ROI INSTITUTE®

The Bottomline on ROI: What it is, What it is Not, and How to Make it Work

Patti P. Phillips, Ph.D., CEO, ROI Institute, Inc.

Objectives

After attending this session, participants should be able to:

- Explain why ROI is needed today.
- Identify the five levels of evaluation.
- Identify the 12 steps in the ROI Methodology®.
- Determine where and when to use ROI to maximize results.

Resources

SCAN ME

APPLICATION GUIDE

The ROI Methodology®

in 12

A step-by-step guide for d

for programs, projects, an

- Human Resources/Human Capital
- Training/Learning/Development
- Leadership/Coaching/Mentoring
- Knowledge Management/Transfer
- Recognition/Incentives/Engageme
- Work Arrangement Systems
- Change Management/Culture
- Talent Management/Retention
- Policies/Procedures/Processes
- Technology/Systems/IT
- Meetings/Events/Conferences
- Marketing/Advertisement/Promot
- Compliance/Risk Management

The ROI Methodology® is

that generates six types of

- Reactio
- Learnin
- Applica
- Impact
- Return
- Intangi

The process includes a step

program, or solution.

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ROI Institute®

Global Lead

All Roa

ROI C

Making Huma

A proven process to develop the capability necessary to measure the Impact and ROI for any project or program.

*This document is available in e-copy for distribution to others.

ROI INSTITUTE®

FROM RESEARCH TO PRACTICE SERIES

THIRTY TECHNIQUES TO DESIGN VIRTUAL LEARNING TO DELIVER IMPACT AND A POSITIVE ROI

PATTI P. PHILLIPS, PH.D.

JACK J. PHILLIPS, PH.D.

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Updating Your Evaluation Strategy

A Working Session to Devel and Plan for Assessment, M Evaluation, and Analytics

ROI INSTITUTE®

A Road Map to Business Results and Increased Funding

HRDQ

ROI INSTITUTE®

Benefits and Barriers to Measuring Learning, Performance Improvement and Human Resources Programs

The Bottoml on ROI

Third Edition

Foreword by Jack J. Phillips, Ph.D.

Patricia Pulliam Ph

Patricia Pulliam Phillips, PhD and Jack J. Phillips, PhD

Value for Money

Measuring the Return on Non-Capital I

ROI Case

Volum

THE CONFERENCE BOARD

Effective Leadership in a Hybrid World of Work

ROI INSTITUTE®

The Bottomline on ROI: What it is, What it is Not, and How to Make it Work

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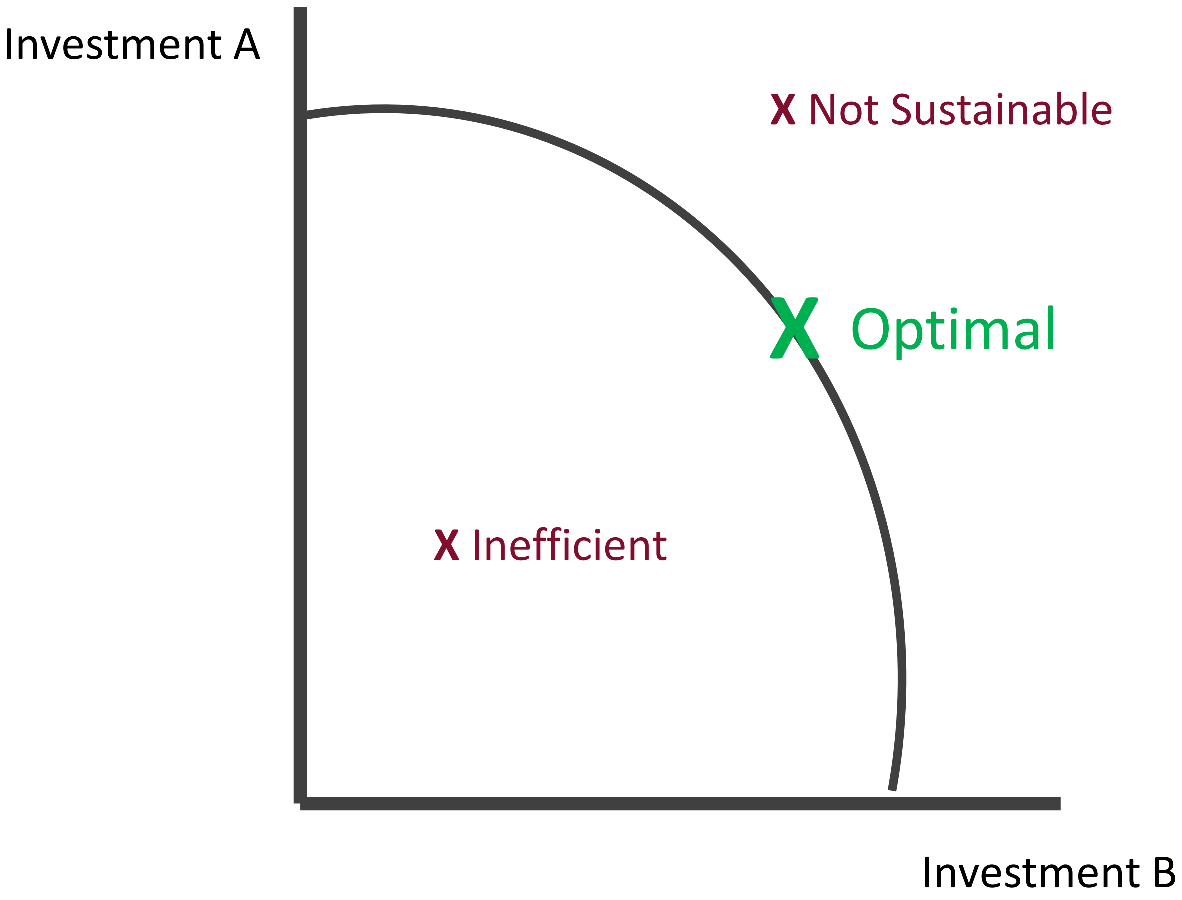
Rapid-fire chat:
Why is ROI needed today?

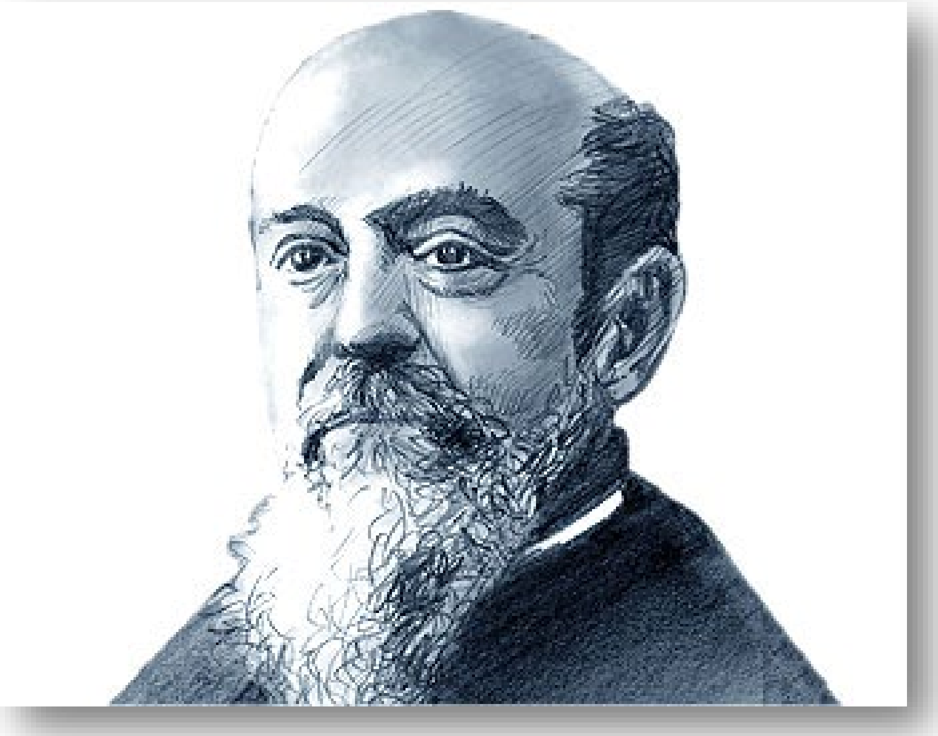
ROI History

In the beginning:

- 200-year history
- Harvard Business Review: dominant method to measure results
- An imprecise measure
- Never should be used alone to make decisions

ROI is Fundamental to Resource Management





Vilfredo Pareto 1848 – 1923
Italian engineer, sociologist, economist
80-20 Rule
Pareto Optimality (aka Pareto efficiency)

"When it is useful to them, men can believe a theory of which they know nothing more than its name."

What is ROI?

$$\text{BCR} = \frac{\text{Project benefits}}{\text{Project costs}}$$

$$\text{ROI} = \frac{\text{Project benefits} - \text{Project costs}}{\text{Project costs}} \times 100$$

What is ROI?

BCR = ______________________ =

ROI = ______________________ x 100 =

Reduce Safety Incidents (1st year) = $750,000
Program Cost (25 participants) = $425,000

What is ROI?

$$\text{BCR} = \frac{\$750{,}000}{\$425{,}000} =$$

$$\text{ROI} = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000} \times 100 =$$

Reduce Safety Incidents (1st year) = $750,000
Program Cost (25 participants) = $425,000

What is ROI?

$$\text{BCR} = \frac{\$750{,}000}{\$425{,}000} = 1.76{:}1$$

$$\text{ROI} = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000} \times 100 = 76\%$$

Reduce Safety Incidents (1st year) = $750,000
Program Cost (25 participants) = $425,000

Sometimes we see this.

$$\text{BCR} = \frac{\$2{,}750{,}000}{\$425{,}000} = 6.47{:}1$$

$$\text{ROI} = \frac{\$2{,}750{,}000 - \$425{,}000}{\$425{,}000} \times 100 = 547\%$$

Increase Store Sales (1st year) = $2,750,000
Gross profit on sales is 20%
Program Cost (25 participants) = $425,000

Don’t do it!

$$\text{BCR} = \frac{\$2,75}{5,000} = 6.47:1$$

$$\text{ROI} = \frac{\$\ 50,000\ 5,000}{\$425,000} \times 100 = 547\%$$

Increase Store Sales (1st year) =

Gross profit on sales is 20%

Program Cost (25 participants) = $425,000

When sales is the benefit, convert sales to profit.

$$\text{BCR} = \frac{(\$2{,}750{,}000 \text{ x } .20)}{\$425{,}000} = 1.29{:}1$$

$$\text{ROI} = \frac{(\$2{,}750{,}000 \text{ x } .20) - \$425{,}000}{\$425{,}000} \text{ x } 100 = 29\%$$

Increase Store Sales (1st year) = $2,750,000

Gross profit on sales is 20% ←

Program Cost (25 participants) = $425,000

What is ROI?

$$\text{BCR} = \frac{\$750{,}000}{\$425{,}000} = 1.76:1$$

$$\text{ROI} = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000} \times 100 = 76\%$$

Reduce Safety Incidents (1st year) = $750,000
Program Cost (25 participants) = $425,000

And sometimes we see this.

$$\text{BCR} = \frac{\$750{,}000}{\$425{,}000} = 1.76:1$$

$$\text{ROI} = \frac{\$750{,}000}{\$425{,}000} \text{ x } 100 = 176\%$$

Reduce Safety Incidents (1st year) = $750,000
Program Cost (25 participants) = $425,000

Don’t do it!

BCR = 000 / $42 0 = 1.76:1

ROI = 0,000 / $ x 100 = 176%

Reduce Safety Incidents (1st year) = $750,000
Program Cost (25 participants) = $425,000

BCR uses gross benefits; ROI uses net benefits.

$$\text{BCR} = \frac{\$750{,}000}{\$425{,}000} = 1.76{:}1$$

$$\text{ROI} = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000} \times 100 = 76\%$$

Reduce Safety Incidents (1st year) = $750,000
Program Cost (25 participants) = $425,000

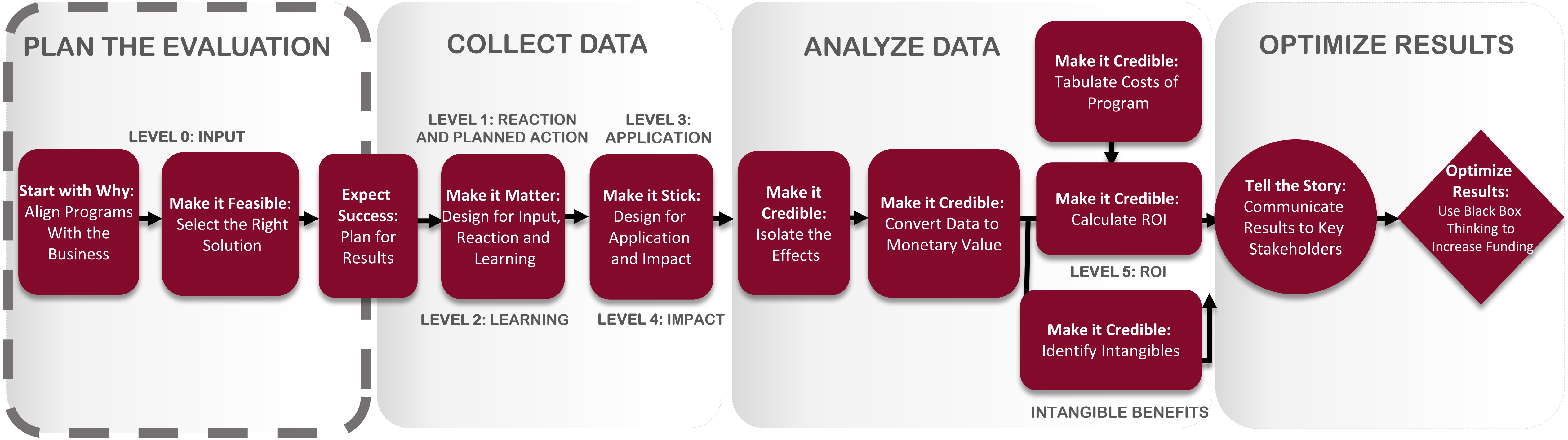
Five-Level Evaluation Framework

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

Katzell developed four steps of training evaluation; Kirkpatrick wrote about four steps of training evaluation; Phillips added economic theory and operationalized the framework by adding process and standards and applying it in practice.

The ROI Methodology Process Model

Designing for the Delivery of Business Results



PLAN THE EVALUATION

LEVEL 0: INPUT

Start with Why: Align Programs With the Business

Make it Feasible: Select the Right Solution

Expect Success: Plan for Results

COLLECT DATA

LEVEL 1: REACTION AND PLANNED ACTION

LEVEL 3: APPLICATION

Make it Matter: Design for Input, Reaction and Learning

Make it Stick: Design for Application and Impact

LEVEL 2: LEARNING

LEVEL 4: IMPACT

ANALYZE DATA

Make it Credible: Isolate the Effects

Make it Credible: Convert Data to Monetary Value

Make it Credible: Tabulate Costs of Program

Make it Credible: Calculate ROI

LEVEL 5: ROI

Make it Credible: Identify Intangibles

INTANGIBLE BENEFITS

OPTIMIZE RESULTS

Tell the Story: Communicate Results to Key Stakeholders

Optimize Results: Use Black Box Thinking to Increase Funding

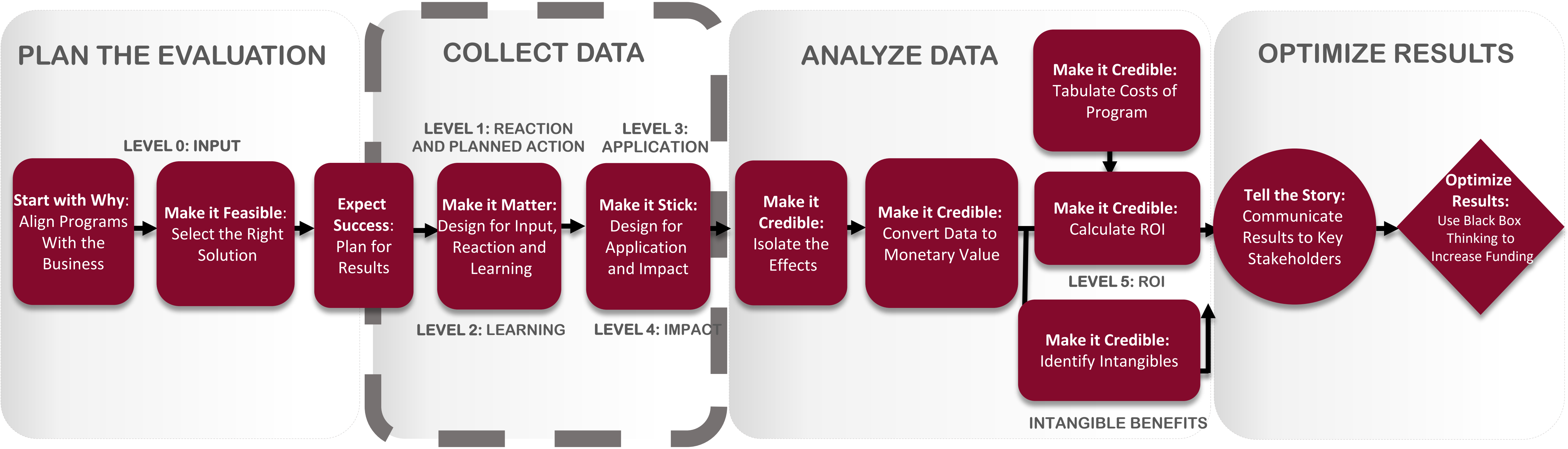
Matching Evaluation Levels with Objectives

After completing this program, participants should:

1.	Decrease employee complaints by 20% in one year.	4
2.	Rate the facilitator 4 out of 5 on presentation skills.	1
3.	Decrease the amount of time required to develop a proposal.	4
4.	Achieve a 20% ROI one year after program implementation of a sales incentive system.	5
5.	Perceive the content to be relevant to their actual situations (4.5 out of 5).	1
6.	Decrease security breaches by 25% in six months.	4
7.	Conduct a proper investigation using the seven-step process in 95% of complaint situations.	3
8.	Score an average of 75 or better on new strategy quiz.	2
9.	Complete a disclosure form each year as part of the new ethics policy.	3
10.	Use all 10 negotiation skills in at least 50% of negotiation situations.	3

The ROI Methodology Process Model

Designing for the Delivery of Business Results



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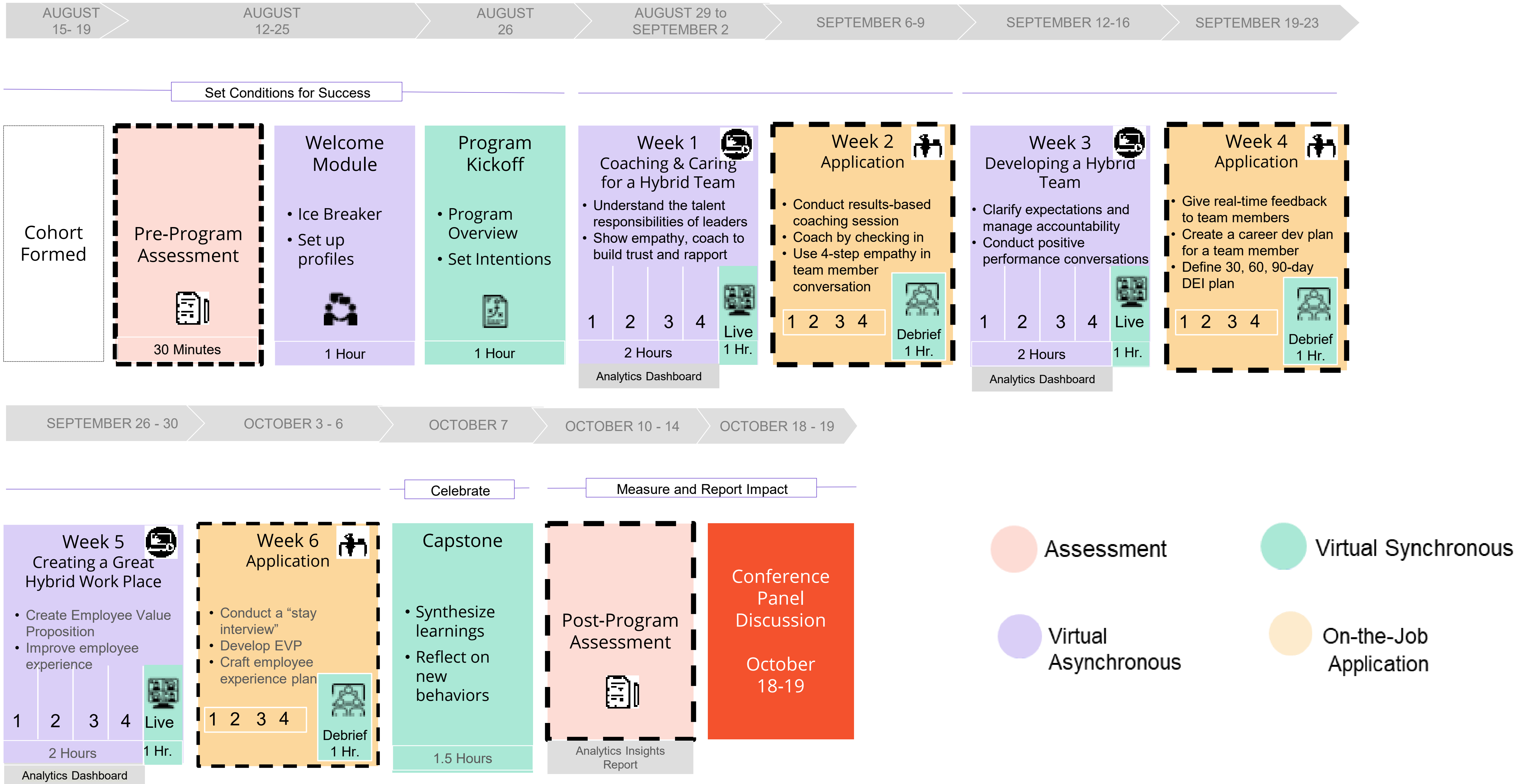
Leading in a Hybrid Work Environment: Program at A Glance

● Assessment ● Virtual Synchronous ● Virtual Asynchronous ● On-the-Job Application



AUGUST 15- 19 | AUGUST 12-25 | AUGUST 26 | AUGUST 29 to SEPTEMBER 2 | SEPTEMBER 6-9 | SEPTEMBER 12-16 | SEPTEMBER 19-23

Set Conditions for Success

Cohort Formed

Pre-Program Assessment
30 Minutes

Welcome Module
- Ice Breaker
- Set up profiles

1 Hour

Program Kickoff
- Program Overview
- Set Intentions

1 Hour

Week 1 Coaching & Caring for a Hybrid Team
- Understand the talent responsibilities of leaders
- Show empathy, coach to build trust and rapport

1 2 3 4 Live
2 Hours 1 Hr.
Analytics Dashboard

Week 2 Application
- Conduct results-based coaching session
- Coach by checking in
- Use 4-step empathy in team member conversation

1 2 3 4
Debrief 1 Hr.

Week 3 Developing a Hybrid Team
- Clarify expectations and manage accountability
- Conduct positive performance conversations

1 2 3 4 Live
2 Hours 1 Hr.
Analytics Dashboard

Week 4 Application
- Give real-time feedback to team members
- Create a career dev plan for a team member
- Define 30, 60, 90-day DEI plan

1 2 3 4
Debrief 1 Hr.

SEPTEMBER 26 - 30 | OCTOBER 3 - 6 | OCTOBER 7 | OCTOBER 10 - 14 | OCTOBER 18 - 19

Celebrate

Measure and Report Impact

Week 5 Creating a Great Hybrid Work Place
- Create Employee Value Proposition
- Improve employee experience

1 2 3 4 Live
2 Hours 1 Hr.
Analytics Dashboard

Week 6 Application
- Conduct a “stay interview”
- Develop EVP
- Craft employee experience plan

1 2 3 4
Debrief 1 Hr.

Capstone
- Synthesize learnings
- Reflect on new behaviors

1.5 Hours

Post-Program Assessment
Analytics Insights Report

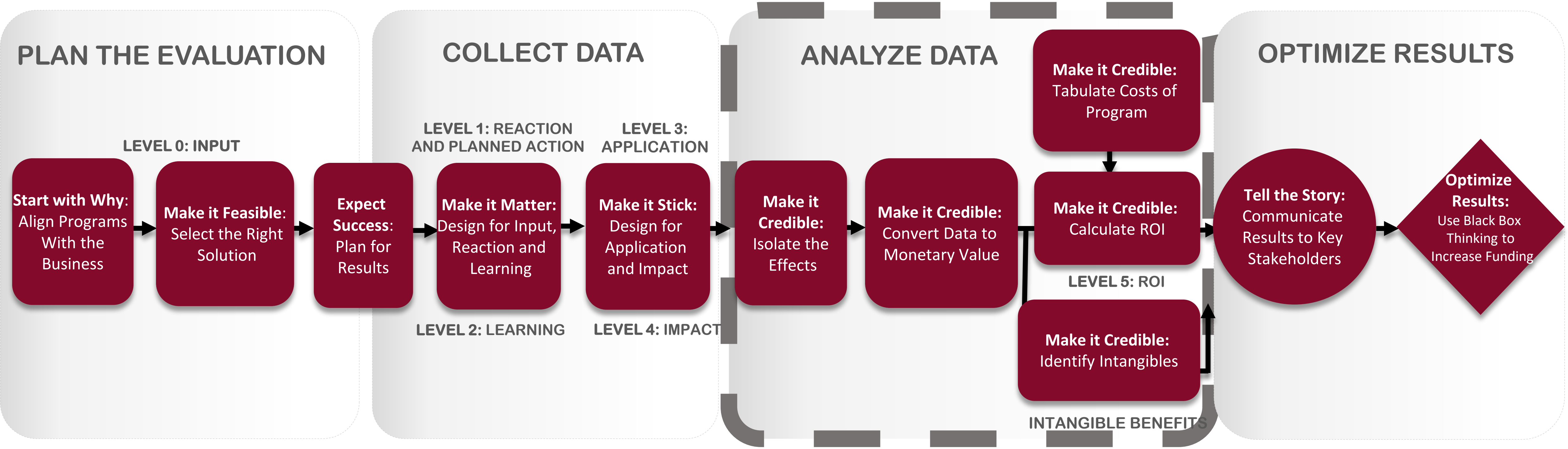
Conference Panel Discussion

October 18-19

● Assessment
● Virtual Synchronous
● Virtual Asynchronous
● On-the-Job Application

The ROI Methodology Process Model

Designing for the Delivery of Business Results



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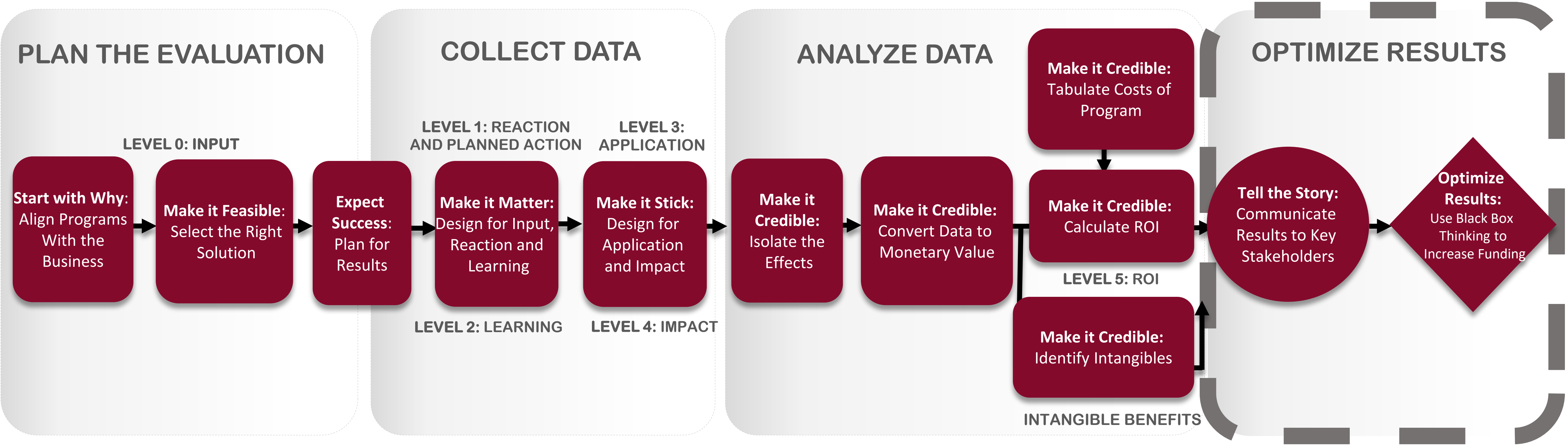
The ROI Methodology Process Model

Designing for the Delivery of Business Results



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LEVEL 2: LEARNING

LEVEL 4: IMPACT

LEVEL 5: ROI

INTANGIBLE BENEFITS

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With more than 20 years of experience in the learning & development industry, **Kaycee Buckley is Director for Global Commerical Talent.** She works with organizational leaders to define talent development, strategies, develop and deploy learning events, and measure the business impact for these training initiatives.

Just wanted to let you know that I presented the Coaching ROI results to my DVP and the Area Commercial Directors last Thursday. It was AMAZING! They were surprised and not surprised by the results. That is, ***they were not surprised that the ROI was negative*** *because they are all aware that the Sales Managers are not coaching and agreed with the barriers as I had outlined in the study.* ***They were surprised at what a negative impact "not applying Coaching" was making to the business, which sparked a very productive conversation as to what to do to fix it.***

Wow...such positive outcomes from my stakeholders...and with a negative ROI!

Tell your story. Optimize results.

Guiding Principles

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.

Characteristics of Investments Suitable for Impact & ROI

- Linkage of project to operational goals and issues
- Importance of project to strategic objectives
- Top executive interest in the evaluation
- Cost of the project
- Visibility of the project
- Size of target audience
- Investment of time required

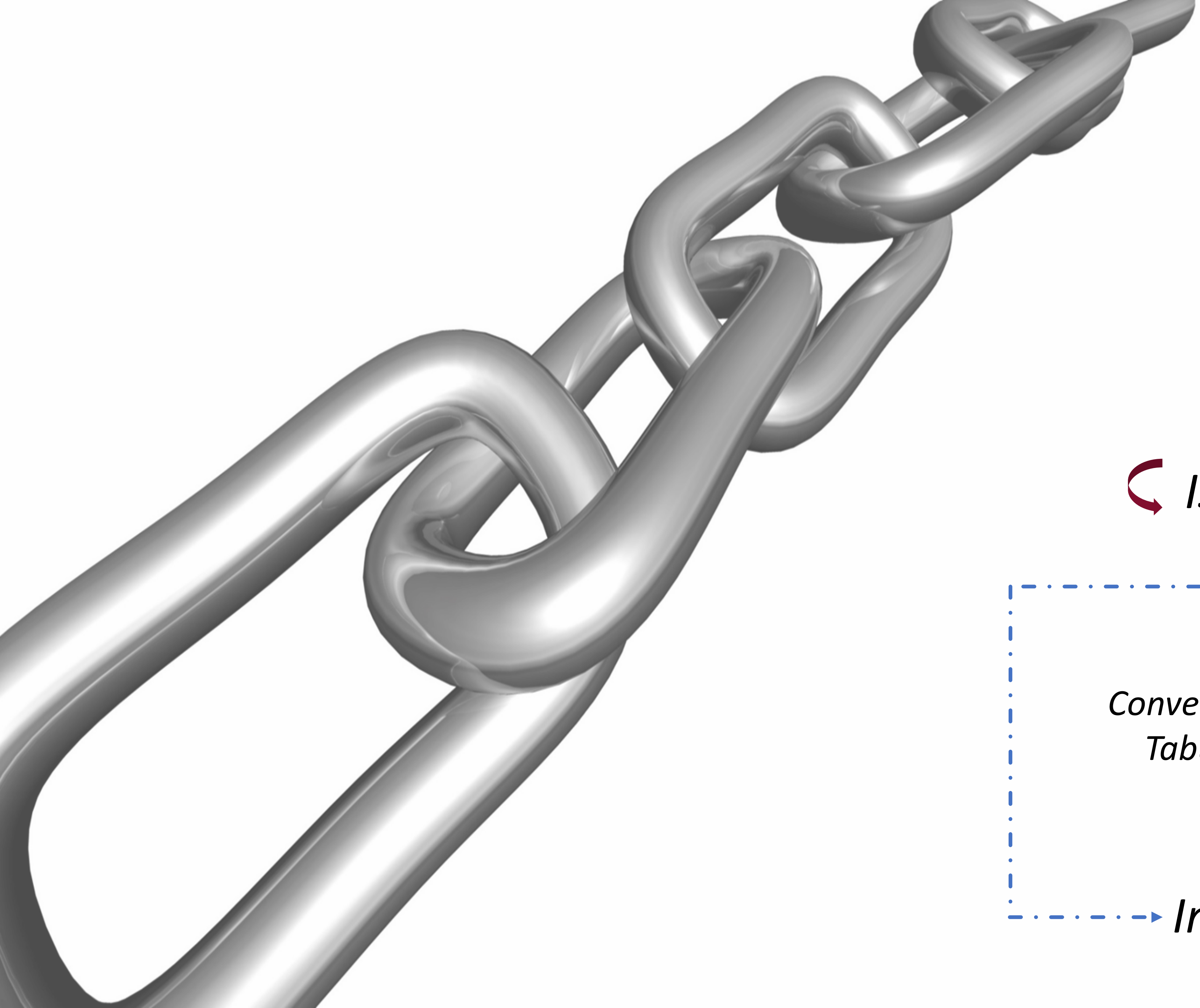
Measurement Targets

*Benchmarking Percentages

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 per year

**Benchmarking 2020



Reaction

Learning

Application

Isolate the Effects

Impact

Convert Data to Monetary Value

Tabulate Fully Loaded Costs

ROI

Intangible Benefits

Sample Case Studies

Effective Meeting Skills

- Impact Measures: Time in Meetings
  - Number of meetings
  - Number of people in meetings
  - Duration of meetings
- Isolation Technique: Estimates
- Data Conversion Technique: Standard Value
- ROI: 470% Target: 25%

Call Center Representative Training

- Impact Measures: Call Escalations
- Isolation Technique: Control Group
- Data Conversion Technique: Standard Value
- ROI: -85% Target: 25%

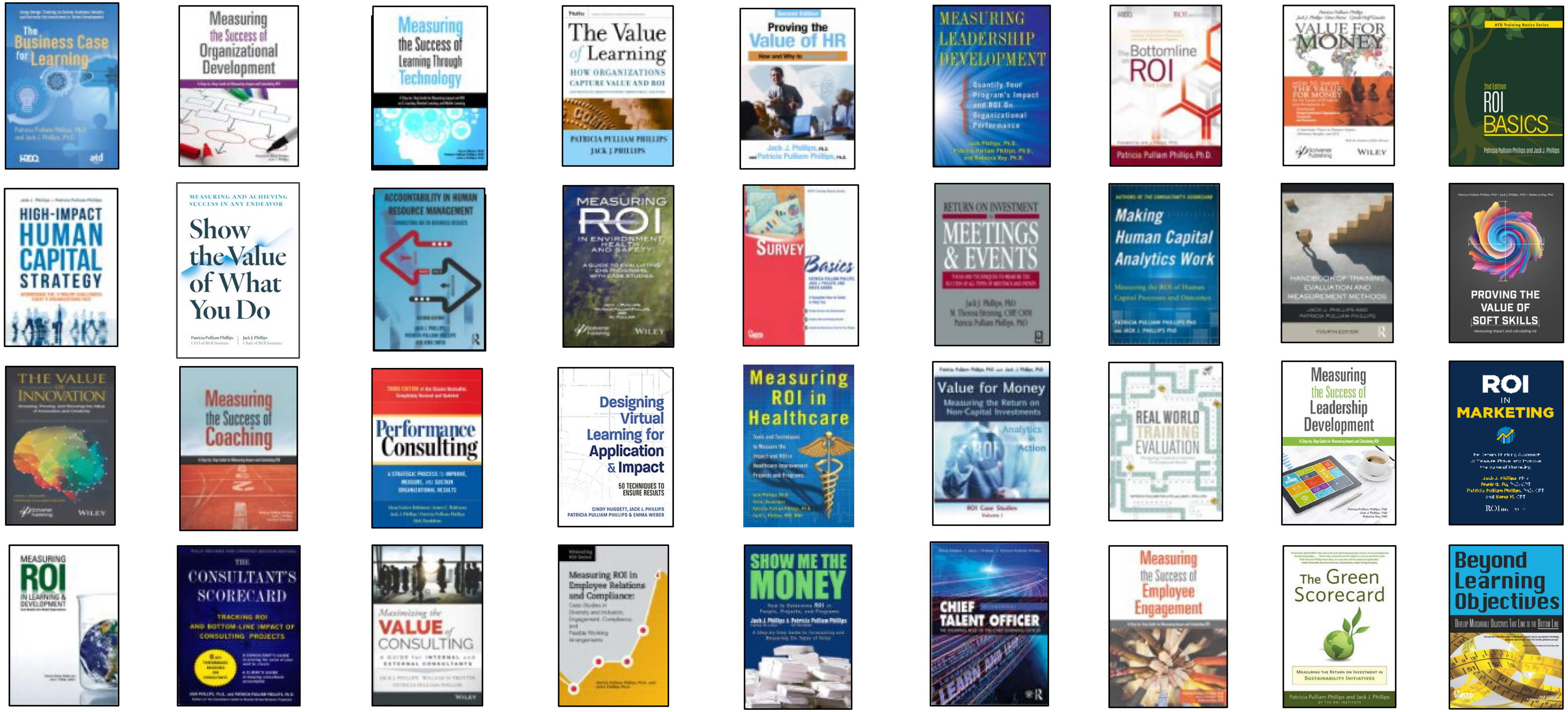
Simulation-Based Sales Training

- Impact Measures: Sales Volume
- Isolation Technique: Control Group
- Data Conversion: Standard Value (Gross Profit on Sales)
- ROI: 42.1% Target: 25%

Leadership Development

- Impact Measures: As Defined by Participants
- Isolation Technique: Estimates
- Data Conversion Technique: Standard values, Direct cost savings
- ROI: 120% Target: 20%

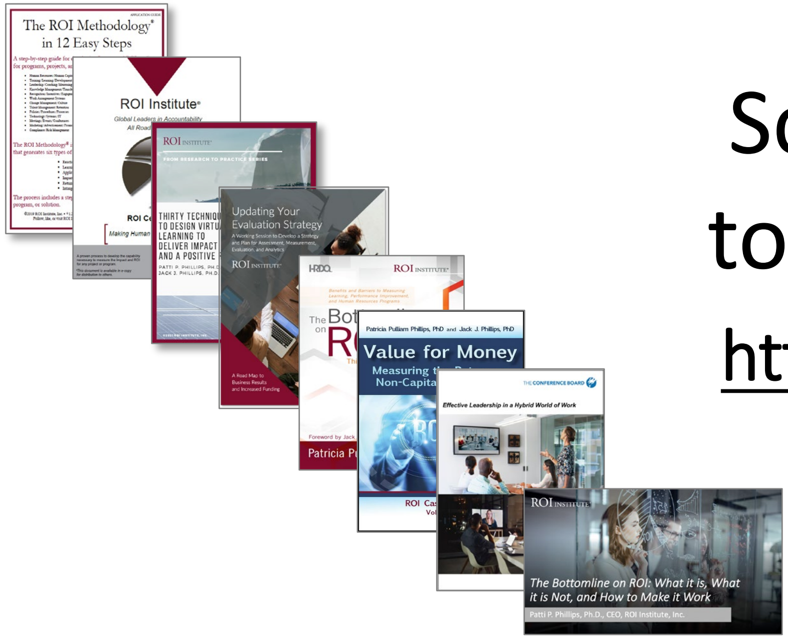
There are more than 75 publications to support the ROI Methodology.



Next Steps

- ✓ Review the resources from today’s session.
- ✓ Implement the ROI Methodology.
- ✓ Participate in ROI Certification: a comprehensive learning program, with coaching, and application.
- ✓ Pursue a consulting engagement.

SCAN ME



Scan the QR code or click the link below to access resources from today’s session.

https://roiinstitute.net/tmn-the-bottomline-on-roi-2/

Questions?

Visit us online:

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Email:

patti@roiinstitute.net

Connect with us on:

ROI INSTITUTE®
ONLINE ACADEMY

ROI Boot Camp

April 18, 2023, 9:00 am - 3:00 pm CST
Also available On-Demand

During ROI Boot Camp, participants will learn about:

- The benefits and barriers of using ROI
- The five levels of evaluation
- The 12 steps in the ROI Methodology
- The 12 guiding principles
- Collecting data at multiple levels
- Isolating the effects of your programs
- Converting data to money
- Calculating ROI

SCAN ME

https://www.roiinstituteacademy.com/live-bottomline-on-roi-boot-camp

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ROI CERTIFICATION®

SCHEDULED EVENTS

April 24-28 - Williamsburg, VA
May 15-19 - San Diego, CA
May 29-June 2 - Dubai, UAE
June 12-16 - London, UK
June 12-16 - Slovenia
June 19-23 - Romania
June 26-30 - Hungary
June 12-23 - Live Virtual
July 3-7 - Mumbai, India

July 24-28 - Washington, DC
July 31-August 4 - Boston, MA
August 7-11 - Huntsville, AL
September 18-29 - Live Virtual
October 9-13 - Indianapolis, IN
October 15-19 - Doha, Qatar
October 23-27 - Dubai, UAE
November 6-10 - Memphis, TN
December 4-15 - Live Virtual

TMN Members Receive
10% Discount
Use code
ROITMN10

SCAN ME

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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