ROI INSTITUTE®

How to Measure, Prove, and Improve the Value of Culture Transformation (and other HR Programs)

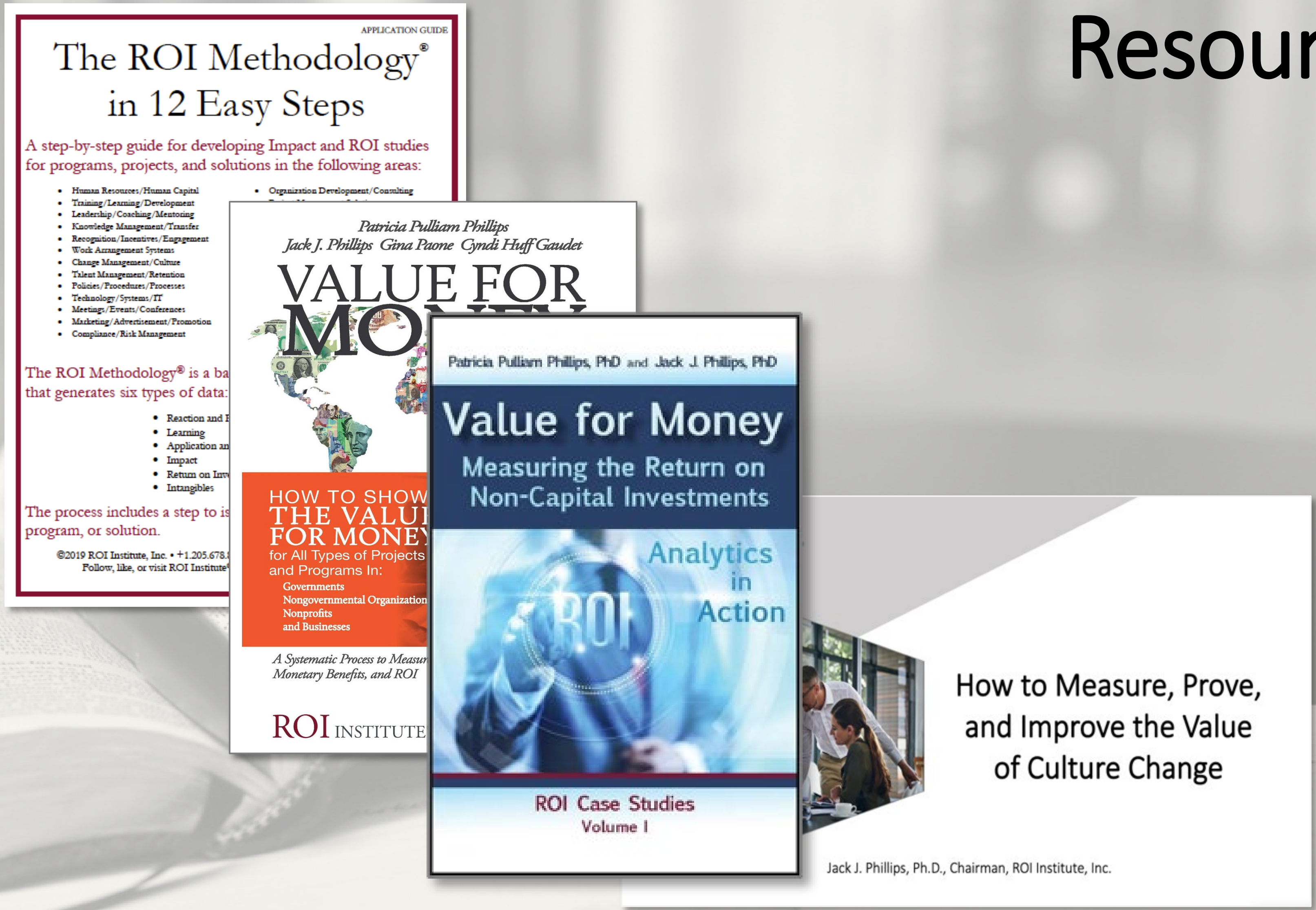
Jack J. Phillips, Ph.D., Chairman, ROI Institute, Inc.

Objectives

After attending this session, participants should be able to:

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

Resources


APPLICATION GUIDE
The ROI Methodology® in 12 Easy Steps
A step-by-step guide for developing Impact and ROI studies for programs, projects, and solutions in the following areas:
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
Learning
Impact
Intangibles
Patricia Pulliam Phillips
Jack J. Phillips Gina Paone Cyndi Huff Gaudet
VALUE FOR
for All Types of Projects
and Programs In:
Governments
Nonprofits
and Businesses
ROI INSTITUTE
Patricia Pulliam Phillips, PhD and Jack J. Phillips, PhD
Value for Money
Measuring the Return on Non-Capital Investments
Analytics in Action
ROI Case Studies
Volume I
How to Measure, Prove, and Improve the Value of Culture Change
Jack J. Phillips, Ph.D., Chairman, ROI Institute, Inc.

Why are you Interested in Impact/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 explore new techniques to measure program success.

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 explore, new techniques to measure program success.	Proactive

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

Think About It…

Define and describe the culture of your organization.

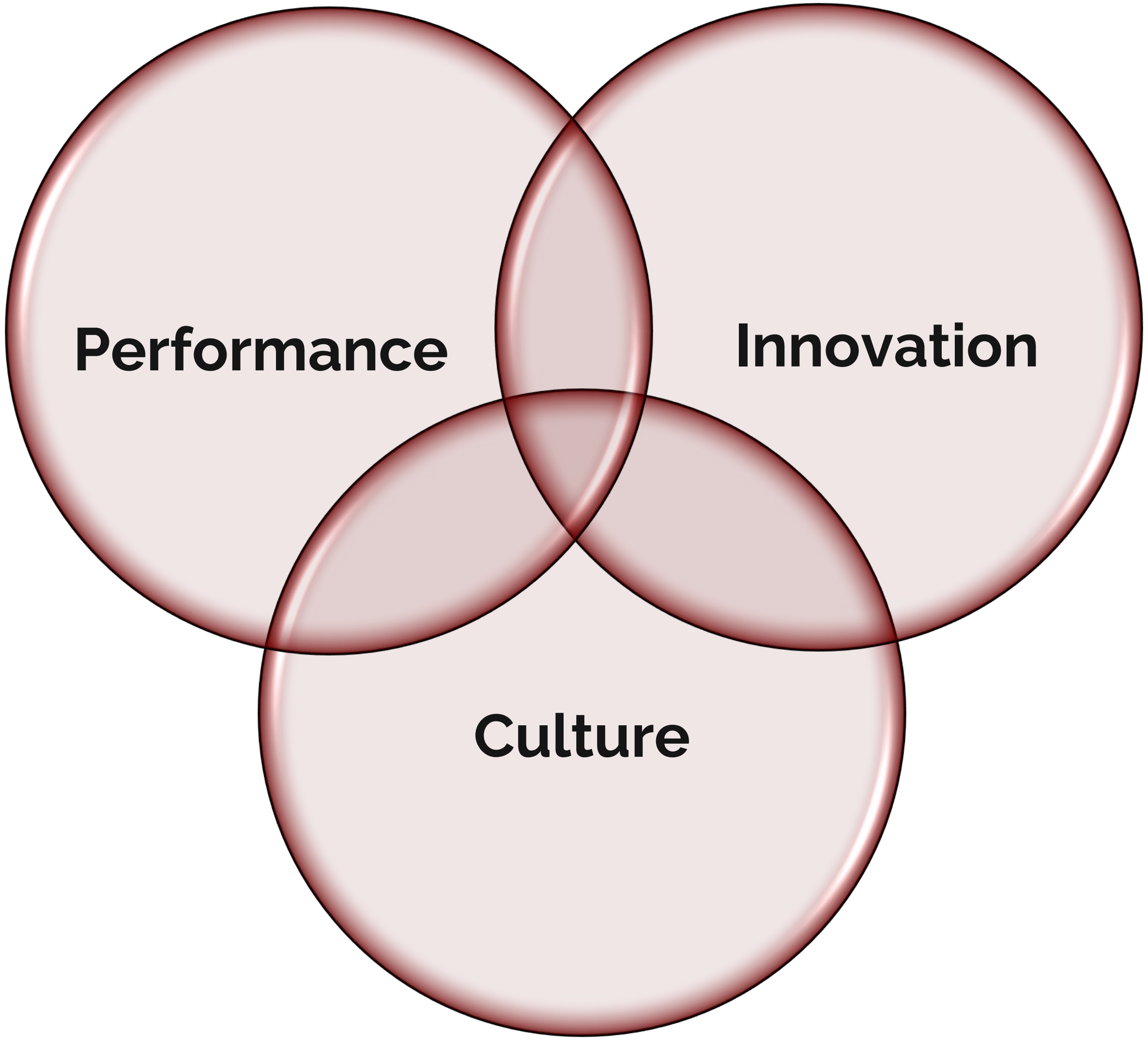
Symbols, language, norms, values, artifacts, behaviors, etc.

The Importance of Culture:

1. Organizations live or die based on culture.
2. Culture is the difference between long-term sustainable success and failure.
3. Culture is the difference between the least and most admired organizations.
4. Culture facilitates attracting and retaining talent.
5. Culture adds value to an organization.

Culture is not alone

Performance, Innovation, and Culture Drive High Performance Organizations



Culture can be based on:

- Mission
- Purpose
- Employee Experience
- Social Issues
- Accountability
- Safety
- Inclusiveness
- Collaboration
- Quality
- Service
- Customer Service
- Efficiency
- Costs
- Innovation
- Learning
- Agility

These can be measured with impact!

Why Measure Culture

- Check progress with culture.
- Make improvements in culture process.
- Recognizing success of culture team.
- Increasing support for culture efforts.
- Increase funding for culture efforts.

The Culture 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.

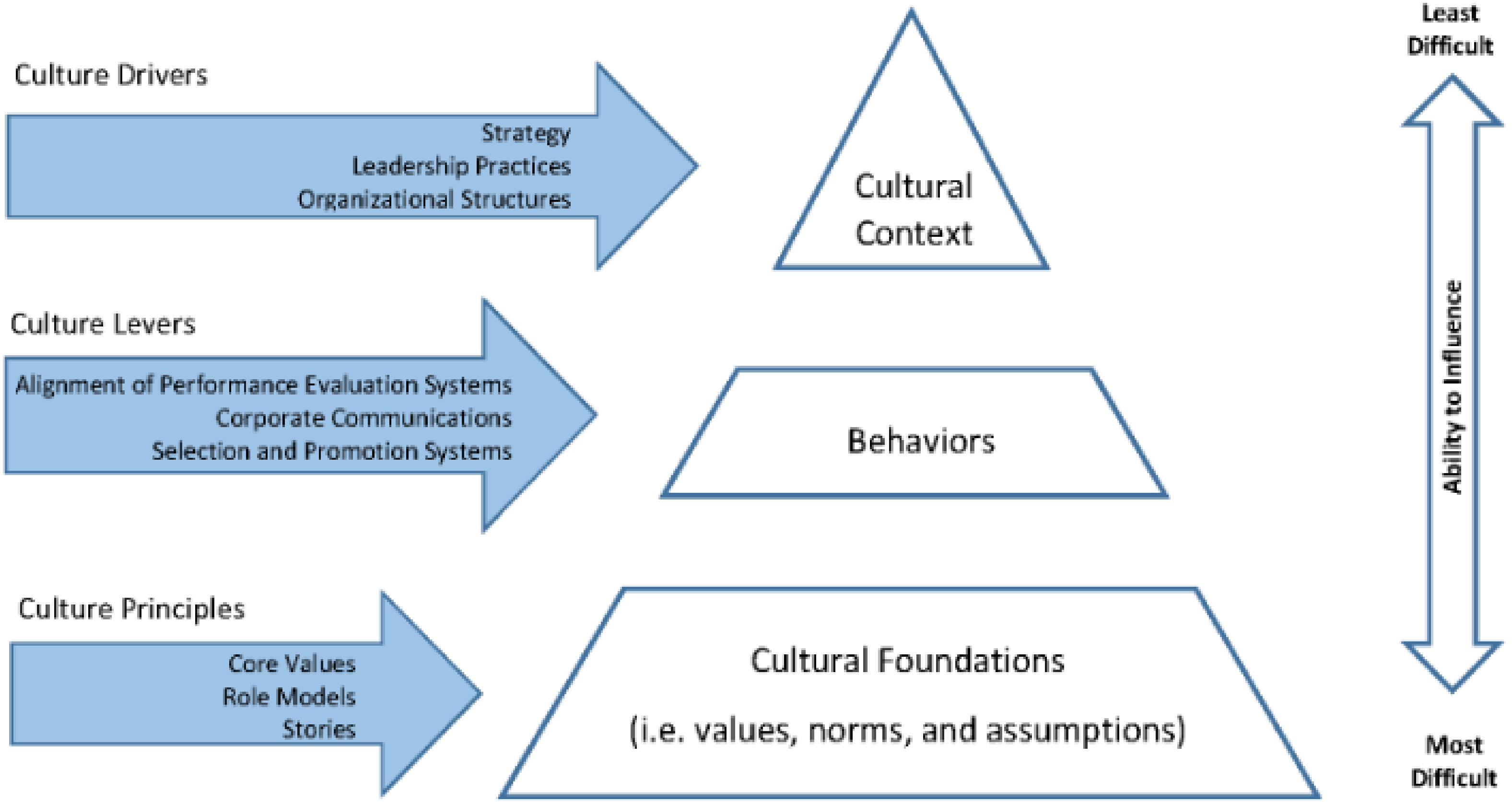
Impact Measurements is Key

Supported by:

- Application and implementation (actions and behaviors)
- Learning (Knowledge and skills)
- Reactions (Perceived value)

Actions and Behaviors without Impact is just being busy.

Culture Change



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

ROI ANALYSIS IS APPROPRIATE FOR MAJOR CHANGE EFFORTS

- Investments are high
- Expectations for payoff are high

A Blueprint to Renovate Culture*

- Develop and deploy a comprehensive listening strategy.
- Figure out what to keep.
- Set your cultural path.
- Define the desired behaviors.
- Identify influencers, energizers, and blockers.
- Determine how progress will be measured, monitored, and reported.
- Clearly communicate that change is coming.
- Ferret out skeptics & non-believers early.
- Paint a vision for the future.
- Consciously collaborate
- Establish a co-creation mindset.
- Provide training on the desired behaviors.
- Make onboarding about relationships versus red tape.
- Promote those who best represent the new.
- Change performance management practices.
- Leverage Employee affinity groups.
- Increase the focus on talent mobility.
- Don’t Underestimate the value of external sentiment.

*Oakes, Kevin. Culture Renovations. McGraw-Hill. 2021.

Why ROI is Important – Now

It is the ultimate business case.

Shows the efficient use of funds.

Validates that an expenditure is an investment—not a cost.

It's a way to keep score.

Helps to set priorities.

What is ROI?

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

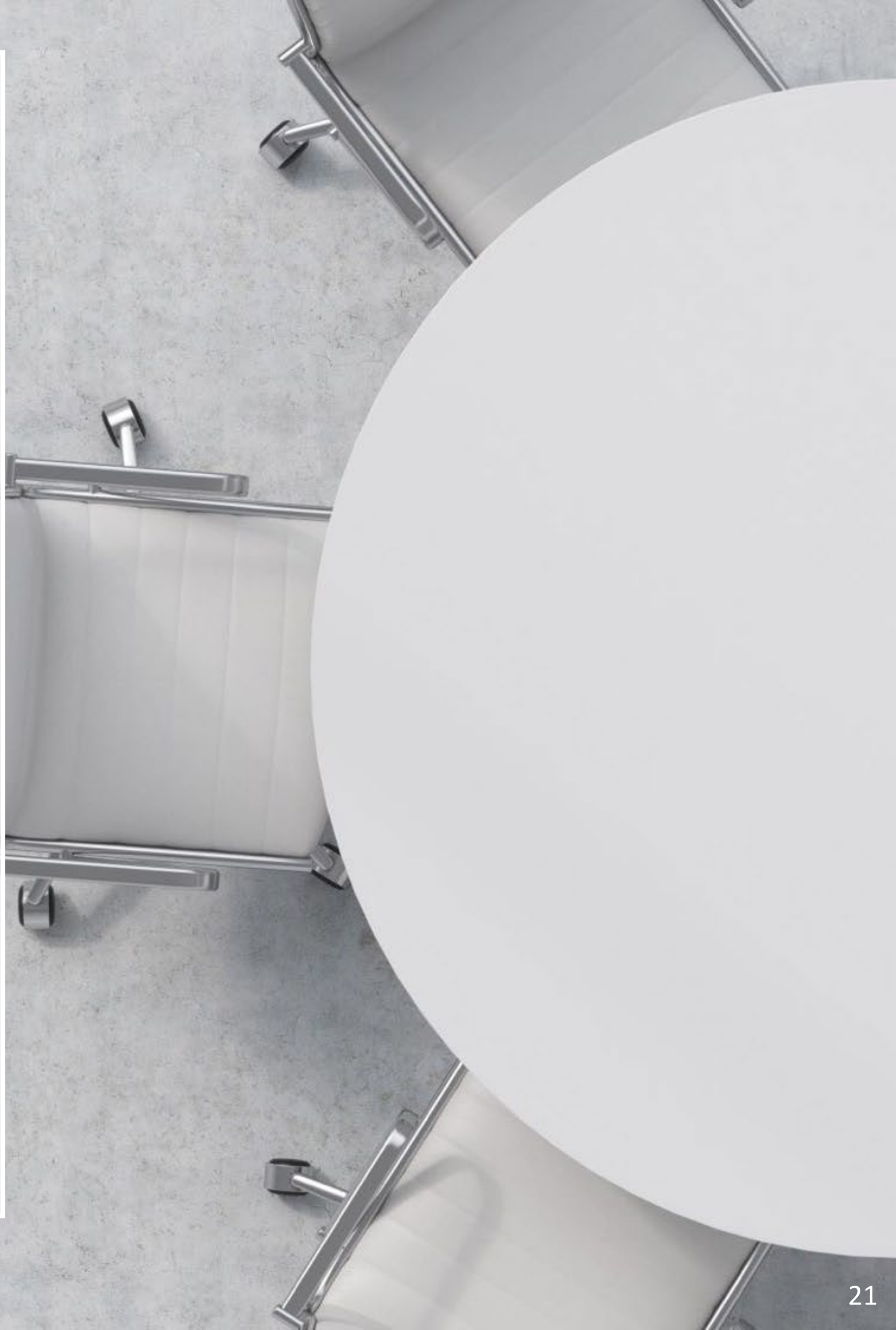
$$ROI = \frac{\text{Benefits - Costs}}{\text{Costs}} \times 100$$

The ROI Methodology 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

Impact/ ROI Evaluation: What Gets in the Way?

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



What is your experience with measuring impact and ROI?

- ❑No experience with it.
- ❑It has been suggested, but no action has been taken.
- ❑I have attempted it with no success.
- ❑I have successfully conducted an impact and ROI study.
- ❑I wish ROI would go away

Evaluation Framework

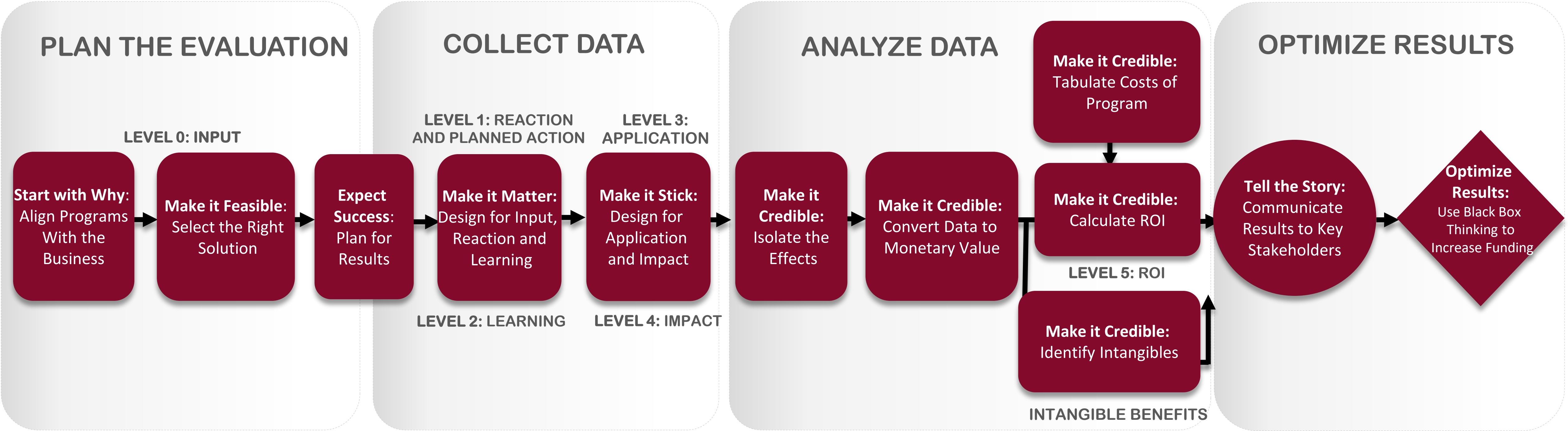
Levels of Evaluation	Measurement Focus	Typical Measures
0. Inputs & Indicators	The input into the project in terms of scope, volume, efficiencies, costs	Participants, Hours, Costs, Timing
1. Reaction & Planned Action	Measures participant satisfaction and captures planned actions, if appropriate	Relevance, 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

The ROI Methodology®

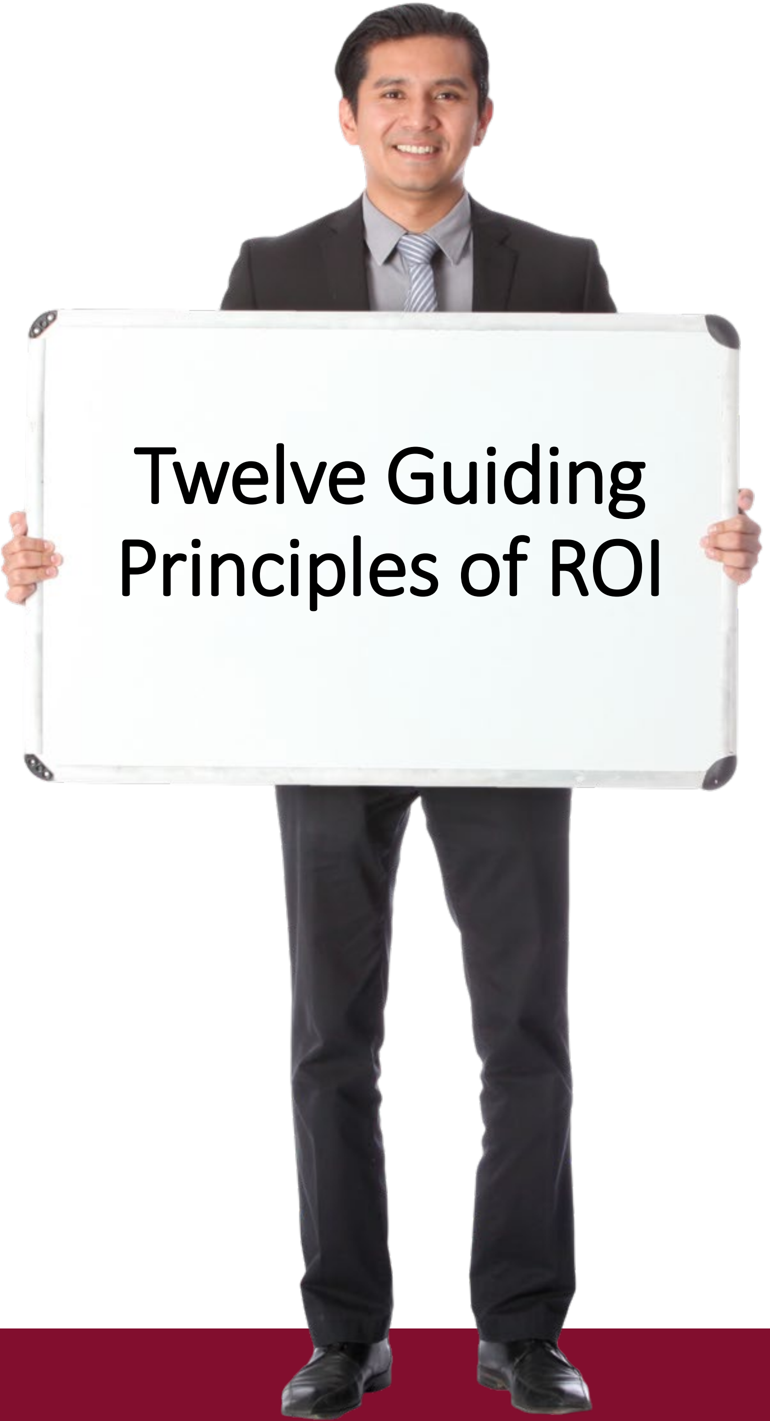
- Most used evaluation system in the world
- Endorsed by the United Nations with a UN General Assembly resolution in 2008
- Endorsed by 28 federal governments
- Used by over 300 healthcare systems
- Used by over 150 colleges and universities
- Used by three-fourths of Fortune 500 organizations
- Used by major foundations such as the Gates Foundation

The ROI Methodology Process Model

Designing for the Delivery of Business Results



ROI INSTITUTE®



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.

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?

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

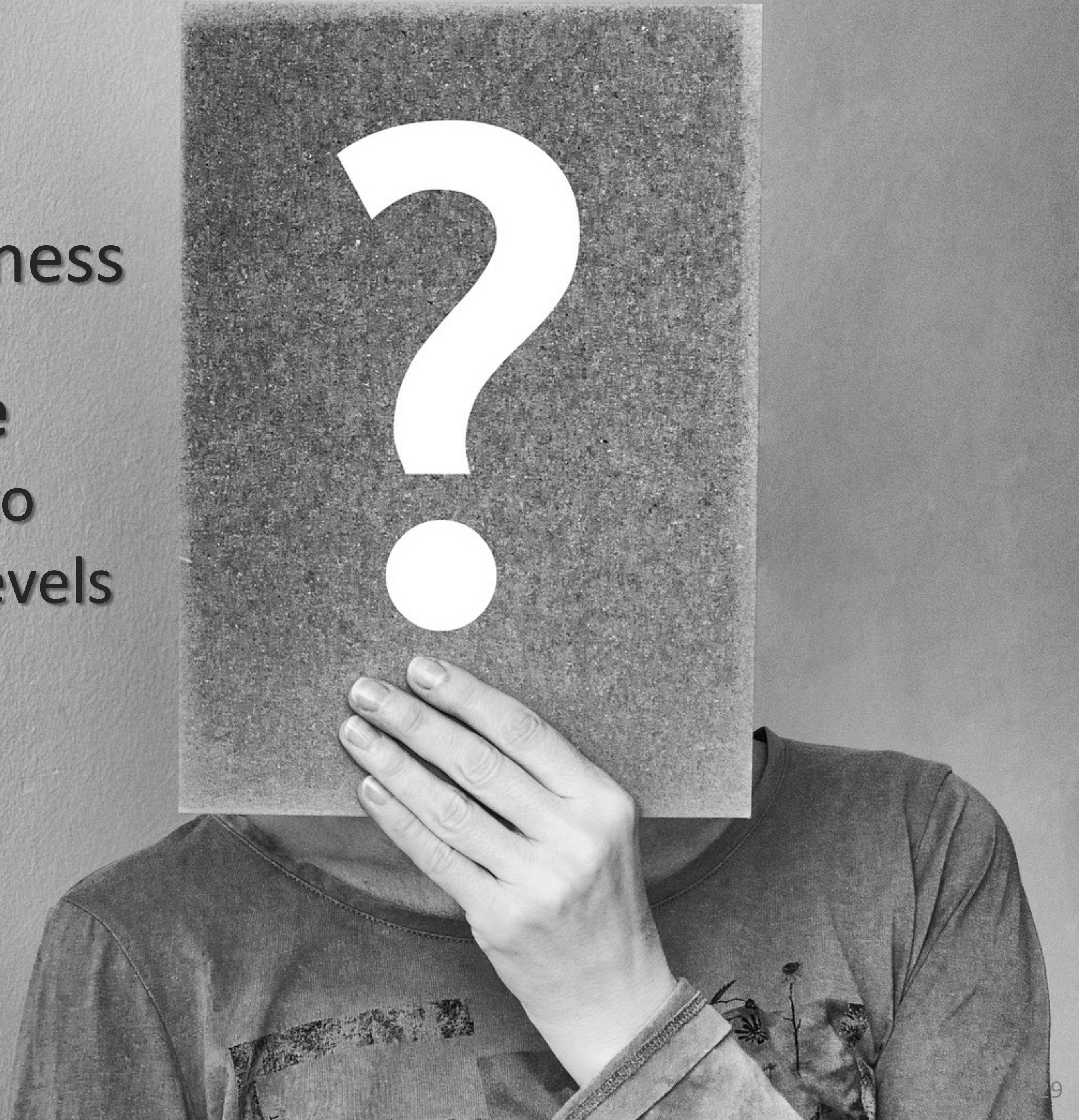
Start with Why

Align Programs with the Business

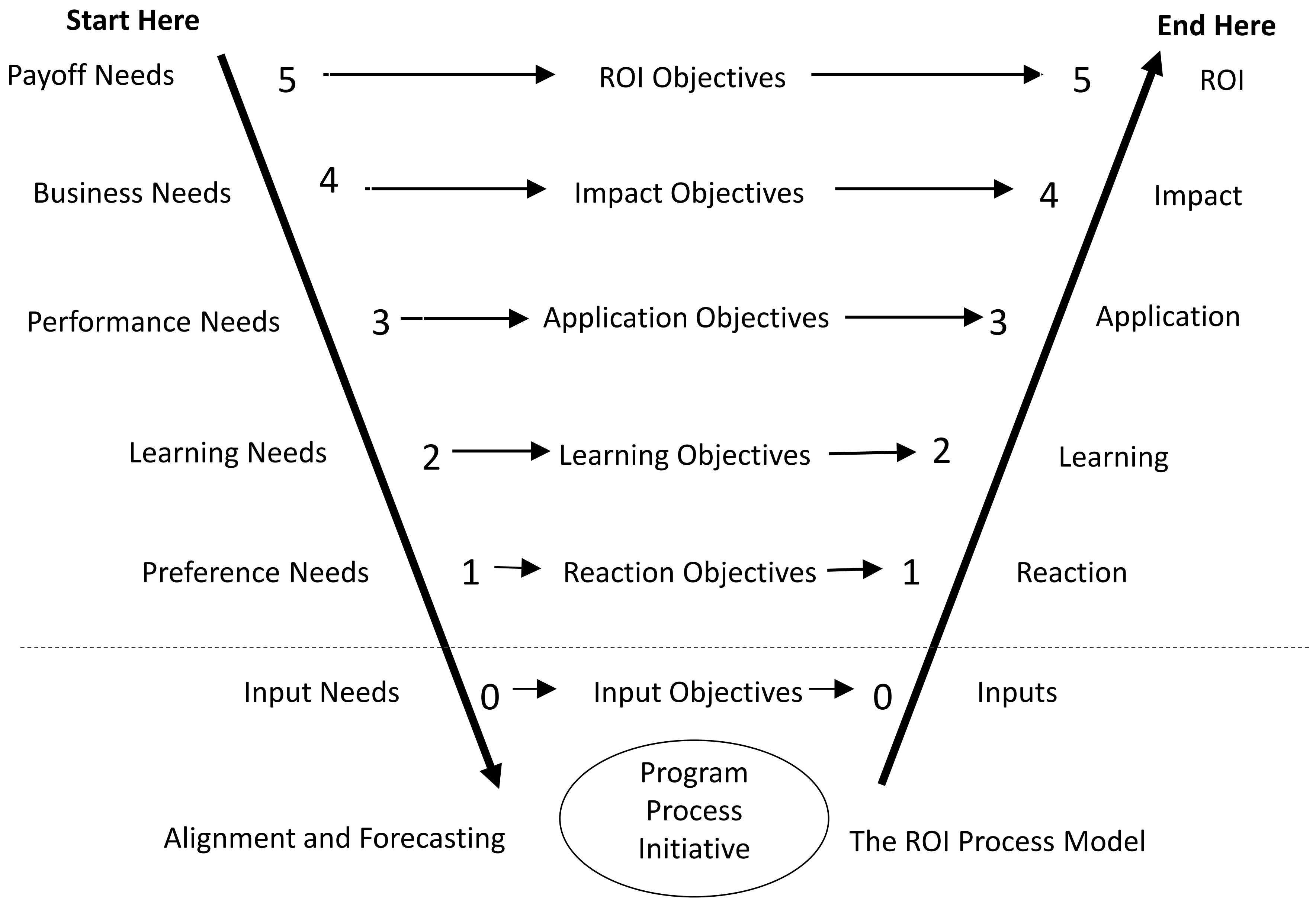
Design Thinking Principle

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.



The Alignment Process: V-Model



Make It Feasible

Select the Right Solution

Design Thinking Principle

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?**

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. Conduct an analysis.

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

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

1. What’s your approach to align these programs to the business?

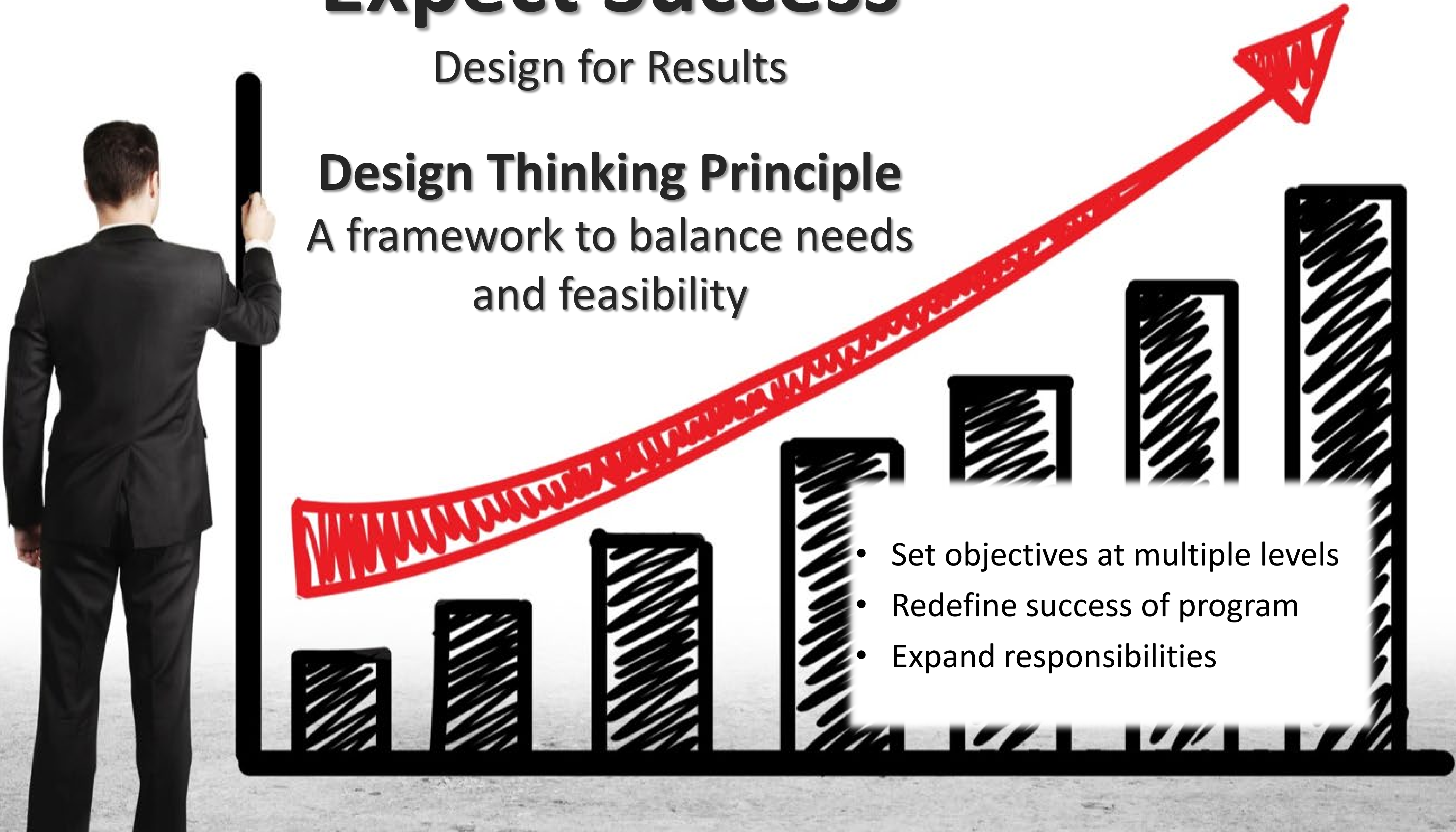
2. How would you ensure it’s the right solution?

Expect Success

Design for Results

Design Thinking Principle

A framework to balance needs and feasibility



- 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

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.

Exercise: Matching Evaluation Levels with Objectives

Instructions: Indicate the level of evaluation at which the objective is aimed.

Level 1: Reaction
Level 2: Learning
Level 3: Application
Level 4: Business Impact
Level 5: Return on Investment

Make it Matter

Design for Input, Reaction, and Learning

Design Thinking Principle

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

Make it Stick

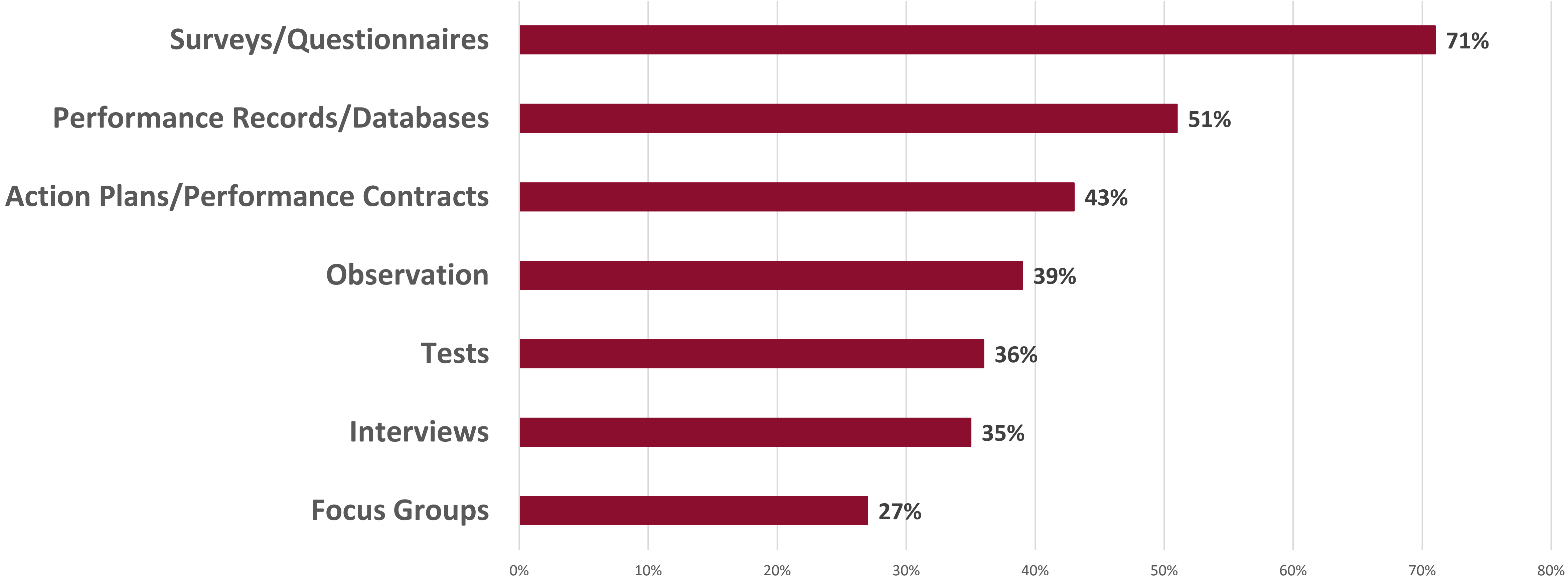
Design for Application and Impact

Design Thinking Principle

A culture that fosters exploration and experimentation

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

Data Collection Methods



*Survey of Users, N = 246

Make it Credible

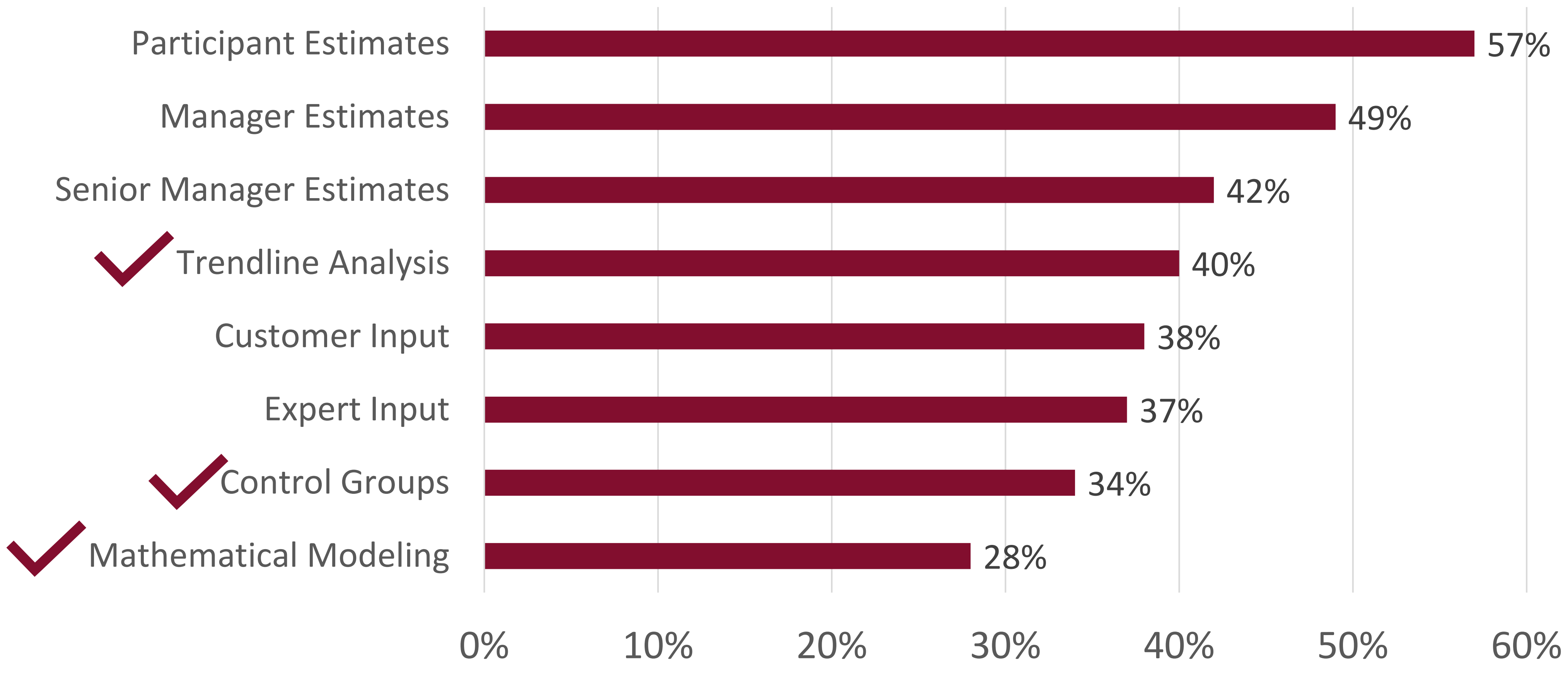
Measure Results and Calculate ROI

Design Thinking Principle

A fixed process and a tool kit

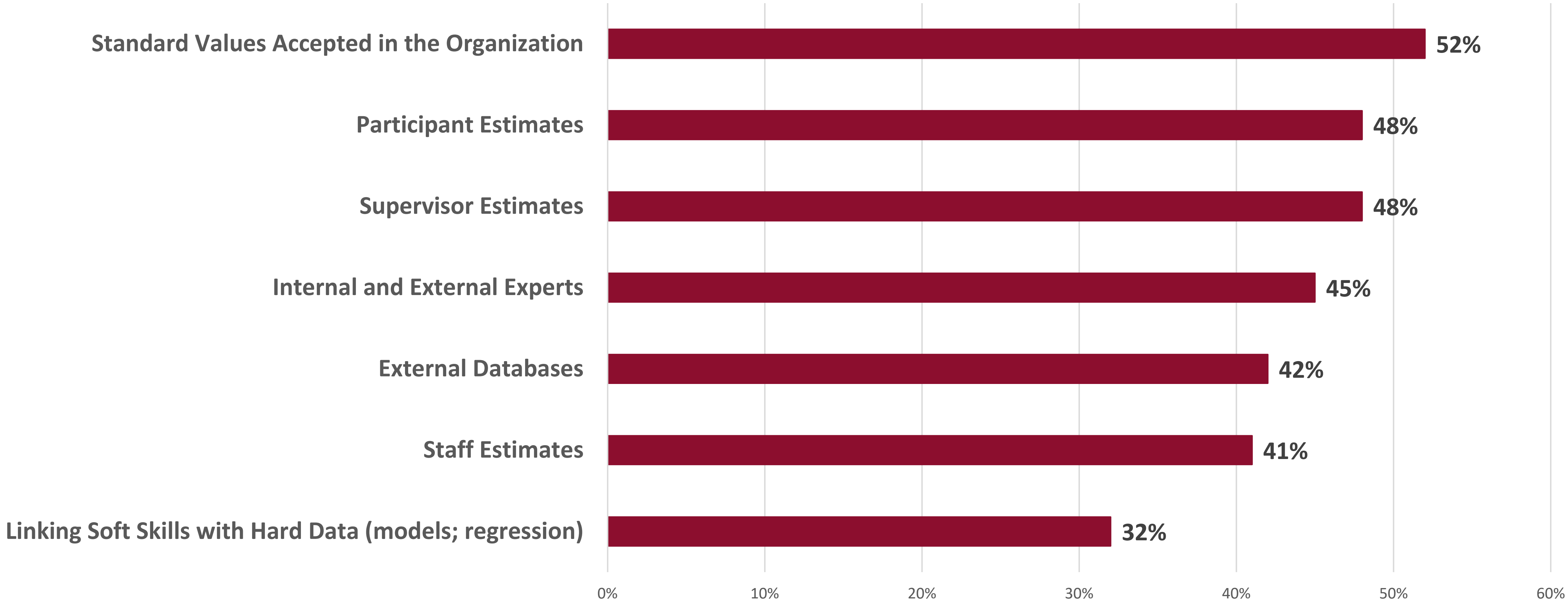
- Isolating the effects of the program
- Converting Impact data to money
- Identifying intangible benefits
- Tabulating cost of the program
- Calculating ROI

Isolation Methods



*Survey of Users, N = 246

Data Conversion Methods



*Survey of Users, N = 246

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

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

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. △P = 3 per month
4. A△P = 3 x 12 = 36
5. A△P x V = 36 x $21,000 = $756,000

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

What is the ROI?

ROI Calculation

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

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

Tell the Story

Communicate Results to Key Stakeholders

Design Thinking Principle 7

A storytelling process to inspire senior executives

- **Define audience**
- **Identify why they need it**
- **Select method**
- **Move quickly**
- **Consider one-page summary**

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?

Optimize Results

Use Black Box Thinking to Increase Funding

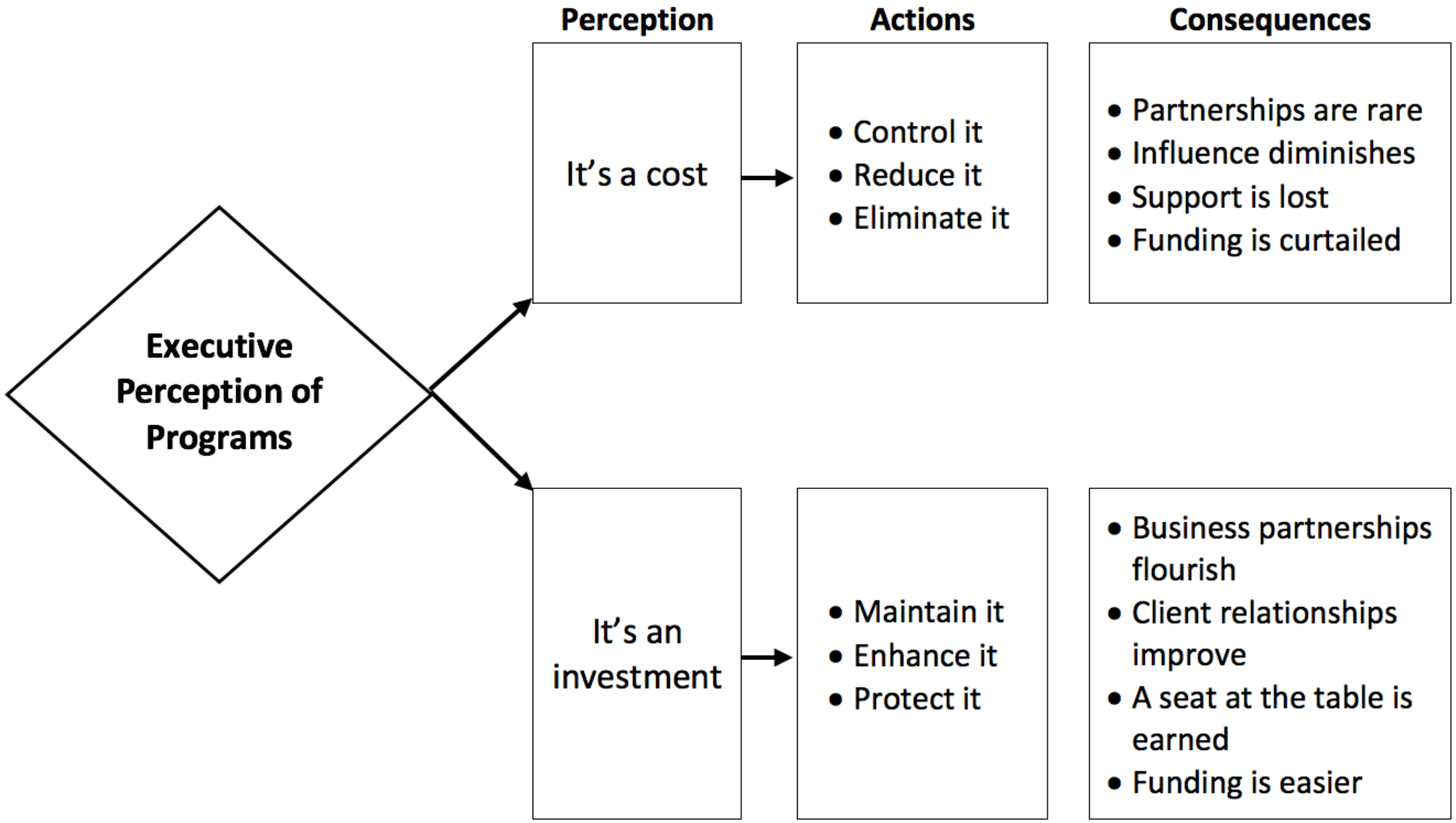
Design Thinking Principle

A new competitive logic of business strategy

EVALUATION → **OPTIMIZATION** → **ALLOCATION**

Measure → Improve → Fund

Cost vs. Investment Perception: The Reality



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

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”.

Measuring the Impact and ROI of a Culture Change Journey at Indeed

July 2023

Evaluation Summary

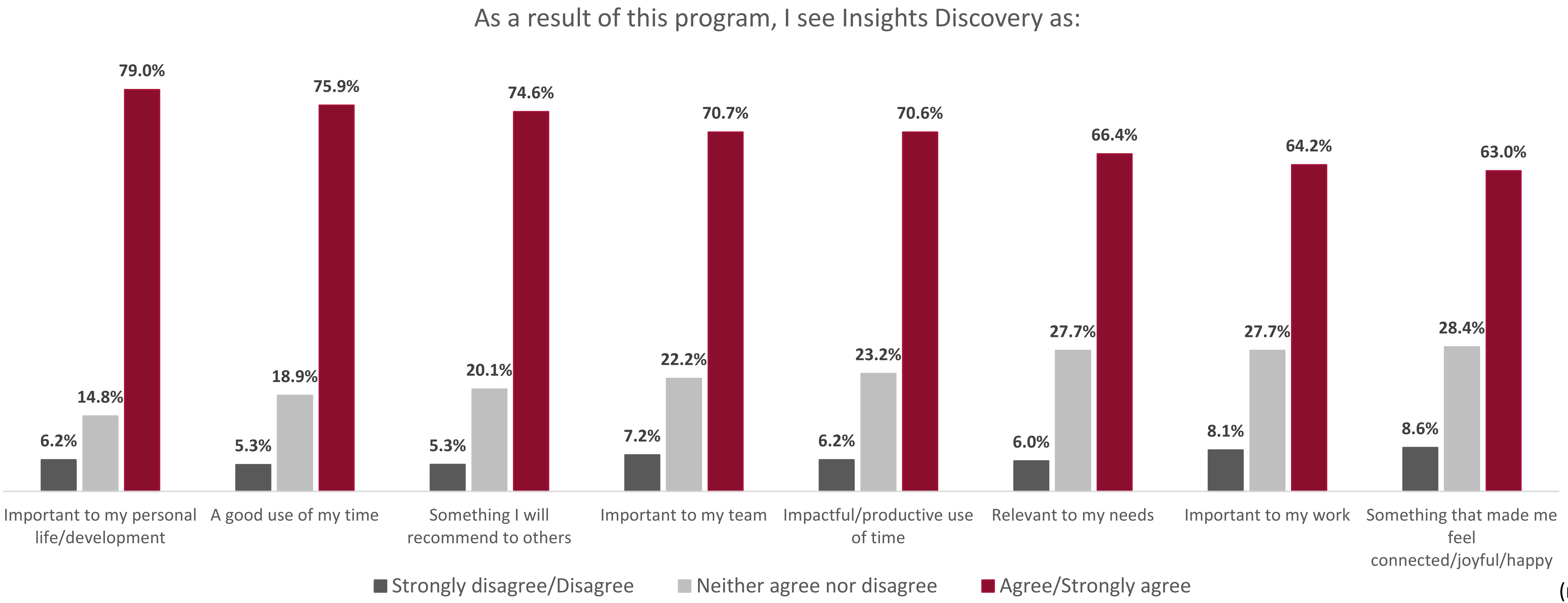
Input: Sample

Total Sample	Surveys Started	Surveys Submitted
1,304	551	505

This sample of 1,304 Indeedians participated in the Insights Discovery program between October 2021 and September 2022.

Respondents indicated that Insights Discovery is:

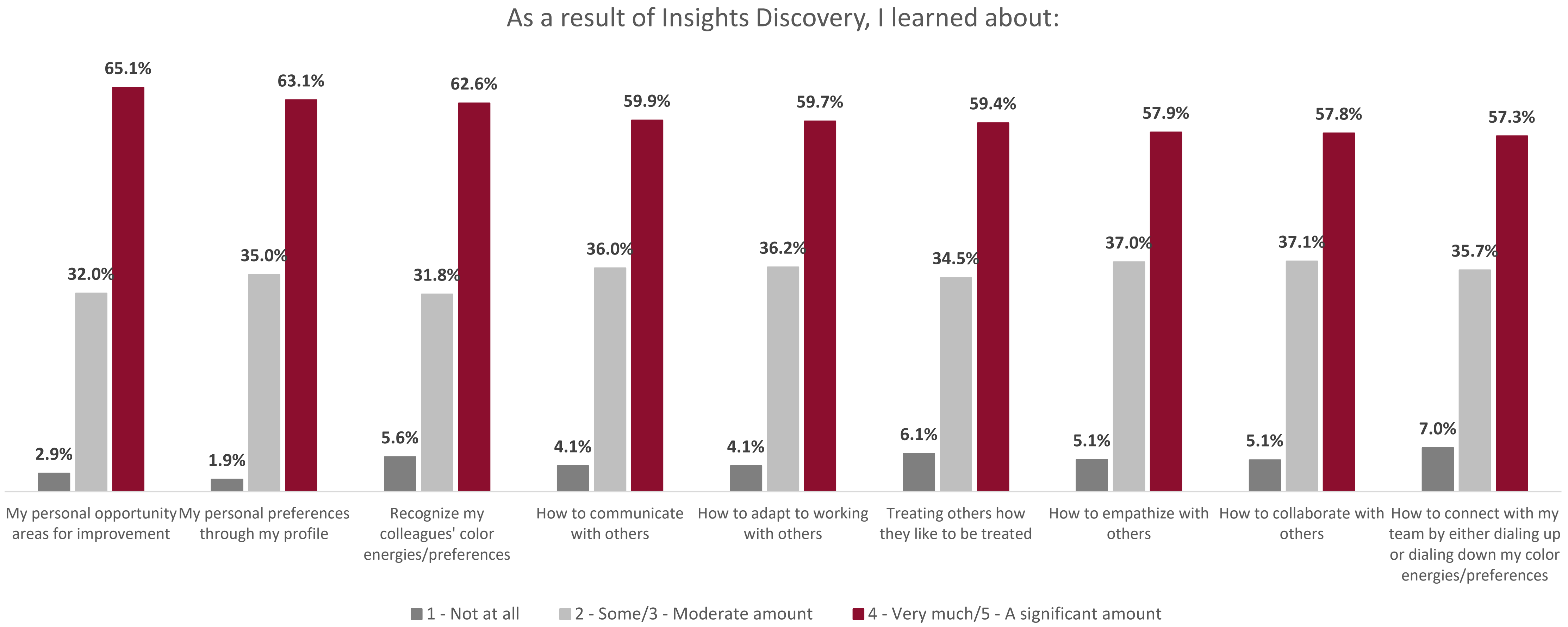
- Important to their professional life/development.
- They see it as a good use of their time.
- It is something they would recommend to others.



(n = 419)

Respondents reported that they learned:

- Their own personal opportunity areas for improvement.
- Their personal preferences through their profile.
- To recognize their colleagues' color energies/preferences.

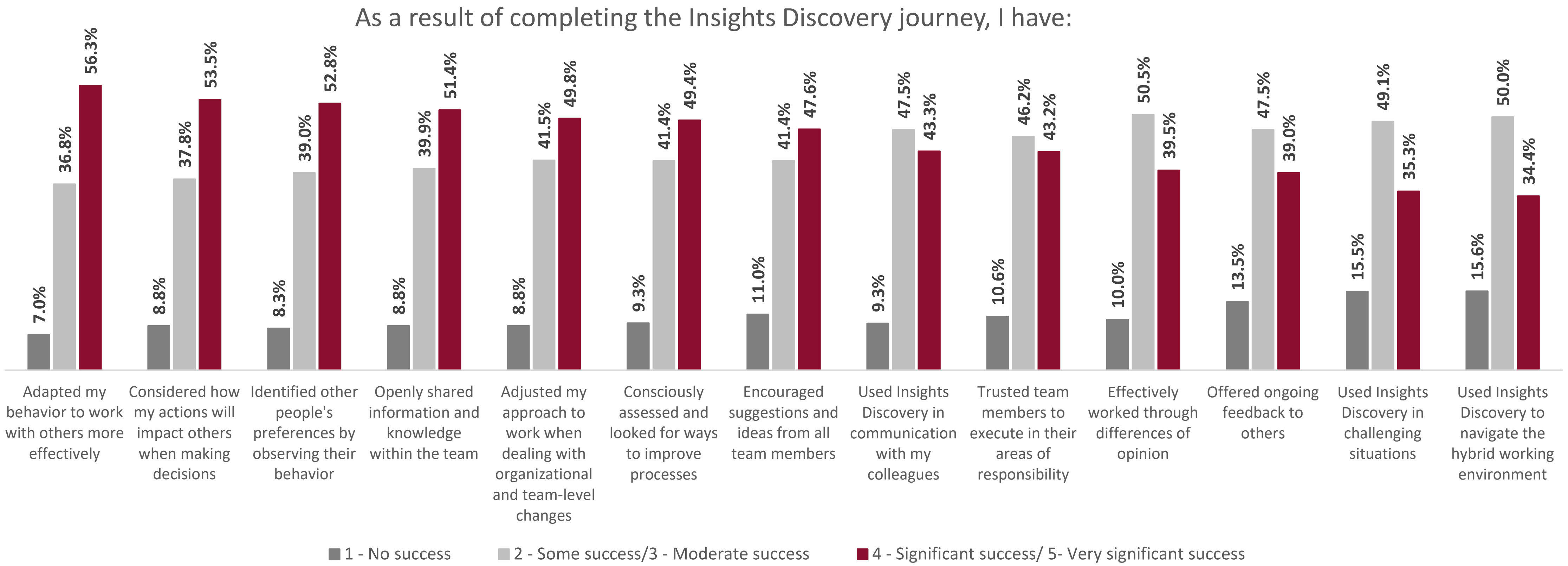


(n = 409)

Application

Respondents reported having success in a variety of areas, including:

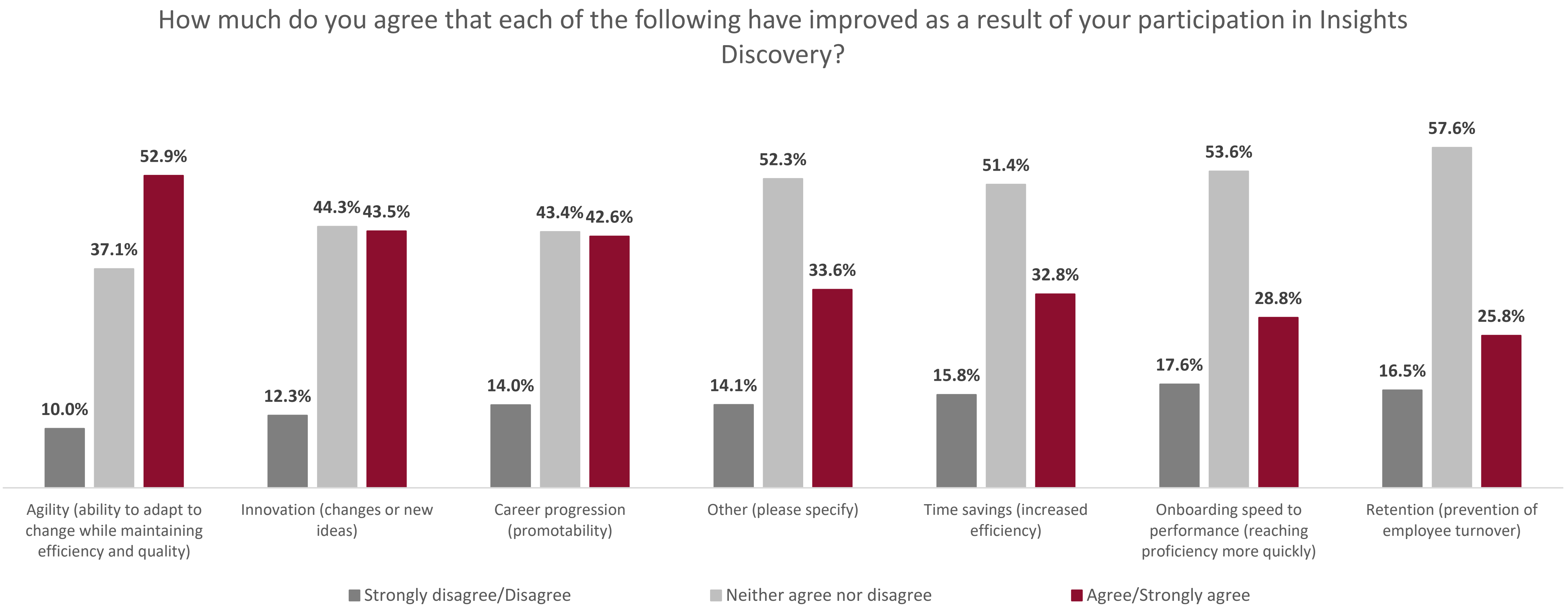
- Adapting their behavior to work with others more effectively
- Considering how their actions impact others when making decisions
- Identifying other people's preferences by observing their behavior
- Openly sharing information and knowledge within the team



(n = 396)

Respondents indicated that agility, innovation, career progression, and "other" measures improved the most because of the Insights Discovery program.

At least 25% of respondents agreed or strongly agreed with each measure presented.



(n = 399)

Details for Monetary Benefits

Detail A - Retention

Number of employees in the sample	1304
Number responding	94
Turnover reduction	12%
Confidence (Error)	55%
Cost of one turnover	$90,623

Cost avoidance: 94 x 12% x 55% x $90,623 = $562,225

Monetary Benefits

Turnover Reduction $562,225 (n = 94)	Reduction in Days to Proficiency $25,313 (n = 56)	Time Savings $541,852 (n = 98)	Career Progression $364,430 (n = 89)
Innovation $649,285 (n = 44)	Agility* $596,871 (n = 55)	Other $159,855 (n = 18)	**Total** **$2,899,831**

* An extreme value has been excluded from Agility.

Program Costs

(n = 1,304)

Program Cost
$221,232

Certifications / Renewals
$47,450

Accreditation Costs
$23,750

Administration / Personnel
$90,811

Staff Time
$85,621

Total
$468,864

ROI Calculation

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

$$\text{ROI} = \frac{\$2{,}899{,}831 \quad - \$468{,}864}{\$468{,}864} \times 100$$

518%

BCR = <u>Benefits</u>
Cost

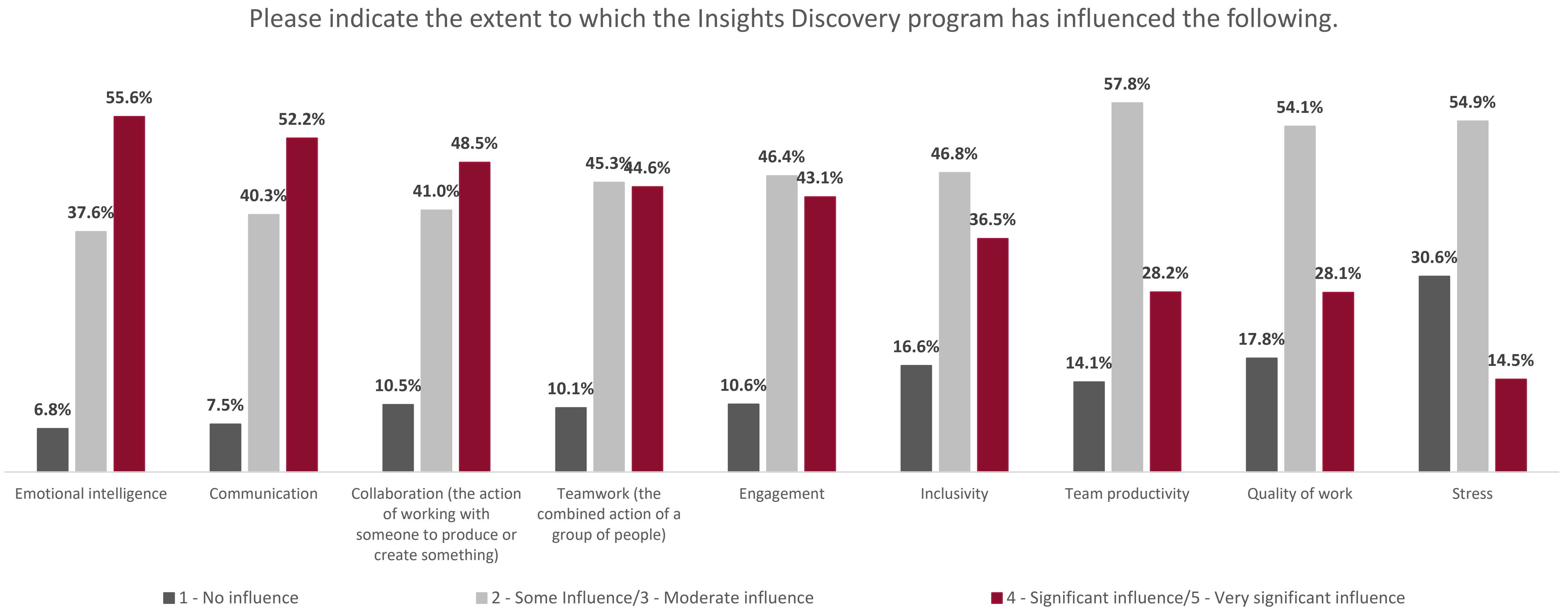
BCR= <u>$2,899,831</u>
$468,864

BCR= 6.18

For every dollar invested, that dollar is returned – along with an additional $5.18

Intangible Measures

Respondents reported that emotional intelligence, communication, collaboration, and teamwork were also influenced by participation in the Insights Discovery program.



(n = 425)

Conclusions

- Respondents reacted positively to Insights Discovery at Indeed.
- They learned the important concepts from Insights Discovery.
- Respondents successfully applied what they learned.
- Indeed experienced impact due to Insights Discovery.
- Insights Discovery at Indeed provides more than $10 million in benefits and an ROI of 2,080%.

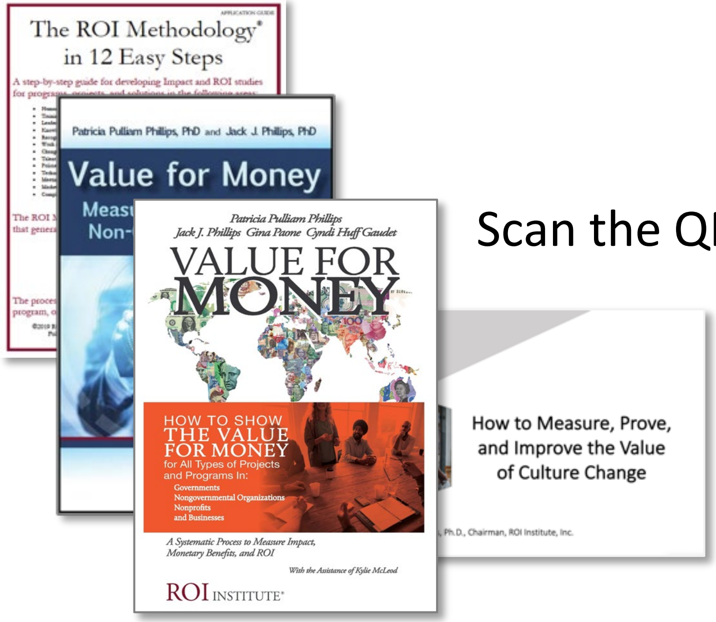
Be Proactive

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.



Scan the QR code or visit the link below to receive resources from today's session.

https://roiinstitute.net/ahrmio-how-to-measure-prove-and-improve-the-value-of-cultural-transformation-and-other-hr-programs-2/

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