ROI INSTITUTE®

Making ROI Part of Your Story

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Objectives

After completing this workshop, participants should be able to:

- Explain the need for an improved logic model.
- Identify the key characteristics of the ROI Methodology.
- List the advantages of using the ROI Methodology.
- Describe different applications of the ROI Methodology.

A Variety of ROI Applications – The Possibilities are Endless…

1. The British Columbia Interior Health System calculated the ROI for a new procedure for colorectal surgery.
2. Dubai's Ministry of Education calculated the ROI for a model classroom program.
3. A major U.S. city calculated the ROI for investing in housing to reduce the number of homeless citizens on the streets.
4. The Australian Capital Territory Community Care agency forecast the ROI for the implementation of a client relationship management (CRM) system.
5. Horizon Home, a comprehensive shelter and protection system for abused and battered women, developed the ROI for the services provided to clients.
6. The state of Alabama developed the ROI for a recidivism program for drug related offenders.
7. A major city calculated the ROI for a new disciplinary system and selection system to reduce unplanned absenteeism and bus delays.
8. The Healthy Living Group in a Canadian government healthcare system developed the ROI for a smoking cessation program for citizens under the age of 35.
9. The UN Women agency measured the ROI for a microfinancing program to increase economic empowerment of women, especially of those who are most excluded.
10. A large insurance company developed the forecast and actual ROI for a work-at-home program for two job groups.
11. A major hotel chain calculated the financial value and ROI of its coaching program.
12. An NGO has developed the impact and ROI for a new law to make domestic violence illegal in Kazakhstan.
13. A refugee services agency conducted ROI studies on two of its major programs: employment and vocation services.
14. Singapore Defense Science and Technology Agency measured the ROI on team effectiveness.
15. The Danish Postal Service calculated the ROI for an employee engagement program.
16. A large U.S. bank calculated the ROI for sponsoring a major sports event.
17. The World Food Programme (Rome, Italy) developed the ROI for a leadership development program for country directors.

18. A major U.S. defense department agency calculated the ROI for a master's degree offered to high-potential employees inside the agency.
19. The Association for Talent Development calculated the ROI for the annual conference, from the participant perspective and the exhibitor perspective.
20. The United Nations Security Department calculated the ROI for providing police training in Kuala Lumpur, Malaysia.
21. Novartis, a Swiss-based pharma, calculated the ROI for a management development program.
22. A package delivery company calculated the ROI for the replacement of keys with a fob in courier vehicles.
23. Laboratory Systems, a small 13-person company in Ireland, calculated the ROI for new product development.
24. Innova Energy developed the ROI for a stress reduction program.
25. A large Canadian bank calculated the ROI for networking among its senior leaders.
26. A large international consulting firm calculated the ROI for a social media system designed to manage the knowledge of their consultants.
27. The U.S. Air Force calculated the ROI for implementing new procedures to prevent an intrusion into a database.
28. The Institute for Clergy Excellence calculated the ROI in a program to address the burn out among clergy.
29. Sprint developed the ROI for a diversity program.
30. A large European software company calculated the ROI for a virtual business development conference for the sales team.
31. A major US city calculated the ROI in a Jobs Now! program aimed at inner city youth.
32. Kansas City Police Department calculated the ROI for a leadership program for the SWAT team.
33. Fundación Paraguaya is calculating the ROI for a poverty elimination program in Paraguay.
34. School systems in North Carolina and Virginia measured the impact and ROI for the "Leader in Me" program for middle school students.
35. Memorial Regional Health System conducted an ROI study on the value of chaplaincy in the intensive care unit.

Questions to Consider

1. What do you see in common with these examples?

2. What is driving this level of accountability for these programs?

Problems and Opportunities with Current Measurement Systems

Topic	Problem or Issue	What Is Needed	ROI Methodology	Your System
Focus of use	Audit focus; punitive slant; surprise nature	Process improvement focus	This is the number one use for the ROI Methodology	
Standards	Few, if any, standards exist	Standards needed for consistency and credibility	Twelve standards accepted by users	
Types of data	Only one or two data types	Need a balanced set of data	Six types of data representing quantitative, qualitative, financial, and non-financial data	
Dynamic adjustments	Not dynamic; does not allow for adjustments early and often in the program cycle	A dynamic process with adjustments made early and often	Adjusts for improvement at four levels and at different timeframes	
Connectivity	Not respectful of the chain of value that must exist to achieve a positive impact	Data collected at each stage of the value chain	Every stage has data collection and a method to isolate the program's contribution to impact	
Approach	Activity-based	Results-based	Twelve steps are used to design for results	
Conservative nature	Analysis not very conservative	A conservative approach is needed for buy in	Very conservative: CFO- and CEO-friendly	
Simplicity	Not user friendly; too complex	User friendly, simple steps	Twelve logical steps	
Theoretical foundation	Not based on sound principles	Should be based on theoretical framework	Endorsed by hundreds of professors and researchers; grounded in research and practice	
Acceptance	Not adopted by many organizations	Should be used by many	More than 5,000 organizations using the ROI Methodology	

What is ROI?

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

$$\text{ROI (\%)} = \frac{\text{Net Program Benefits}}{\text{Program Costs}} \times 100$$

Exercise:

Costs per program (25 participants) = $32,984

Benefits per program (1st year) = $71,760

$$\text{BCR} = \frac{\qquad\qquad}{\qquad\qquad} =$$

$$\text{ROI (\%)} = \frac{\qquad\qquad}{\qquad\qquad} \times 100 =$$

Applications of the ROI Methodology

The ROI Methodology is being used to measure the success of any type of project, program, initiative, system, procedure, event, or process in these types of organizations:

- Publicly traded businesses
- Privately held businesses
- Governments (federal, state, and local level)
- Nongovernment organizations
- Nonprofits
- Universities
- Community colleges and technical institutes
- K-12 school systems
- Foundations
- Charities
- Healthcare organizations
- Networks and alliances
- Associations
- Religious organizations

The ROI Methodology is a flexible, versatile process that can withstand the scrutiny of critics, while providing CEO- and CFO-friendly data through a process that is user-friendly.

Six Categories of Data

Level	Measurement Focus	Typical Measures
0–Input	• Input into programs, including indicators representing scope, volumes, times, costs, and efficiencies	• Types of programs • Number of programs • Number of people involved • Hours of involvement • Costs
1–Reaction and Planned Action	• Reaction to the programs, including participants' perceived value and planned action to make them successful	• Relevance • Importance • Usefulness • Appropriateness • Intent to use • Motivational • Recommended to others
2–Learning	• Knowledge and success gained, learning how to develop concepts and how to use skills and competencies to drive program success	• Skills • Learning • Knowledge • Capacity • Competencies • Confidences • Contacts
3–Application and Implementation	• Application and use of knowledge, skills, and competencies, including progress made and implementation success	• Behaviors • Extent of use • Task completion • Frequency of use • Actions completed • Success with use • Barriers to use • Enablers to use • Engagement
4–Impact	• The impact of the programs and processes expressed as business impact measures	• Graduation rates • Infant mortality • Crime rates • Productivity • Revenue • Quality • Jobs created • Efficiency • Incidents of disease • Retention • Customer satisfaction
5–ROI	• Comparison of monetary benefits from the project to project costs	• Benefit Cost Ratio (BCR) • ROI (%) • Payback period

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The Value Chain

*Can predict

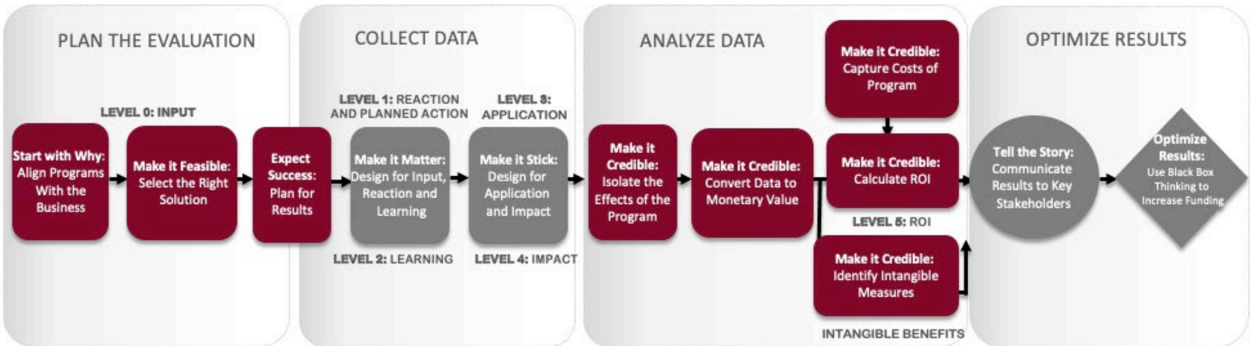
Executives prefer these

	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	98%
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 of program.

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

The ROI Methodology®



Twelve Guiding Principles of ROI

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.

Benefits of This Approach

- Align the program with business measures.
- Validate the program’s value proposition.
- Improve the program.
- Enhance the image of the organization.
- Enhance respect for the organization.
- Improve support for the program.
- Justify or enhance funding.
- Build productive partnerships.

Scotland Yard

For the supporters of soft skills, the headline on the front page of *The Sunday Telegraph* was a nightmare. "Scotland Yard 'wasting' £10M on Leadership Training" was the headline for a major story about this hidden expenditure.[1] Despite a requirement for the Mayor's Office for Policing and Crime to publish all expenditures exceeding £500, the details of Scotland Yard's £10 million outlay have been kept secret until now.

The Concern

The Metropolitan Police has been accused by its officers of "wasting" £10 million on a leadership training program as the crime rate soars. More than 10,000 officers and staff at the rank of sergeant and above will attend five days' worth of training courses before the end of the year. A spokesman said that the course costs £5 million a year over two years.

Officers who recently completed the course are understood to have confronted bosses at the end, questioning why the money could not have been used to recruit new police officers, provide police cars, or enhance operational training. The £10 million budget would be enough to fund roughly 1,000 police cars, at a time when the fleet is being reduced to save money, or the yearly salary of more than 400 police officers.

The course–for which staff will be taken off duty for a total of more than 50,000 days–comes amid soaring crime levels in the capital including more than 60 murders this year, with the monthly homicide rate overtaking that of New York. It also comes at a time when the *Sunday Times* reported in a front-page story, "Under 5% of all burglaries and robberies solved: New shocking figures reveal failure of police."[2]

The Program

The program is a classic blend of soft skills tools, including, "50,000 hours of one-to-one coaching; five days of full workshops per person; two 360-degree feedback processes per person and one clarity 4D personality profile per person." The profile test, at a cost of £17 per person, tells someone whether they are a "blue", "red", "yellow" or "green" personality. "Yellows", for example, discover that they are "talkative, expressive, light-hearted, sociable, flamboyant and enthusiastic."

At the end of the course, they were asked to come up with personal "pledges", such as to do more exercise.

> ***"Police told whether they are 'red' or 'blue' personalities."***

The training days are run by Lane4, a management consultancy company founded by former British swimmer Adrian Moorhouse, an Olympic gold medalist. The company said that their leadership program will help people with "self-development (their identity, self-reflection, their behaviors, their impact on others)" as well as "creating meaning through shared identity."

The Reaction

An attendee of the course told *The Sunday Telegraph*: "Everyone was angry as they felt it was a waste of money and it took us out of borough at a time when we have so much work to do."

Ken Marsh, Metropolitan Police Federation chairman, said that all officers wanted was to get on with their jobs. He said: "We are on our knees. Crime is going up, and that is serious crime going up as well, the public are concerned, and we haven't got the resources that we need."

A Met spokesman said: "As London's single biggest employer we absolutely must support our leaders by giving them the skills they need to do their jobs. Well-led and well-trained people deliver better, and ultimately that means Londoners get a great service."

The Met's summary of the program said it is designed "as a lever to drive positive behaviors and to empower our staff to communicate and engage more effectively."

Scotland Yard said it was "confident this investment is worthwhile" and it had received positive feedback from many attendees.

A spokesman for the Mayor of London said: "As outlined in the Mayor's Police and Crime Plan, the Met's most valuable asset is its people and so it is important that staff have the right training and support to lead the organization."

[1] H. Dixon. "Scotland Yard 'wasting' £10M on leadership training." *The Sunday Telegraph*. June 3, 2018. 1 -2.
[2] J. Ungoed-Thomas, K. Shveda, S. Joiner, and D. Collins. "Under 5% of all burglaries and robberies solved." *Sunday Times*. June 17, 2018. 1.

Questions to Consider

1. Is this a typical situation?
2. What went wrong with this program?
3. Is the leadership development provider partially responsible? Explain.
4. What should have been the approach?

Notes:

This is Much Better: Kansas City Police

In Kansas City, Missouri, the 1910 Squad SWAT team had a reputation for having the most complaints of any unit. They were a very tough group aimed at arresting the criminal using whatever means necessary. Along the way, they left families, friends, and others upset to the point where they were complaining about excessive force. About three complaints per month were reported, and each complaint cost the city about $70,000. The chief of police determined this had to be fixed.[1]

Chip Huth was tasked with changing the group's approach. Chip had been introduced to a leadership concept from the Arbinger Institute. The concept's approach was about transforming an inward mindset to an outward mindset. The team began to realize that their focus had been entirely inward, focusing on meeting their goals, and in these situations, they perceived people and pets involved as objects instead of human beings and pets who are loved by family members. Team members began to see this shift in mindset as:

- Necessary to instill the type of culture where each person felt supported and had an opportunity to make meaningful contribution.
- Important to develop the capacity to conduct dangerous and kinetic police work safely, while instilling community trust.
- Feasible and practical to instill mindset shift into all aspects of dynamic police work.

The design was to SEE and RESPOND to people as people. The design was to develop and implement an outward mindset toward fellow team members, people from other department elements, people from teams on other agencies, the people in the house where the warrant is served, the neighbors around the house, etc.

When they changed their thinking and subsequent approach, there was a dramatic difference. The complaints reduced from three per month to zero, and this result has continued for several years. The outward mindset training program yielded a very high ROI calculation of more than 2,000%, a low-cost program solving an expensive problem.

Contrast the difference between these two police examples. In Scotland Yard, the definition of success at the end of the program was behavior. In Kansas City, it was impact because the program began with the end in mind with the business impact measure of citizen complaints. This concept is simple, yet powerful. You start where you want to finish. Success does not occur until impact is achieved.

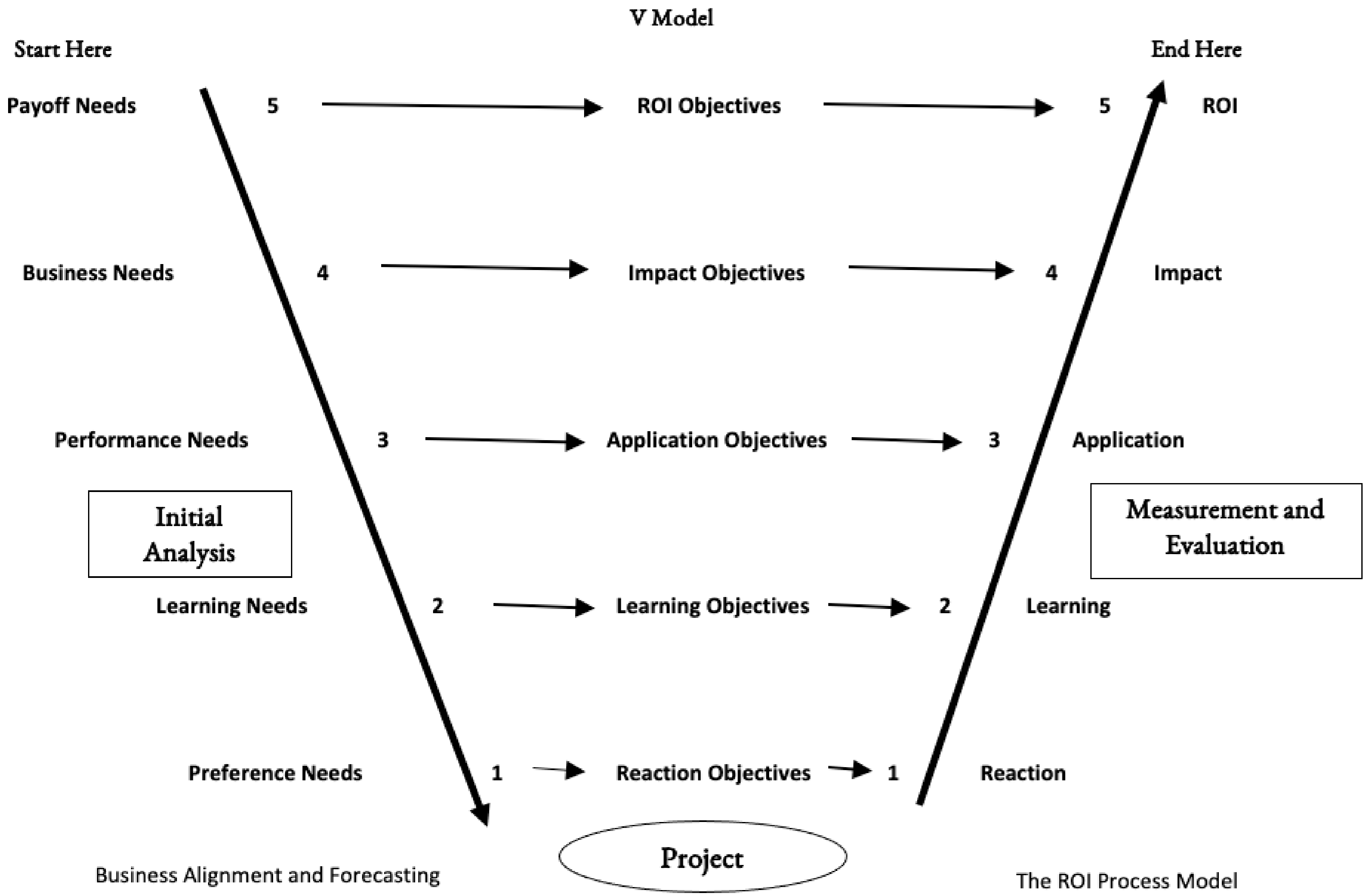
[1]The Arbinger Institute. *The Outward Mindset: How to Change Lives and Transform Organizations, Second Edition*. Oakland, CA: Berrett Koehler Publishers, 2019.

Questions to Consider

1. Is it possible to "start with why" (the business measure) with every project? Explain.

2. What are the business measures for your project?

Program Alignment



Finding 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.

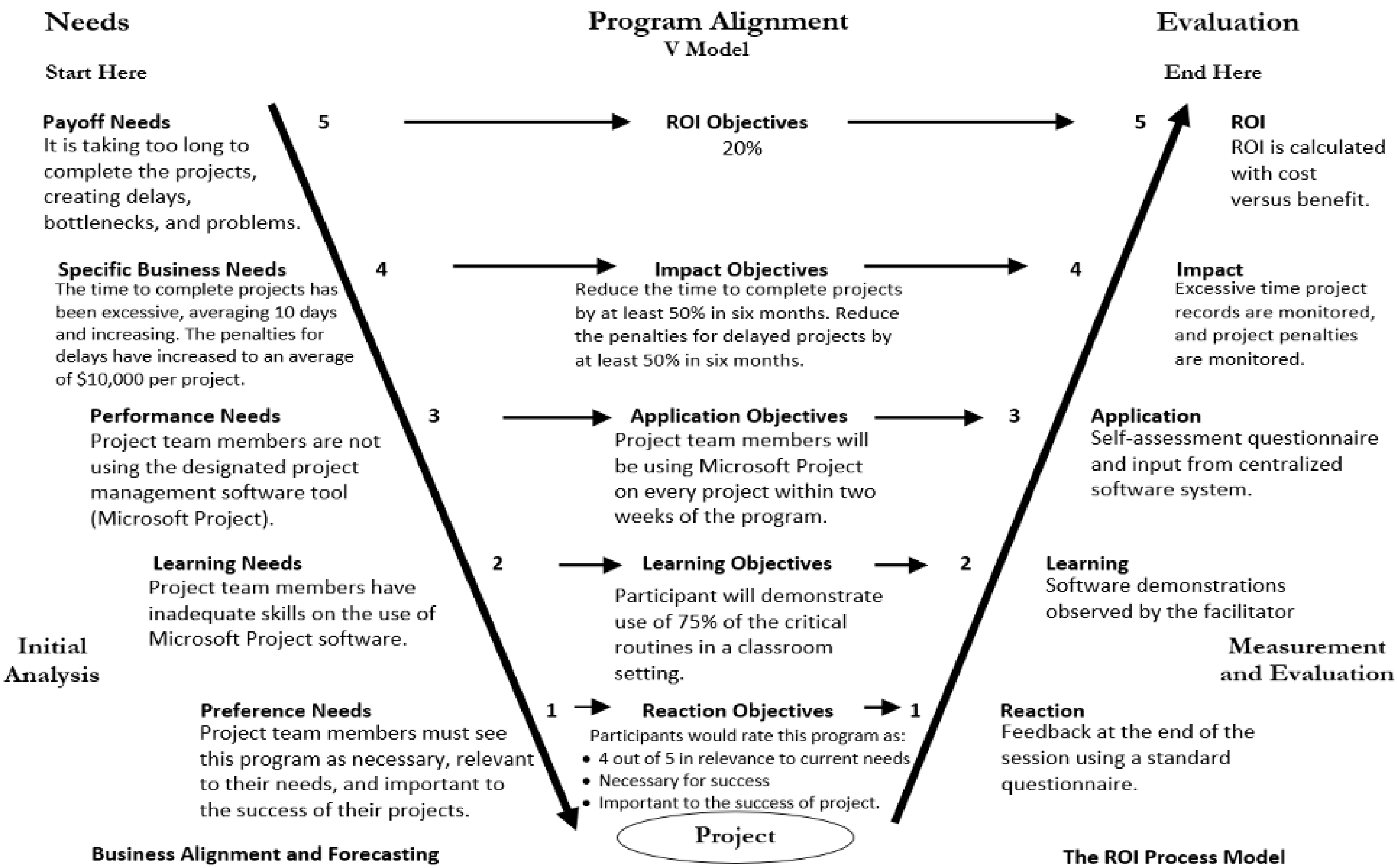
____

____

7. Discuss disasters in other places.

____

____


Needs
Program Alignment
V Model
Evaluation
Start Here
End Here
Payoff Needs
It is taking too long to complete the projects, creating delays, bottlenecks, and problems.
5
ROI Objectives
20%
5
ROI
ROI is calculated with cost versus benefit.
Specific Business Needs
The time to complete projects has been excessive, averaging 10 days and increasing. The penalties for delays have increased to an average of $10,000 per project.
4
Impact Objectives
Reduce the time to complete projects by at least 50% in six months. Reduce the penalties for delayed projects by at least 50% in six months.
4
Impact
Excessive time project records are monitored, and project penalties are monitored.
Performance Needs
Project team members are not using the designated project management software tool (Microsoft Project).
3
Application Objectives
Project team members will be using Microsoft Project on every project within two weeks of the program.
3
Application
Self-assessment questionnaire and input from centralized software system.
Learning Needs
Project team members have inadequate skills on the use of Microsoft Project software.
2
Learning Objectives
Participant will demonstrate use of 75% of the critical routines in a classroom setting.
2
Learning
Software demonstrations observed by the facilitator
Initial Analysis
Measurement and Evaluation
Preference Needs
Project team members must see this program as necessary, relevant to their needs, and important to the success of their projects.
1
Reaction Objectives
Participants would rate this program as:
• 4 out of 5 in relevance to current needs
• Necessary for success
• Important to the success of project.
1
Reaction
Feedback at the end of the session using a standard questionnaire.
Project
Business Alignment and Forecasting
The ROI Process Model

Create a Green Organization

OPCW

-Sample-

Level	Needs	Objectives	Evaluation	Level
5	• Help protect the environment • Save costs	• ROI target of 10%	• Project benefits compared to costs	5
4	• Reduce carbon emissions • High energy costs • Rising costs of operations	• Reduce carbon emission by ___ • Reduce energy costs by ___ • Reduce materials/supplies by ____	• Organization records	4

3	• Not recycling materials
	• Need to change consumption habits
	• Need to use less materials and supplies
	• Not making environmentally friendly choices
		• Six months after the project begins, employees will:
		  ○ Recycle in eight categories
		  ○ Alter consumption patterns
		  ○ Reduce usage, conserve
		  ○ Use environmentally friendly supplies
			• Self-assessment questionnaire
			• Recycle records
			• Records of purchasing eco-friendly products
				3

2	• How actions effect the environment
	• Specific green methods
	• Environmental issues
		• All employees will learn:
		  ○ Environmental issues
		  ○ Specific green actions they can take
		  ○ How to make eco-friendly choices
			• Self-assessment questionnaire
			• Environment Quiz
				2

1	• Employees must see project as necessary, important, relevant feasible	• Program receives favorable rating of 4 out of 5 on:
		  ○ Necessary to OPCW
		  ○ Relevance to OPCW
		  ○ Importance of adhering concepts in support of public good
			• Reaction questionnaire administered to all project participants	1

Farmer Production Program

WFP

-Sample-

Level	Needs	Objectives	Evaluation	Level
5	• Country must produce food for citizens	• Break-even (BCR = 1:1)	• Program benefits compared to program costs	**5**
4	• Farmer profits are negative • Food produced is not to WFP standards • Food not purchased by WFP	• Farmer profit at ___ • ___% of food meets WFP standards • WFP purchase ____% of production	• Farm records • WFP records	**4**

3	• Efficient farming methods not used
	• Standards not followed
	• Land not properly utilized
		• Farmers will:
		  ○ Follow standards
		  ○ Utilize land resources
		  ○ Sell food to WFP
			• Interviews
			• Action plans
			• Questionnaires
				3

2	• Operations
	• Equipment
	• Finance/accounting
	• Management
	• Technology
		• Farmers will demonstrate their knowledge of:
		  ○ Operations
		  ○ Equipment utilization
		  ○ Finance/accounting principles
		  ○ Operations management
		  ○ Technology
			• Simple quiz
			• Checklists
			• Demonstrations
				2

1	• Farmers must see program as:
	  ○ Feasible
	  ○ Important to their survival
	  ○ Relevant to their work
	  ○ Something they will use
		• Program receives favorable rating of 4 out of 5 on feasibility, importance, relevance and usefulness
		• Farmers commit to follow processes
			• Reaction questionnaire administered to farmers	**1**

Police Project (Malaysia)

UN Security

-Sample-

Level		Objectives	Evaluation	Level
5	• Police officers are causing problems	• Break-even (BCR = 1:1)	• Program benefits compared to program costs	**5**
4	• Crime is too high in four categories • Citizen complaints about police is excessive	• In one year: o Crime in four categories will be reduced by ___ o Citizen complaints about police officers with be reduced by ____	• City records • Country records	**4**
3	• Not following procedures • Rule of law not followed • Conflicts not resolved properly • Actions inconsistent	• Police officers will: o Follow procedures o Enforce laws consistently o Resolve conflicts	• Observation • Questionnaire	**3**
2	• Legal procedures • Rule of law • Conflict resolution • Communication	• Police officers will demonstrate knowledge of: o Legal procedures o Rule of law o Conflict resolution o Communication	• Role plays • Demonstrations • Simple quiz • Self-assessment	**2**
1	• Police officers must see this program as: o Necessary o Helpful o Relevant o Important to their success	• Program receives favorable rating of 4 out of 5 on the following measures: o Necessary o Helpful o Relevant o Important to their success	• Reaction questionnaire administered to police officers	**1**

Recidivism Program

- Sample -

Level	Needs	Objectives	Evaluation	Level
5	• Cost of housing repeat offenders is $102,306,520. Of that amount $17,179,441 is dedicated to repeat drug related offensives.[1]	• 1:1 BCR or 0% ROI	• Program costs compared to monetary benefits of program. • Monetary benefit determined by costs savings of housing repeat offenders.	**5**
4	• Reduce recidivism of drug related offenders	• Reduce # of re-arrests • Reduce # of convictions • Increase time period of re-arrests or reconviction	• Monitor performance of measures • Compare to group not participating in program	**4**
3	• Offenders continue to engage in drug-related crimes after incarceration.	• Engage in treatment early in process • Attend treatment sessions • Appear in status hearings • Eliminate drug use • Identify barriers to participating in program	• Monitor performance records • Self-report via questionnaire	**3**
2	• Offenders do not take seriously the need to change • Offenders do not fully understand the continued consequence of their ongoing behavior • Offenders do not know of a support system that will assist them in modifying their behavior	• Upon introduction to the drug court program: ○ Offenders understand costs and benefits of participation in the program ○ Offenders understand program process and the requirements they must meet ○ Offenders understand the consequences of their not participating in the program	• Verbal acknowledgement obtained by judge and parole officer	**2**
1	• Drug Court Program	• Offenders recognize the program as relevant and important to their future success • Offenders commit to participation	• Verbal acknowledgement obtained by judge and parole officer	**1**

Work at Home Program

Level	Needs Assessment	Program Objectives	Evaluation	Level
5	• Having employees travel long distances is causing serious costs to the company and damage to the environment.	• ROI of 25%.	• Calculate the ROI.	5
4	• Average commuting time for staff is 1 hour and 44 minutes. • Office expenses are high and increasing. Cost per office space is very high; average of $17,000 per employee. • Turnover is high, averaging 22.3%; benchmark data suggest that it should be about 12%. • Productivity needs to improve; the current level has been unchanged in two years. • Absenteeism is excessive at 7%; benchmark data is at 4%. • Stress is high.	• Commuting time is reduced to an average of 15 minutes a day. • Office expense is reduced by 20%. • Turnover is reduced to 12%. • Productivity is improved by 5%. • Absenteeism is reduced. • Stress is reduced. • Carbon emissions are reduced. • The company's image as a green company is enhanced. • Employee engagement improves.	• Commute time, office expense, productivity, turnover, and absenteeism are monitored in six months. • Questionnaires are administered.	4
3	• Employees will attend briefing session and volunteer to work at home. • Employees must be productive in the home environment, making it free from distractions. • Managers must manage effectively from remote location. • Work-at-home policies will be administered properly.	• Managers should conduct a meeting. • At least 30% of employees in the claims processing area will work at home. • Procedures and policies are implemented. • Offices at home are built and properly equipped. • Managers will follow procedures to make sure the process works. • Managers should manage the remote employees effectively.	• Follow-up questionnaire to employees and managers at three months.	3

Work at Home Program

Level	Needs Assessment	Program Objectives	Evaluation	Level
2	• Employees need to understand the reality of working at home, the conditions, roles, and regulations. • Employees must have the discipline and the tenacity to work at home. • Managers must understand how this can work. • Managers must know how to manage remotely.	• Employees must have the discipline and tenacity to work at home. • Employees will know the realities of working at home, the conditions, roles, and regulations. • Managers must know how to explain the policies and regulations for working at home. • Managers must know how to manage remotely.	• Checklist • Questionnaire	2
1	• Participants must see this offer as satisfying to their jobs, important to their own success and needs, rewarding, and motivational. • Managers must see this as necessary, appropriate, and important to their own organization's objectives.	• Employees will find satisfaction with, and see the importance of, working at home. • This work arrangement will be rewarding and motivational. • Managers will view this new work arrangement as important and appropriate. • Managers will see the need for the new work arrangement.	• Reaction questionnaire (at the end of the meeting to announce the program)	1

Matching Evaluation Levels with Objectives

Instructions: For each objective listed, 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

Objective	Evaluation Level
After completing this program or project, participants should:	
1. Improve productivity by 20% in six months.	_____
2. Initiate at least three cost reduction projects in 15 days.	_____
3. Achieve an average cost reduction of $20,000 per service provider contract.	_____
4. Use conflict resolution skills in 90% of conflict situations.	_____
5. Achieve a 2:1 benefit to cost ratio one year after the new procurement program is implemented.	_____
6. Be able to describe the four elements of the refugee integration assistance program.	_____
7. Decrease parenting stress by 25% in three months.	_____
8. Resolve complaints with the 5-step process in 95% of complaint situations.	_____
9. Perceive the absenteeism control policy to be fair.	_____
10. Achieve a leadership simulation score average of 75 out of a possible 100.	_____
11. Increase the percentage of crimes solved by 30% in 6 months.	_____
12. Provide a 4 out of 5 rating on appropriateness of new ethics policy.	_____
13. Decrease the time to recruit new professional staff from 60 days to 30 days.	_____
14. Complete all steps on action plan in three months.	_____
15. Achieve a positive reaction to flextime work schedule system.	_____
16. Achieve English as a Second Language (ESL) test score of 75 out of 100.	_____
17. Decrease the amount of time required to complete a project by an average of two days in three months.	_____
18. Achieve a post-test score increase of 30% over pre-test for AIDS awareness.	_____
19. Utilize new software daily as reflected by an 80% score on an unscheduled audit of use.	_____
20. Submit ideas or suggestions for improvement in the first year (10% target).	_____

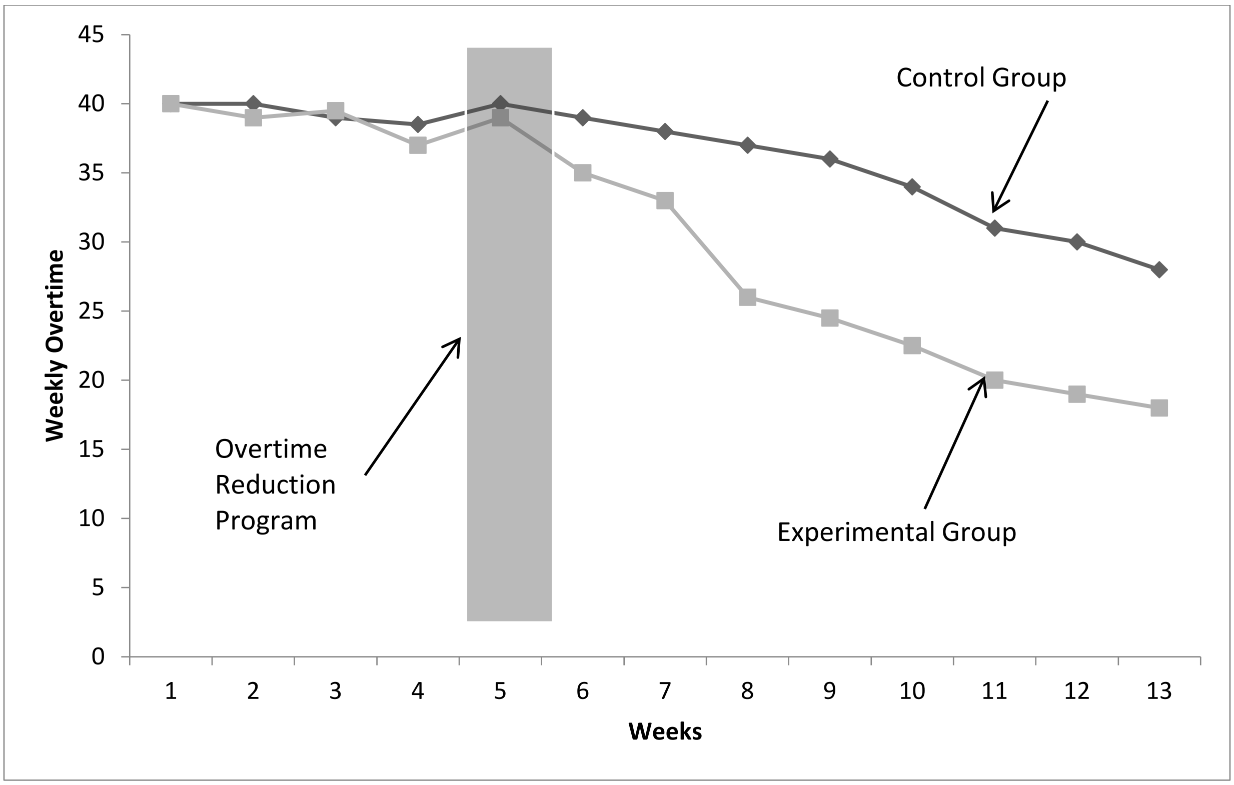
Question to Consider

How do Level 3 and Level 4 objectives provide benefits? To whom?

Use of Control Groups

Nurse Overtime Reduction at the Provincial Health Authority

The Provincial Health Authority realized that nurse overtime was excessive. An overtime reduction program involving nurse managers was implemented as a solution. The program was implemented with an experimental group, and the control group did not participate in the program. Both groups are experiencing about 40 hours per week overtime, too much for these two nursing units. The criteria used to select the two groups included current performance on overtime, staffing levels, type of care, and sick time use. The control group experienced a reduction from 40 hours to 28 hours. The experimental group moved from 40 hours to 18 hours.



The improvement, connected to the overtime reduction program, is _________ hours.

Use of Estimates

Exercise: Economic Empowerment of Women in Zimbabwe

One of the Development Results Goals for Zimbabwe is increased economic empowerment of women, especially of those who are most excluded. One program supporting this goal works to allow women to access microfinance loans. Working with the Women Development Savings and Credit Union (WDSCU) created by UN Women, the application outcome is to increase the accessibility of affordable microfinance loans to rural women. After the program's implementation, women applied, and loans were approved for another 420 women. This amount is an increase over the preprogram level. At the same time, there were several other factors that increased the amount of loans. One factor was the changing attitudes of microfinance institutions, as they realize these types of loans are not high-risk and may have a better repayment history than other types. In addition, there is another agency working on the same issues, pressuring microfinance institutions to make loans available to women. Finally, the government is also applying pressure on institutions operating within the country to make loans available. All four factors have led to improving access to loans and the additional 420 loan approvals.

The program director assembled a group of microfinance lenders who were deemed experts in understanding the effect of all four factors in obtaining access to the loans. A neutral facilitator assisted a group of ten lenders in sorting out the cause and effect of each factor, following these steps:

1. Describe the task.
2. Explain why the information was needed and how it would be used.
3. Ask lenders to identify any other factors that may have contributed to the increase in access.
4. Have lenders discuss the link between each factor and the specific measure.
5. Provided lenders with additional information to estimate the contribution of each factor.
6. Obtained the actual estimate of the contribution of each factor. The total had to be 100%.
7. Obtained the confidence level from each lender for the estimate for each factor (100% = certainty; 0% = no confidence).

The results from this group are averaged and shown in the table below.

Δ= 420 Approved Loans Microfinance Loans for Women

Contributing Factors	Average Impact on Results	Average Confidence Level
UN Program	39%	81%
Changing Attitudes of MF Institutions	11%	77%
Competing Program (NGO)	33%	60%
Pressure from Government	12%	72%
Other	5%	85%
	100%	

The amount attributed to the UN program was determined by multiplying the percent for the program factor times the confidence percentage. This, in effect, shows the impact of the program.

Questions to Consider

1. Given this information, calculate the amount of loans approved caused by the UN Initiative.

2. Discuss the credibility of this approach.

3. What could be done to improve this process?

Notes:

The Wisdom of Crowds*

In the fall of 1906, British scientist, Francis Galton visited the annual West of England Fat Stock and Poultry Exhibition, where local farmers and townspeople gathered to appraise the quality of each other's livestock. Wandering through rows of stalls examining horses and hogs may have seemed a strange way for a scientist to spend an afternoon, but there was certain logic to it. Galton was obsessed with the measurement of physical and mental qualities and breeding. And what, after all, is a livestock show but a showcase of good and bad breeding?

Breeding mattered to Galton because he believed that only a very few people had the characteristics necessary to keep societies healthy. He had devoted much of his career to measuring those characteristics, in fact, to prove that most people did not have them. His experiments left him with little faith in the intelligence of the average person, "the stupidity and wrong-headedness of many men and women being so great as to be scarcely credible." Galton believed, "Only if power and control stayed in the hands of the select, well-bred few, could a society remain healthy and strong."

Galton came across a weight-judging competition where a fat ox was on display, and members of a gathering crowd were lining up to place wagers on what the weight of the ox would be after it had been slaughtered and dressed. For sixpence, an individual could buy a stamped and numbered ticket, fill in their name, occupation, address, and estimate. The best guesses would receive prizes.

A diverse lot of 800 people tried their luck. Many were butchers and farmers, presumably experts at judging livestock weight, but there were also quite a few people who had no insider knowledge of cattle. Galton later wrote, "The average competitor was probably as well fitted for making a just estimate of the dressed weight of the ox, as an average voter is of judging the merits of most political issues on which he votes."

Galton was interested in figuring out what the "average voter" was capable of because he wanted to prove that the average voter was capable of very little. So, he turned the competition into an impromptu experiment. When the contest was over, and the prizes had been awarded, Galton borrowed the tickets from the organizers and ran a series of statistical tests on them. Galton arranged the guesses (totaling 787–discarding 13 that were illegible) in order from highest to lowest and graphed them to see if they would form a bell curve. Then, among other things, he added all the contestants' estimates, and calculated the mean of the group's guesses. That number represented, you could say, the collective wisdom of the Plymouth crowd.

Galton thought that the average guess of the group would be way off the mark, but he was wrong. The crowd guessed that after the ox had been slaughtered and dressed, would weigh 1,197 pounds. After it had been slaughtered and dressed, the ox weighed 1,198 pounds. In other words, the crowd's guess was nearly perfect. The "experts" were not close.

What Galton stumbled on that day in Plymouth was the simple, but powerful, truth: under the right circumstances, groups are remarkably intelligent, and are often collectively smarter than the smartest people in them. Groups do not need to be dominated by exceptionally intelligent people to be smart.

*Taken from *The Wisdom of Crowds: Why the Many Are Smarter Than the Few and How Collective Wisdom Shapes Business, Economics, Societies and Nations*. James Surowicki. New York. Doubleday, 2004.

Questions to Consider

1. What implications does this concept have in evaluation?

2. Can you cite other examples?

Turnover Costs Summary

Example of Using External Databases

Job Type/Category	Turnover Cost Ranges as a Percent of Annual Wage/Salary
Entry Level - Hourly, Non-skilled, e.g. Fast Food Worker	30 - 50%
Service/Production Workers – Hourly, e.g. Courier	40 - 70%
Skilled Hourly, e.g. Machinist	75 - 100%
Clerical/Administrative, e.g. Scheduler	50 - 80%
Professional, e.g. Sales Representative, Nurse, Accountant	75 - 125%
Technical, e.g. Computer Technician	100 - 150%
Engineers, e.g. Chemical Engineer	200 - 300%
Specialists, e.g. Computer Software Designer Supervisors/Team	200 - 400%
Leaders, e.g. Section Supervisor	100 - 150%
Middle Managers. e.g. Department Manager	125 - 200%

Notes

1. Percents are rounded to reflect the general range of costs from studies.
2. Costs are fully loaded to include all of the costs of replacing an employee and bringing him/her to the level of productivity and efficiency of the former employee. The turnover included in studies is usually unexpected and unwanted. The following costs categories are usually included:
   - Exit cost of previous employee
   - Recruiting cost
   - Employment cost
   - Orientation cost
   - Training cost
   - Wages and salaries while training
   - Lost productivity
   - Quality problems
   - Customer dissatisfaction
   - Loss of expertise/knowledge
   - Supervisor’s time for turnover
   - Temporary replacement costs
3. Turnover costs are usually calculated when excessive turnover is an issue, and turnover costs are high. The actual cost of turnover for a specific job in an organization may vary considerably. The above ranges are intended to reflect what has been generally reported in the literature when turnover costs are analyzed.

Sources of Data

The sources of data for these studies follow three general categories:

1. Industry and trade magazines have reported the cost of turnover for a specific job within an industry.
2. Publications in general management (academic and practitioner), human resources management, human resources development training, and performance improvement often reflect ROI cost studies because of the importance of turnover to senior managers and human resources managers.
3. Independent studies have been conducted by organizations and not reported in the literature. Some of these studies have been provided privately to ROI Institute. In addition, ROI Institute has conducted several turnover cost studies; these results are included in these analyses.

Global Bank

Networking is an important benefit from many programs, and the monetary value of networking is an elusive figure. One of Canada's largest banks decided to tackle this issue. This large banking system is on a path to be a major global organization with acquired banks in different countries and expanded divisions within the bank serving a global market.

Recently, the bank conducted a global leaders' meeting at its headquarters in Toronto where the heads of the banking units and banks around the world discussed a variety of strategy and leadership topics. The talent development team saw this as an opportunity to enhance networking. Top executives had always thought that these operating executives could benefit by working together, perhaps sharing some of the same clients and expanding specialized services to other countries. Some bank units offer services that could be purchased by other parts of the bank. With the urging of top executives, the team decided to track the success of the networking and develop the actual monetary value for networking.

The bank used innovative technology where the name tags of individuals could electronically track networking. The devices tracked which participants met other participants, how long they met, and how many times they met. Participants were asked to always keep their name badges with them with this message, "We want to see how much networking occurs and the value of that networking. This is not a performance issue. It's just an attempt to understand the value of networking." The bank engaged the services of external consultants to measure the monetary value of the networking.

More than 50 participants were involved in the meeting. Armed with the data that showed the networking profile, the external firm conducted interviews with each participant one month after the meeting to indicate what had actually happened with the networking, explore what had occurred since the meeting, and how it connected to the business.

Another follow up was set three months after the meeting with the specific goal of tracking the successes from the networking. A few had very little networking experience with no value. Some exchanged clients or obtained a client from another executive. For example, the headquarters of a client company may be in one country and the participants in another country used the headquarters connection to sell local financial services. A few were able to use the services of other divisions. Some were able to provide referrals. Each of these actions and consequences were detailed with as much specifics as possible to understand what happened and what was anticipated to happen in the future.

The participants attempted to place a monetary value on the outcome anticipating a profit (or cost savings) that would be generated from the contact. In some cases, a new client was secured, and they knew the value of a new client, based on the average tenure of a client and the average annual profit made with that product line. In interviews with 52 executives, 21 were able to provide specific data, and seven had impressive results.

Part of the process included the question "How much of this improvement is actually caused by the networking?" There is a chance that the outcome could have happened through normal channels. In some cases, there was a possibility that the improvement could have happened without networking, as some were thinking about those clients. The networking helped. So, they gave a percentage of the improvement to the meeting. A final question asked for the confidence of the allocation to the program using a percent from 0 percent (no confidence) to 100 percent (certainty). This analysis of the data followed the procedures in Module 7 (Make It Credible: Isolating the Effects of the Program).

When all the money was tallied, divided by all 52 participants, an average value of the networking was $4,265 per person. Although the total amount was impressive, it wasn't enough to cover the total cost of the conference, but that wasn't the principal reason for the conference. This value gave executives some comfort that networking activities can add business value.

Questions to Consider

1. Was the calculation necessary? Worth it? Explain.

2. How can this value be used in the future? Explain.

3. Should this be left as an intangible? Explain.

Intangibles

- Agility
- Ambiguity
- Alliances
- Awards
- Brand
- Burnout
- Capability
- Capacity
- Carbon emissions
- Clarity
- Collaboration
- Communication
- Compassion
- Complexity
- Compliance
- Conflict
- Corporate social responsibility
- Creativity
- Culture
- Customer service
- Decisiveness
- Emotional intelligence
- Employee attitudes
- Engagement
- Food security
- Grit
- Happiness
- Human Life
- Image
- Intellectual capital
- Job satisfaction
- Leadership effectiveness
- Loyalty
- Mindfulness
- Mindset
- Net promoter score
- Networking
- Organizational commitment
- Partnering
- Patient satisfaction
- Poverty
- Reputation
- Risk
- Social Capital
- Stress
- Sustainability
- Team effectiveness
- Timeliness
- Trust
- Uncertainty
- Volatility
- Work/life balance

Questions to Consider

1. Can you add to the list?

2. Which of these have been converted to money? Are the values credible?

3. When should we stop the effort to find/calculate the monetary value for the intangible?

Can Happiness be Converted to Money?

At Yale University, the most popular course these days is a course on happiness. It is taught to students who are sometimes struggling to find meaning and value in much of what they do and are involved in. The course has been, surprisingly, very popular to all types of students.

According to the New York Times' David Shimer, "The course, taught by Laurie Santos, a psychology professor and the head of one of Yale's residential colleges, tries to teach students how to lead a happier, more satisfying life in twice-weekly lectures. Dr. Santos speculated that Yale students are interested in the class because, in high school, they had to deprioritize their happiness to gain admission to the school, adopting harmful life habits that have led to what she called 'the mental health crises we're seeing at places like Yale.' A 2013 report by the Yale College Council found that more than half of undergraduates sought mental healthcare from the university during their time there."

In this case, increased happiness could be linked to mental illness outcomes, such as healthcare costs, absenteeism, and productivity.

Many organizations measure happiness through job satisfaction, which has several components, such as satisfaction with pay, career, supervisor, and the work. Employee engagement focuses more on the work individuals do, such as being responsible, involved in decisions, accountable for results, and willingness to share information. Engagement has been connected to retention, productivity, and quality, which are all easily converted to money.

The United Nations has a happiness index which measures GDP per capita, healthy years of life expectancy, social support (as measured by having someone to count on in times of trouble), trust (as measured by a perceived absence of corruption in government and business), perceived freedom to make life decisions, and generosity (as measured by three recent donations). In 2017, Norway was at the top of the happiness index, while the United States ranked 12th. Finland has been on top from 2018 to 2024.

Should you worry about the happiness index? If you're the Minister of Happiness, as in Dubai, you might want to see the monetary value. For example, Dubai's Roads and Transport Authority (RTA) is interested in the monetary value of happiness because it must show the ROI on projects. RTA builds additional roads, bridges, new lanes, transit systems, water taxis, and other kinds of transport processes to keep citizens happy. Until recently, there haven't been ROI studies for a new bridge, canal, or road lane addition. Instead, these changes were implemented because there was a need to eliminate road congestion, accidents, and driving times. Essentially, the RTA wants to make citizens happy with the transportation system.

In our work with RTA, we were surprised to find that there is a happiness department with some interesting data helpful for project managers to determine the ROI of new projects. For example, they found a correlation between happiness with transit and the money citizens spend in the city. If they're happy with transit (it is reliable, travel time is short, it is safe), they're more likely to go somewhere and spend money, and citizens spending money ultimately helps the city.

In short, there is usually a way to develop the monetary value of happiness. Maybe there is a monetary value to the Happiness Index. The key issue is that it can be done and is being done…if it is needed.

Questions to Consider

1. Should happiness be converted to money? Explain.

2. When should you stop this conversion process?

Tabulating Program Costs: Recommended Items

Project Cost Categories

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		✓

Example of Prorating Costs

- Leadership 101
- Five-year life cycle
- 200 participants per year
- $75,000 initial development costs
- Two groups of 25 are being evaluated at the ROI level

Questions to Consider

1. How much development costs should be charged to the ROI project?

2. What are your issues with costs?

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
  - Press releases
  - One-page summary
  - Brochure
- Electronic reporting
  - Website
  - Email
  - Blog/Social media
  - Video
- Mass Publications
  - Announcements
  - Bulletins
  - Newsletters
  - Brief articles

Presentation Sequence

1. Describe the program and explain why it is being evaluated.
2. Present the methodology process.
3. Present the reaction and learning data.
4. Present the application data.
5. List the barriers and enablers to success.
6. Address the business impact (with isolation and conversion to money).
7. Show the costs.
8. Present the ROI.
9. Show the intangibles.
10. Review the credibility of the data.
11. Summarize the conclusions.
12. Present the recommendations.

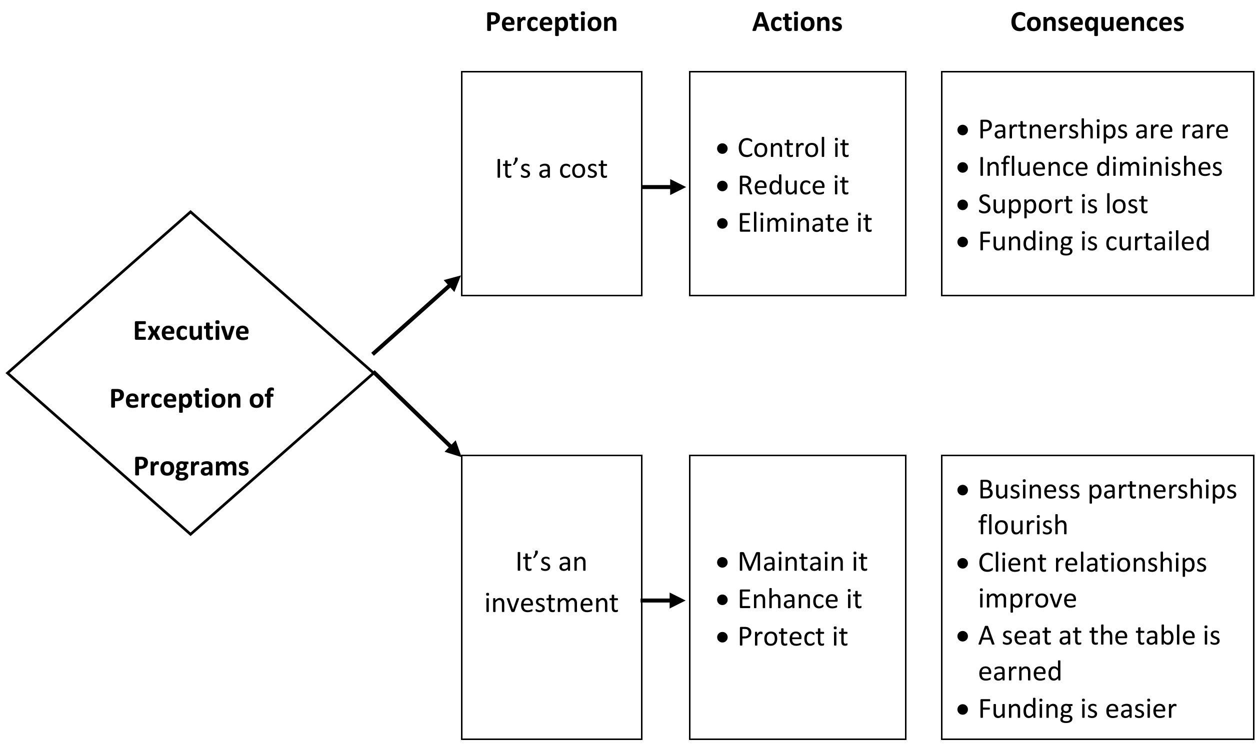
Process Improvement is the Key: Black Box Thinking

Questions to Consider

1. Compare and contrast the approach to mistakes in the aviation and healthcare industries. Why does this happen?

2. What is your approach to failure in programs.

Costs vs. Investment Perception: The Reality



Notes:

About ROI Institute, Inc.®

ROI Institute, Inc., founded in 1992 as a service-driven organization, assists professionals in improving programs and processes using the ROI Methodology® developed by Dr. Jack J. Phillips and Dr. Patti P. Phillips. This Methodology is the global leader in measurement and evaluation including the use of return on investment (ROI) in non-traditional applications. ROI Institute regularly offers workshops, provides consulting services, publishes books and case studies, and conducts research on the use of measurement and ROI. This makes ROI Institute the leading source of content, tools, and services in measurement, evaluation, and analytics. Working with more than 100 ROI consultants and 45 partners, ROI Institute applies the ROI Methodology in 20 professional fields in more than 70 countries. ROI Institute authors have written or edited over 100 books, translated into 38 languages. Organizations build internal capability with the help of ROI Institute and its ROI Certification process. By successfully completing this process, individuals are awarded the Certified ROI Professional® (CRP) designation, which is respected by executives in organizations worldwide.

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