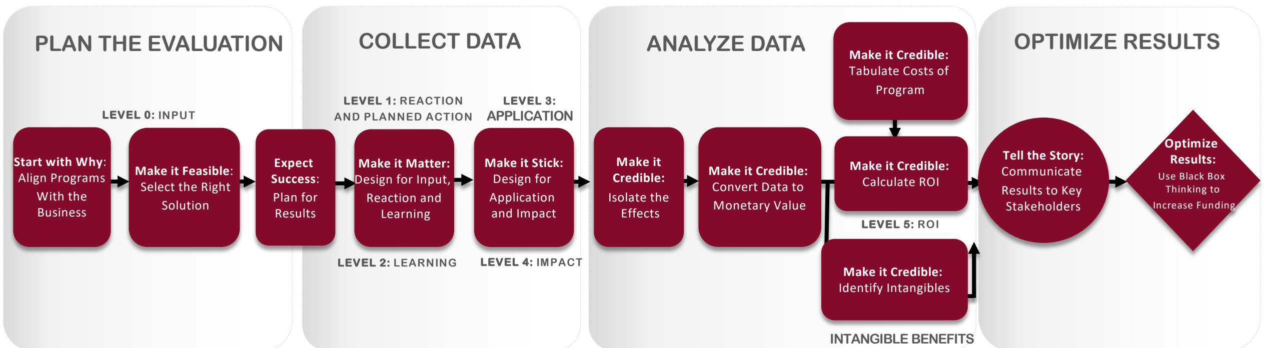
$$ROI = \frac{\text{Program Benefits - Program Costs}}{\text{Program Costs}} \times 100$$

14

14

The ROI Methodology Process Model

Designing for the Delivery of Business Results



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15

15

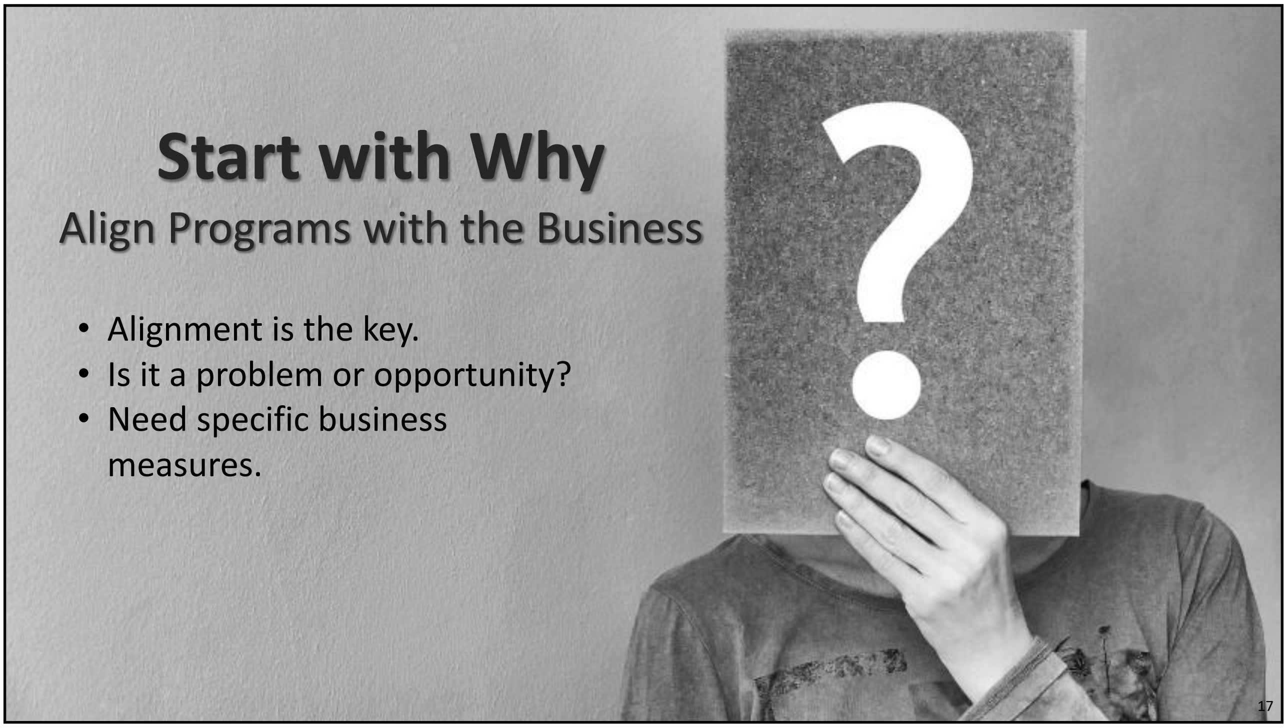
Why Forecast ROI?

- 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?

16

16


Start with Why
Align Programs with the Business
• Alignment is the key.
• Is it a problem or opportunity?
• Need specific business measures.
17

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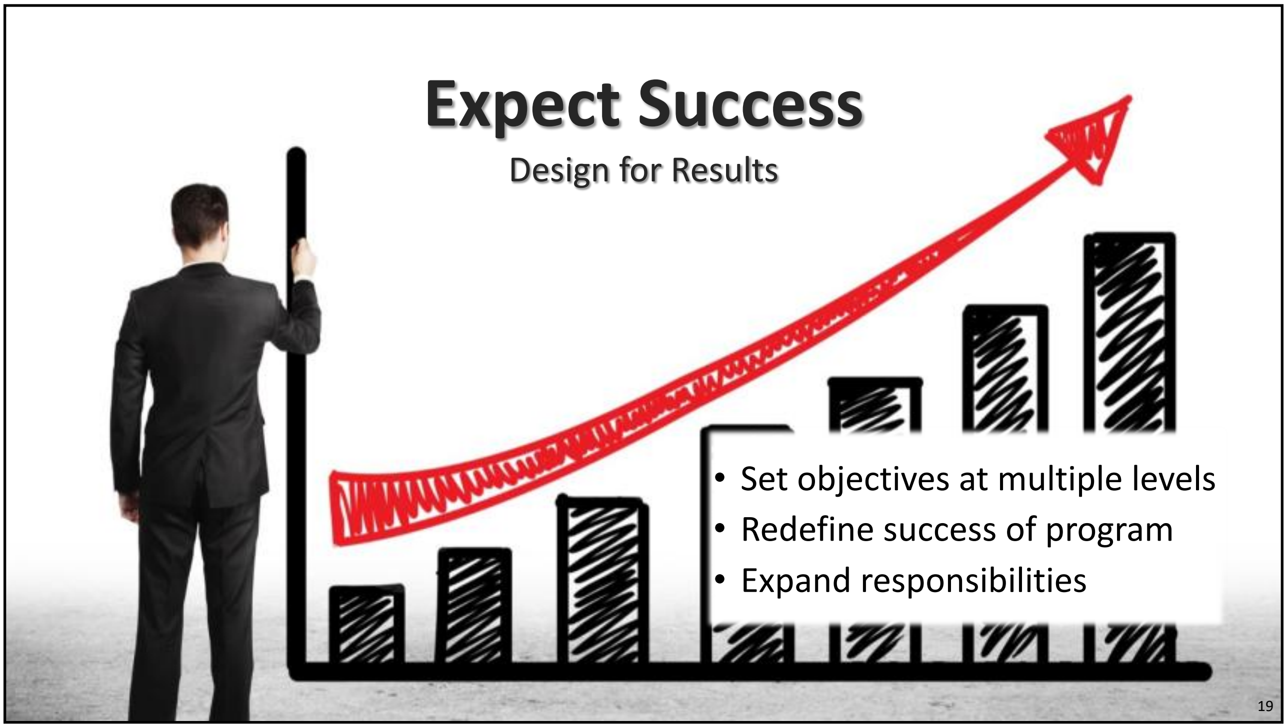
Make It Feasible
Select the Right Solution
• What are we doing (or not doing) that’s influencing the business measure?
• How can we achieve this performance?
18

18



19

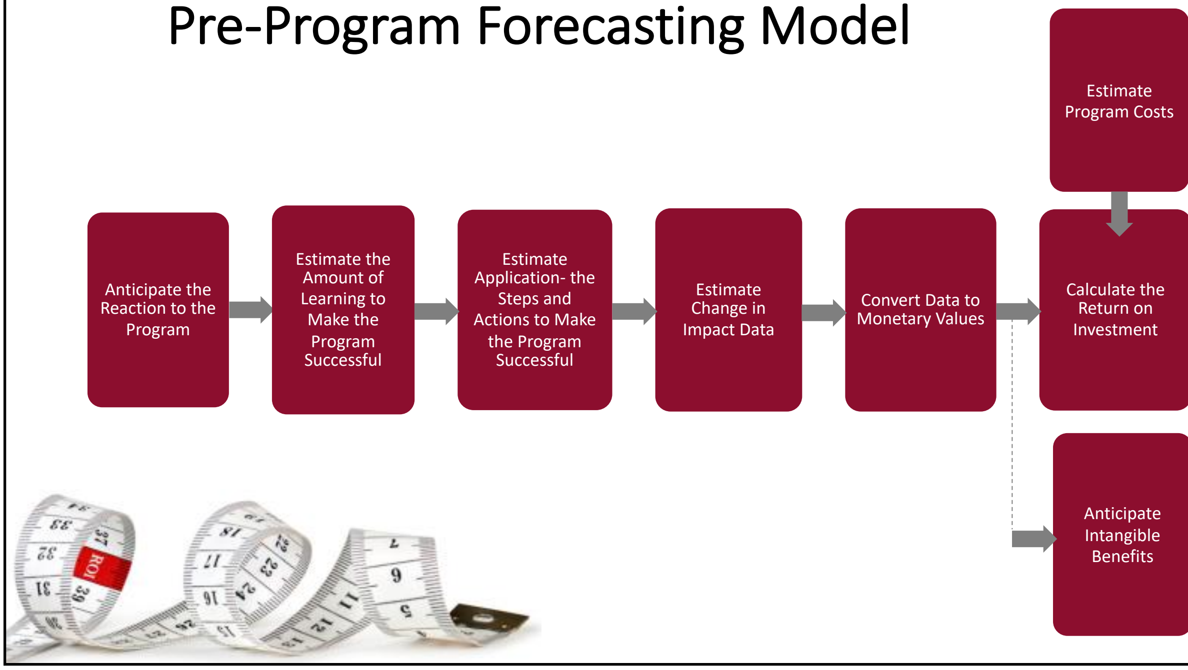
Developing Objectives for Each Level

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

20

20

Pre-Program Forecasting Model



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21

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 ($\Delta P x V x 12$).
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

22

22

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.

23

23

Input to Forecast

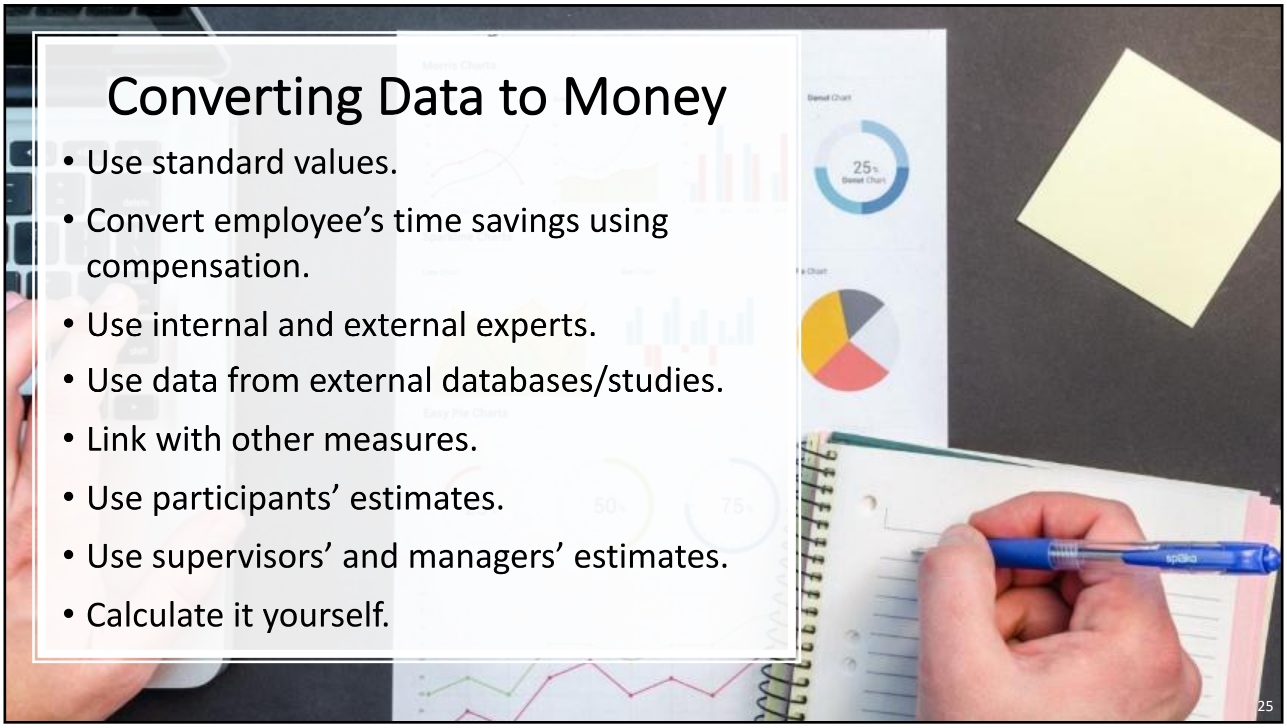
- Previous experience with same/similar programs
- Suppliers/Designers experience in other situations
- Estimates from suppliers/designers
- Estimates from experts
- Estimate from clients/sponsors
- Estimates from target participants

Need Experts for Content and Context

Who should provide impact estimates for your project?

24

24



25

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		✓

26

26

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

27

27

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. ΔP = 14.6 per month
4. AΔP = 14.6 x 12 =
5. AΔP x V =

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

What is the forecasted ROI?

28

28

ROI Calculation

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

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

29

29

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.

30

30

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?

31

31

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.

32

32

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

33

33

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.

34

34

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SCHEDULED EVENTS

Attendees receive 10% off
Use code ROI10

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, 2023 – 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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35

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36

Questions?

Visit us online:

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Connect with Us

37

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.

38

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38