About the ROI Estimator

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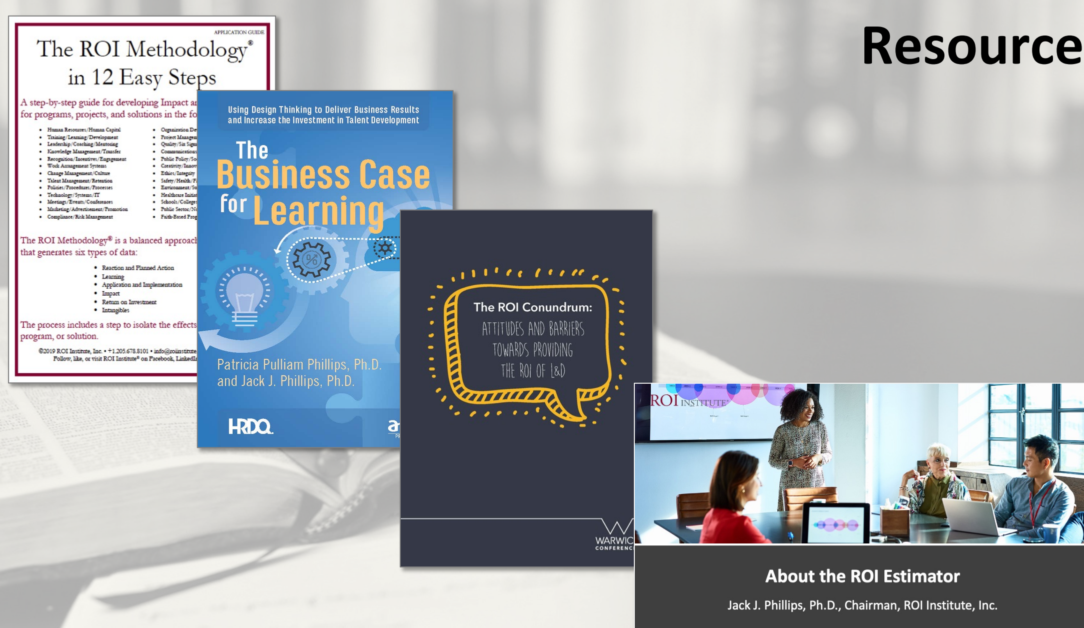
Resources



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Learning Objectives

After attending this session, participants will be able to:

1. Explain the value chain for learning and development programs.
2. Describe the need to show impact and ROI for major programs.
3. Forecast ROI based on design of program.
4. Describe how the ROI Estimator was developed.
5. Use the ROI Estimator to improve programs.

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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.

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What is ROI?

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

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

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To *show* value,
you need to *design* for value.

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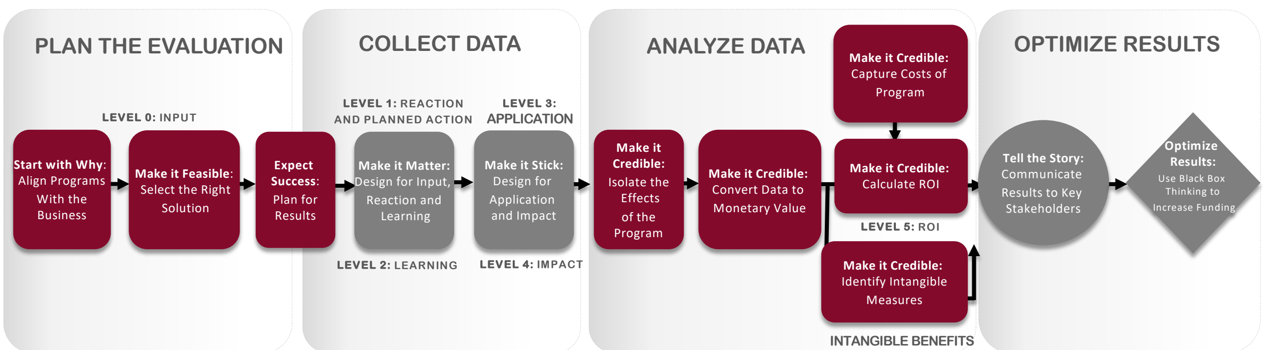
The ROI Methodology Process Model

Designing for the Delivery of Business Results



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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 each year

**Benchmarking 2020

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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

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The ROI Estimator in Three Parts

How a Positive ROI is Developed

How the ROI Estimator was Developed

How to Use the ROI Estimator

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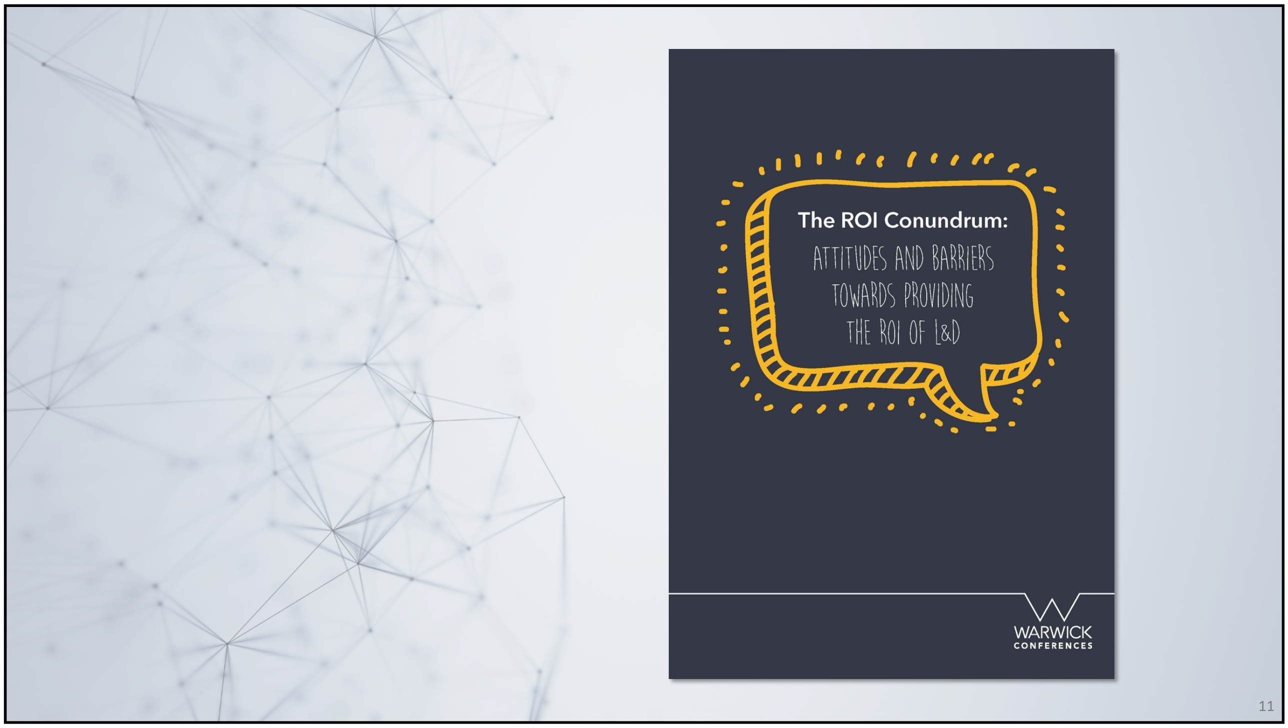

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What Drives Results?

Based on what we know from the past 30 years of conducting and reviewing evaluation studies, several factors have a significant impact on the ROI value. Initially, these factors were considered:

1. **Align the program to business measures in the beginning (business alignment).**
2. **Identify specific behavior changes needed to improve business measures (appropriate solution).**
3. **Select programs that are important to participants (perceived value).**
4. **Establish application and impact objectives for programs (focus on success).**
5. **Involve the right people (appropriate audience).**
6. **Establish supportive partnerships with key managers (manager support).**
7. Minimize the cost of the program (program costs).
8. Consider the duration of the program (duration).
9. **Number of direct reports for participants (direct reports).**
10. Minimize distractions during learning (distractions).
11. Opportunity to use knowledge (skills opportunity).
12. program designed to deliver application and impact (designed for results)
13. Short term versus long term programs (benefits stream).
14. **Utilize offsite learning facilities (delivery).**

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The Research Sequence

- Classify 2,000 studies as either in our target group or not.
- Review each study in the target group for the presence of each of the factors.
- Record data on an Excel spreadsheet.
- Record the ROI calculation.

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The Analysis

1. ROI studies, where a factor is present, were compared to ROI studies, where the factor is not present. We expected to see a higher ROI for those programs where that factor is present.
2. We conducted appropriate statistical tests to determine the outcome's reliability, depending on the number of case studies. This led to the development of the error range.
3. We continued this process for all the identified factors.
4. This provided the incremental differences in ROI based on each factor.
5. The output provided a credible assessment of the important factors that influence a program's ROI.

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Final Eight Factors

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

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The Formula and How it Works

R = Base + XA + XB + XC + XD + XE + XF + XG + XH

Where R = Expected return on investment (ROI)

Base = negative 80% = the expected ROI if none of the factors are present (tentative)

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The Ratings

X = Rating on the presence of a factor, supplied by the client

Rating of 1, no presence at all (X = 0)

Rating of 2, some presence (X = 1)

Rating of 3, moderate amount of presence (X = 2)

Rating of 4, significant amount of presence (X = 3)

Rating of 5, very significant amount of presence (X = 4)

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The Weights

A = Direct Reports

B = Business Alignment

C = Appropriate Solution

D = Focus on Success

E = Appropriate Audience

F = Perceived Value

G = Manager Support

H = Delivery

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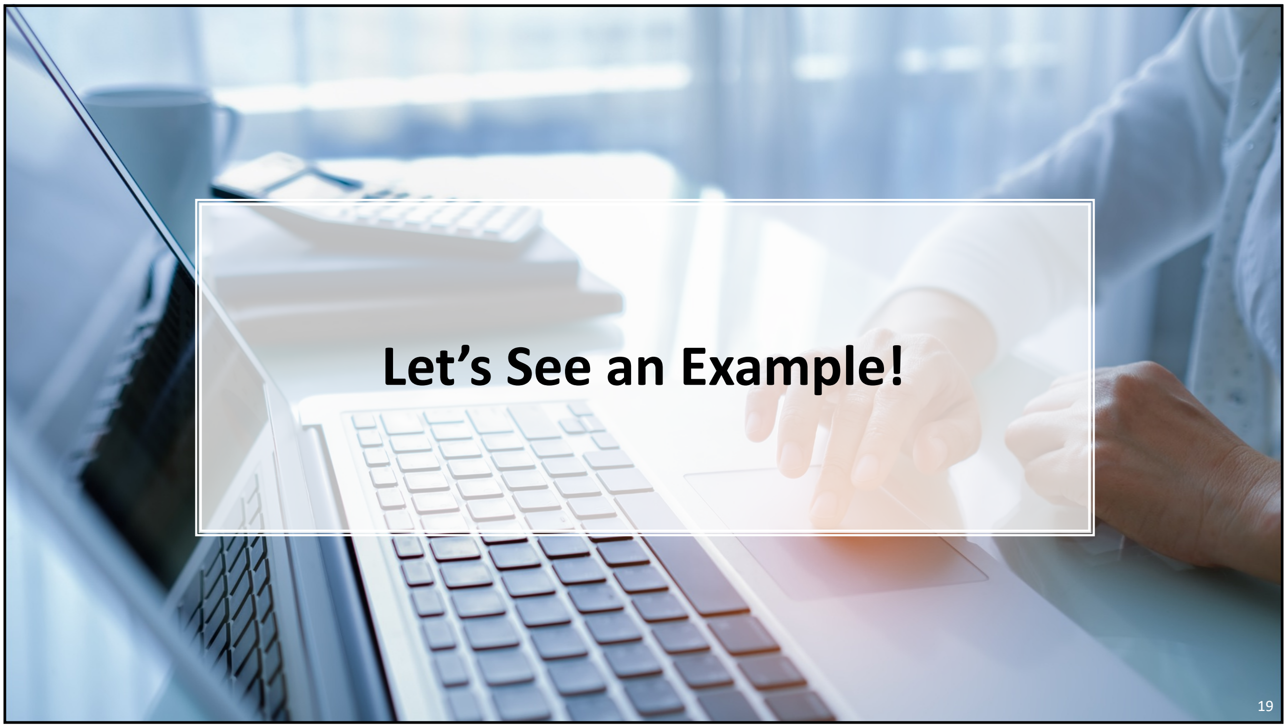

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Interpretation

Below are descriptions of your program based on the estimated ROI:
-26% to -100% Very unsuccessful; program needs significant improvement.

-6% to -25% Unsuccessful; Some elements are present for success: Multiple opportunities for improvement exist.

-5% to 25% Average success; Still, need more focus on improvement.

26% to 100% Above average success; Refine current processes for even more improvement.

100% to 200% Excellent program; Should yield a positive business contribution. There is still potential for more results.

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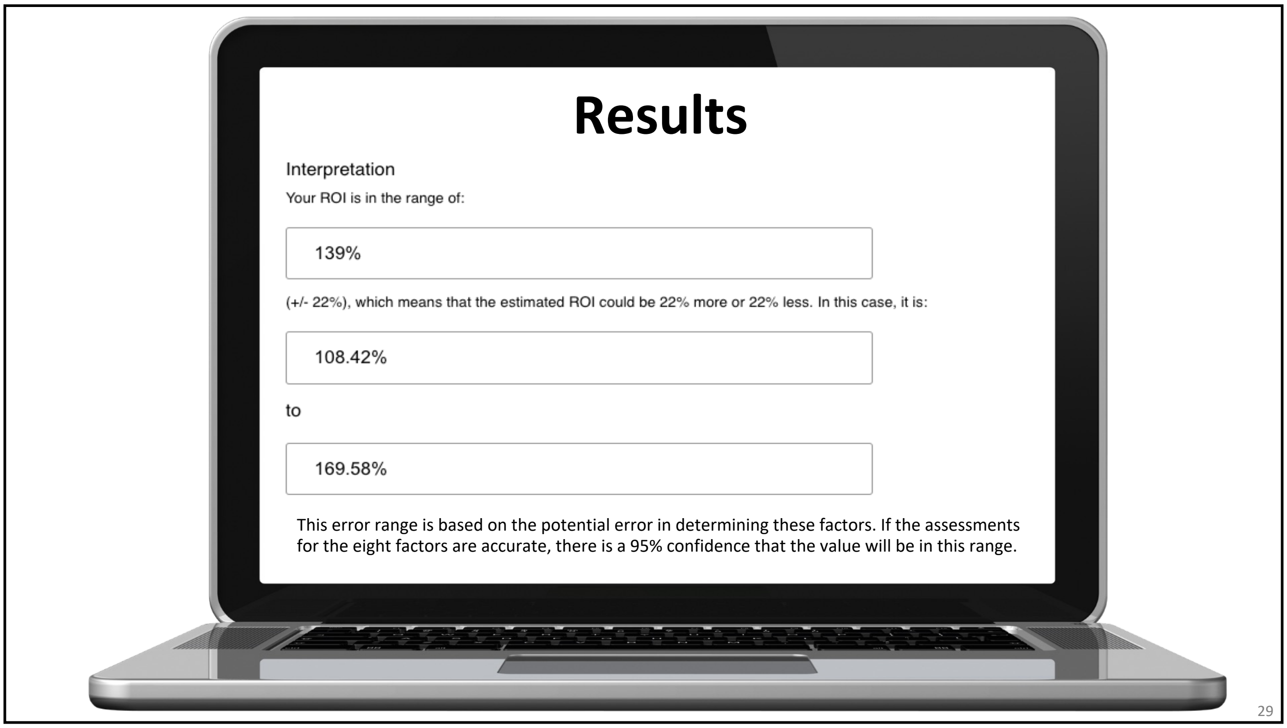
Results
Interpretation
Your ROI is in the range of:
139%
(+/- 22%), which means that the estimated ROI could be 22% more or 22% less. In this case, it is:
108.42%
to
169.58%
This error range is based on the potential error in determining these factors. If the assessments for the eight factors are accurate, there is a 95% confidence that the value will be in this range.
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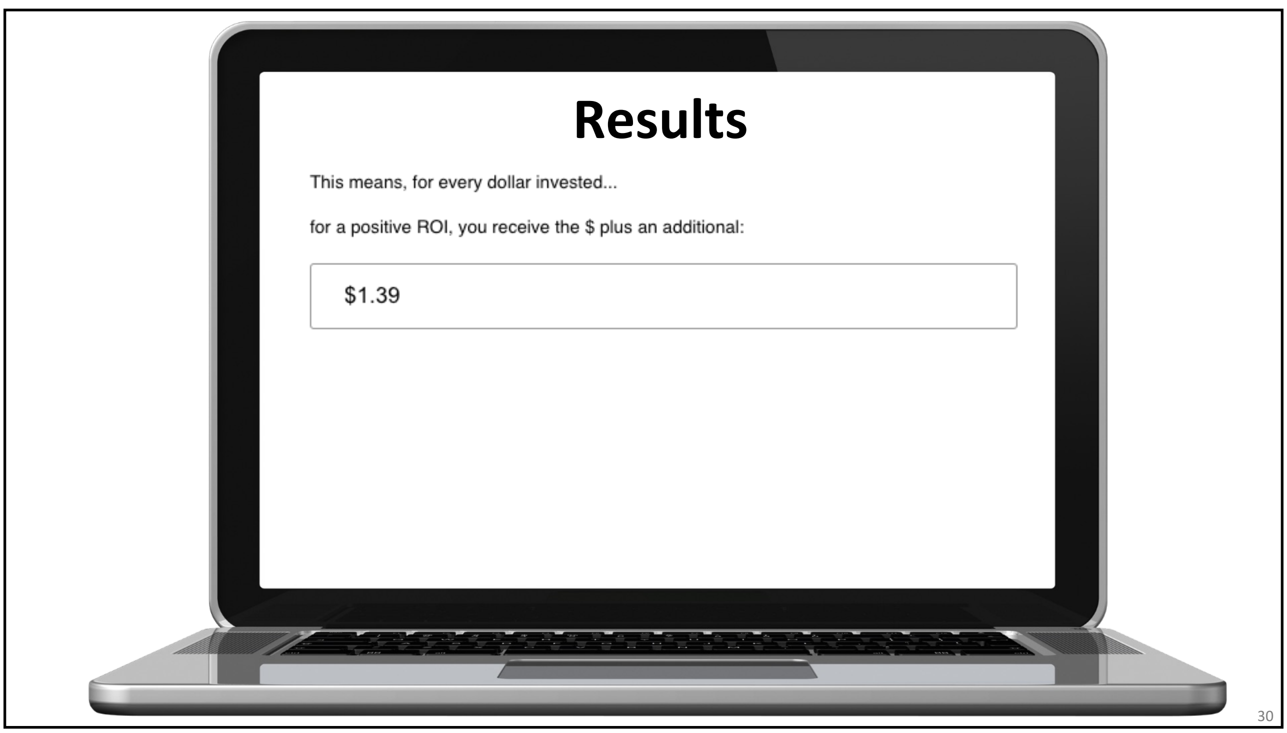
Results
This means, for every dollar invested...
for a positive ROI, you receive the $ plus an additional:
$1.39
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Using the ROI Estimator

- Explain why impact and ROI are important.
- Make clients aware of the estimator.
- Encourage clients to use it.
- Score it together.
- Clients should be candid.
- If they don't know, guess.
- Interpret results.
- Make improvements.
- Teach clients how to deliver better results.

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When to Use the Estimator

- Expensive programs
- Important programs
- Strategic programs
- Programs that solve a major problem
- Programs that explore a major opportunity
- Programs that attract management attention

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When Not to Use the Estimator

- A low cost program
- A program that is not very important
- There is no interest in impact and ROI
- The program is an eLearning program

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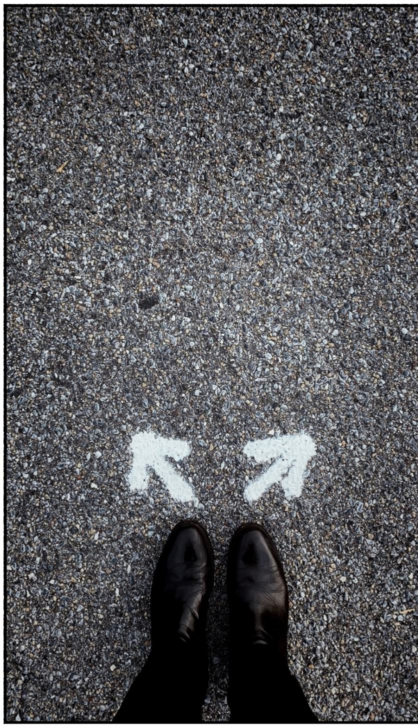

Be Proactive

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.

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