ROI INSTITUTE®

Enhance Your Program's Impact: Discover the Power of the ROI Estimator

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Chairman, ROI Institute, Inc.

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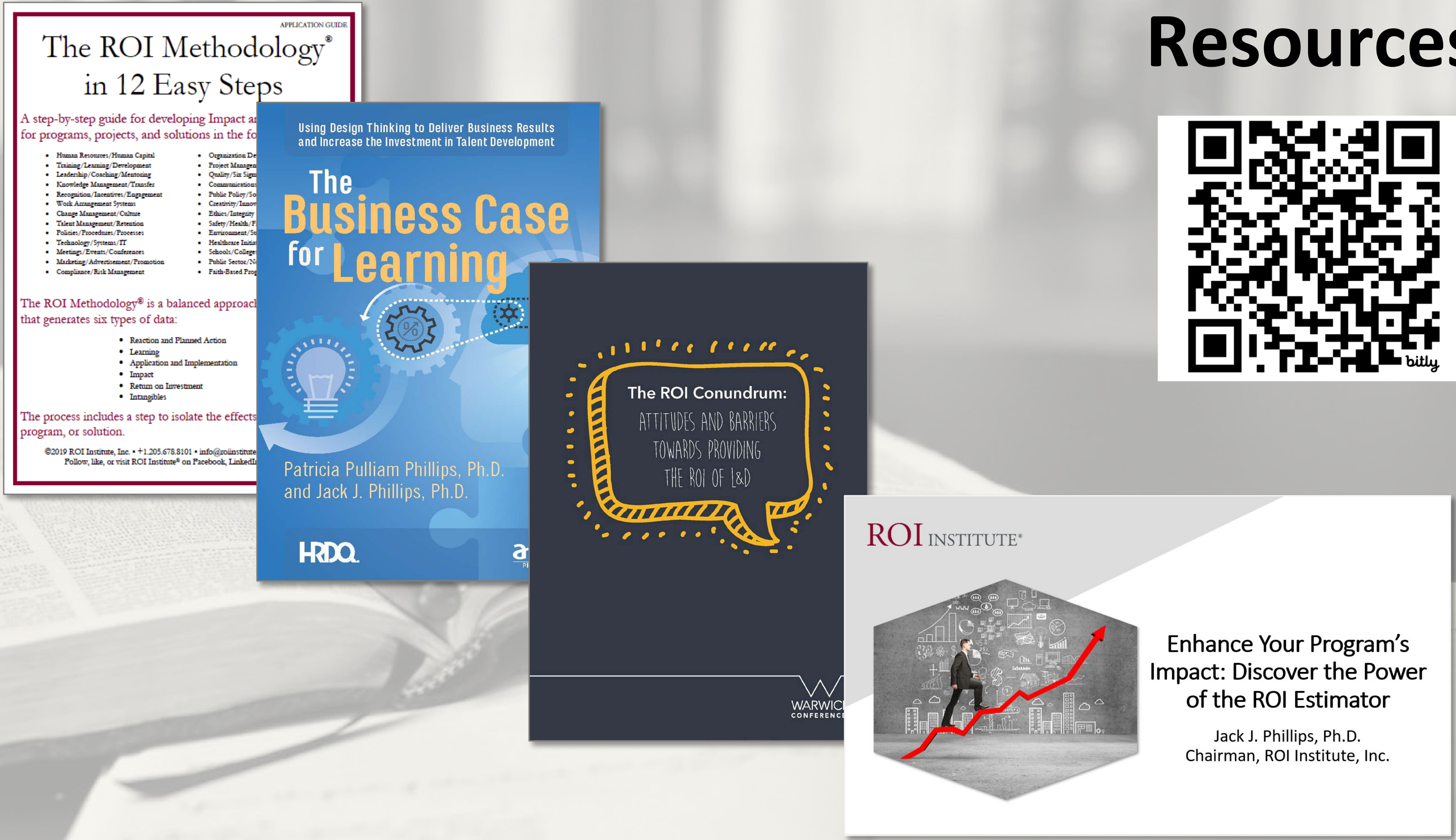
Jack J. Phillips, chairman of ROI Institute, Inc., is a world-renowned expert on accountability, measurement, and evaluation. A former bank president and HR executive, Phillips consults for Fortune 500 companies and major global organizations. The author or editor of more than 75 books, including *Show the Value of What You Do* (Berrett-Kohler, 2022), he conducts workshops and presents at conferences throughout the world.

Jack has been recognized and awarded for his work in the field by numerous professional organizations, including receiving the 2022 Association of Talent Development (ATD) Thought Leader Award. SHRM presented Jack with its highest creativity award for an ROI study and awarded an ROI Institute book with a best book award. His work has been featured in the *Wall Street Journal, BusinessWeek*, and *Fortune* magazine, and he has been interviewed by several television programs, including CNN.

Resources


APPLICATION GUIDE
The ROI Methodology®
in 12 Easy Steps
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
Reaction and Planned Action
Learning
Application and Implementation
Impact
Return on Investment
Intangibles
Using Design Thinking to Deliver Business Results
and Increase the Investment in Talent Development
The Business Case for Learning
Patricia Pulliam Phillips, Ph.D.
and Jack J. Phillips, Ph.D.
HRDQ
The ROI Conundrum:
ATTITUDES AND BARRIERS TOWARDS PROVIDING THE ROI OF L&D
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Learning Objectives

After attending this session, participants will be able to:

1. Understand the key factors influencing ROI.
2. Learn how to use the ROI Estimator tool effectively to forecast the ROI.
3. Gain insights into strategies for addressing program design and implementation challenges to ensure successful delivery and maximize ROI

The Value Chain

		LEVEL	ISSUE	MEASURES	TARGETS**
	This is easy Always measured	0	Inputs	Volume, Hours, Convenience, Cost	100%
*Can Predict	This is easy Almost always measured	1	Reaction	*Relevance, Engaging, *Important, Useful, *New Content, *Intent to Use, *Recommend to others	100%
*Can Predict	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%
				Must take a step to isolate the effects	
Executives prefer	Not so difficult to connect Sometimes measured	4	Impact	Productivity, Time, Quality, Costs, Image, Reputation, Engagement, Compliance	10%
Executives prefer	Possible for many programs Rarely measured	5	ROI	Benefit-Cost ratio or Return on Investment, expressed as a percent	5%

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

What is ROI?

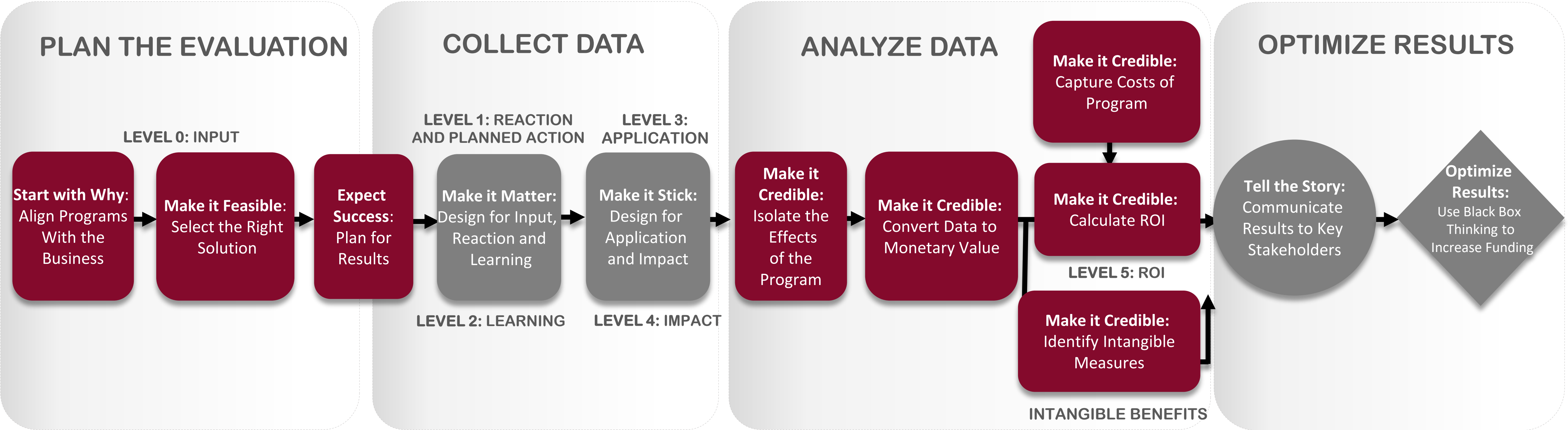
$$\text{BCR} = \frac{\text{Program Benefits}}{\text{Program Costs}}$$

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


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

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

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

The ROI Estimator in Three Parts

How a Positive ROI
is Developed

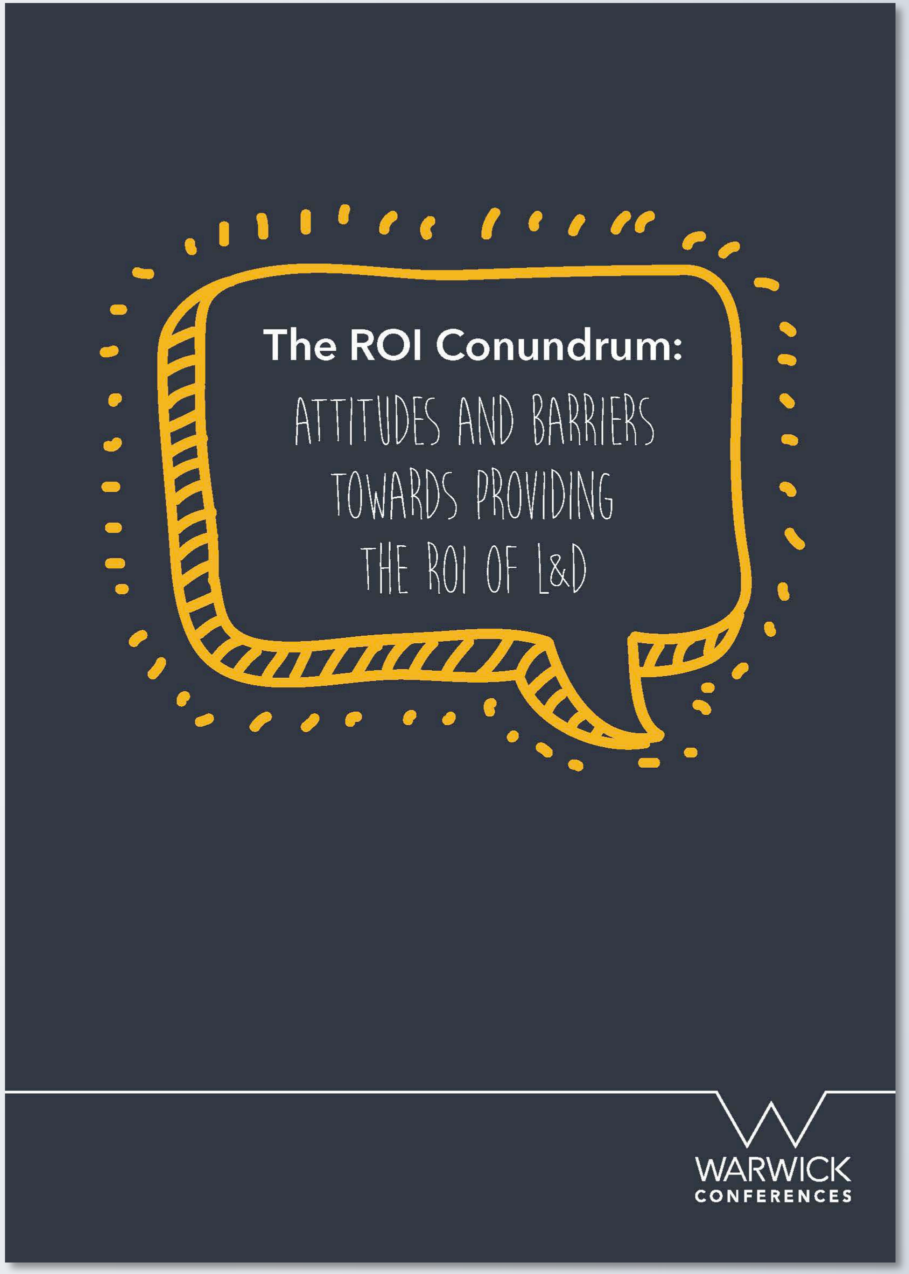
How the ROI Estimator
was Developed

How to Use
the ROI Estimator

Conclusion

ROI is:

- Important
- Needed for major programs
- Learning and Development must tackle the issue



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).**

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.

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 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.

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.

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)

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)

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

Let’s See an Example!

The Program

- The title is The Leadership Challenge.
- Participants are first-level managers, and 20 will attend as a group.
- Participants have about a dozen direct reports.
- It’s a five-day program – In-person at your facilities.
- Middle management supports this program.
- There is an expectation that the program will deliver impact.

Lets do this together!

Direct Reports

Approximately how many direct reports do the participants of this planned program have, on average?

1. Zero
2. 1-5
3. **6-15**
4. 16+
5. Direct reports are leaders.

Business Alignment

To what extent is the planned program connected to business measure(s)?

1. There is no presence of a business measure or connection and no KPIs are set.
2. The program is designed to improve an obvious measure. For example, if a program is focused on compliance, then the business measures are compliance discrepancies that can be prevented. No KPIs are set.
3. **There is a moderate business connection because some communication has been made to create the understanding that this program should drive the business forward. KPIs and vague objectives are set, but not consistently reported.**
4. One or more business measures are identified at the beginning of the program. KPIs and objectives are set.
5. The business measure will be the focus of the program. KPIs and specific objectives are set, and the program is adjusted depending on the success towards meeting business goals.

Appropriate Solution

What has been done to ensure that the planned program is the most appropriate solution to improve the business measures?

1. Nothing.
2. **There have been minimal discussions about how this program can improve the organization and deliver an impact.**
3. There are some logical connections between using the content from the program and the outcome expressed as a business measure.
4. There will be significant discussion with participants, including activities to help them reach the conclusion (before their participation) that this is the right content/skill set that they need.
5. There will be ample formal discussion with each participant which has led them to logically conclude that this is a solution that will at influence the business measure.

Focus on Success

Have you set objectives for your program at each outcome level including impact?

1. There are no objectives for the program.
2. Vague learning objectives have been developed.
3. **Reaction and learning objectives are developed, to focus on the importance of the program to the participant.**
4. Specific objectives for reaction, learning, and application levels have been developed.
5. Very specific objectives for reaction, learning, application, and impact levels have been developed.

Appropriate Audience

Will the intended audience for the program have an opportunity to use the knowledge and skills?

1. Less than 70% of the participants in this program will have the opportunity to use the knowledge and skill from the program.
2. Between 70% and 80% of participants are in the right roles and will have an opportunity to use the knowledge and skills from the program.
3. Approximately 80% to 90% of participants are in the right role and will have an opportunity to use the knowledge and skills from the program.
4. **Between 90% and 95% of participants are in the right role and will have an opportunity to use the knowledge and skills from the program.**
5. More than 95% of participants are in the right role and will have an opportunity to use the knowledge and skills from the program.

Perceived Value

Do your participants perceive the program as valuable (relevant, important to their success, and with the intent to use the content)?

1. No.
2. At least 30% of participants will perceive this program as valuable.
3. At least 50% of participants will perceive this program as valuable.
4. **At least 70% of participants will perceive this program as valuable.**
5. At least 90% of participants will perceive this program as valuable.

Manager Support

Does the participant's immediate manager support this program?

1. No.
2. There is minimal manager support. There is some expectation that managers understand the program, but there are no official measures of this.
3. There is moderate manager support. Managers of participants have been informed about the program and their role in making the program successful.
4. **There is a significant amount of manager support. Managers of participants have been asked to take a more active role in ensuring that participants are prepared for the program and the subsequent follow-through.**
5. There is a very significant amount of manager support. Managers will meet with the participants before the program to set goals, and then after the program to confirm the learning. Then, managers set expectations for use and are available as a coach when necessary.

Delivery

In what format do you intend to deliver your program?

1. Online course completed during working hours.
2. Online learning in a distraction-free environment (e.g., logged out of all work programs, such as email).
3. Blended/Hybrid learning with teacher-led program.
4. **In-person in a dedicated classroom.**
5. An off-site training course led by an expert teacher.

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.

Results

Interpretation

Your ROI is in the range of:

139%

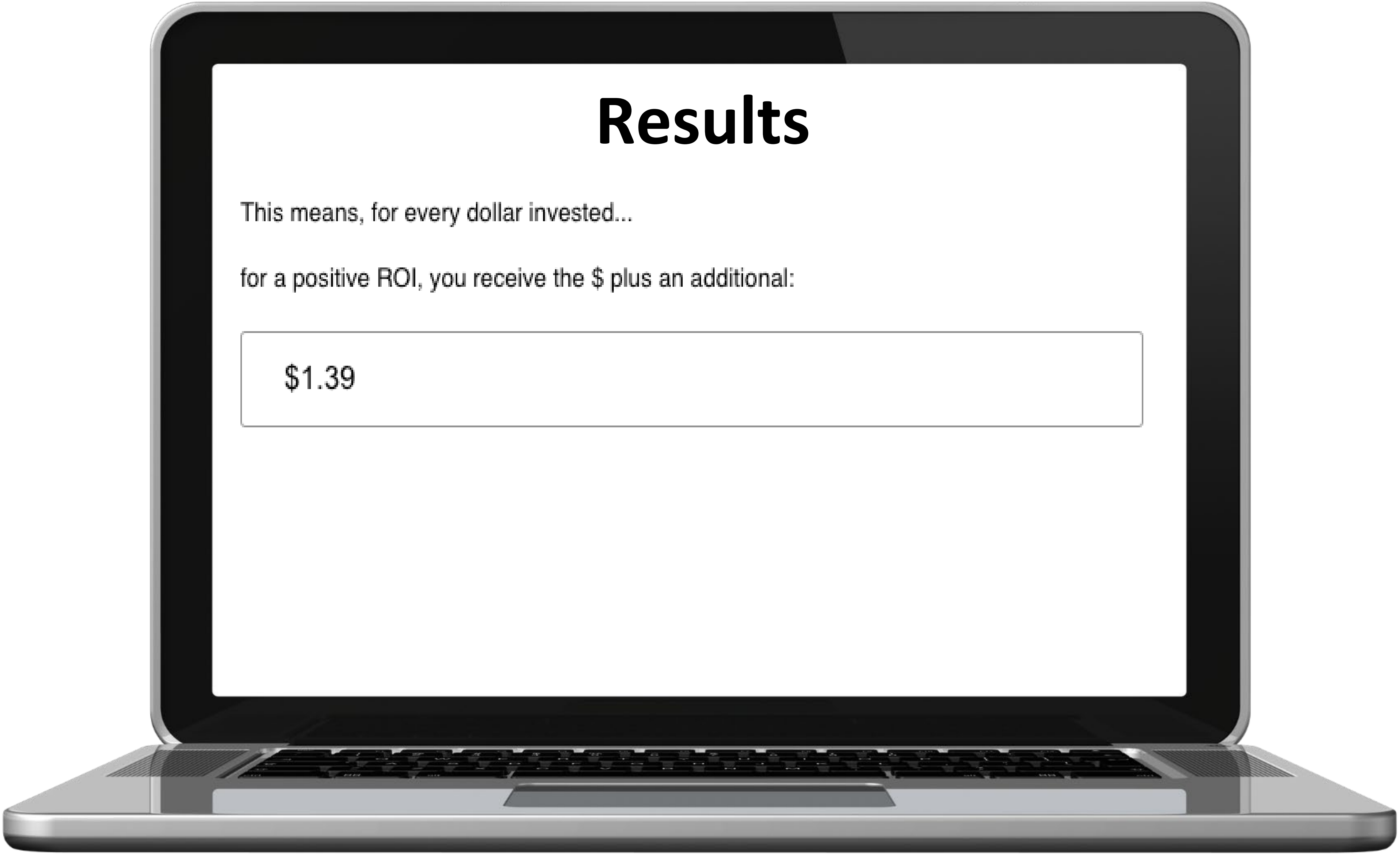
(+/- 22%), which means that the estimated ROI could be 22% more or 22% less. In this case, it is:

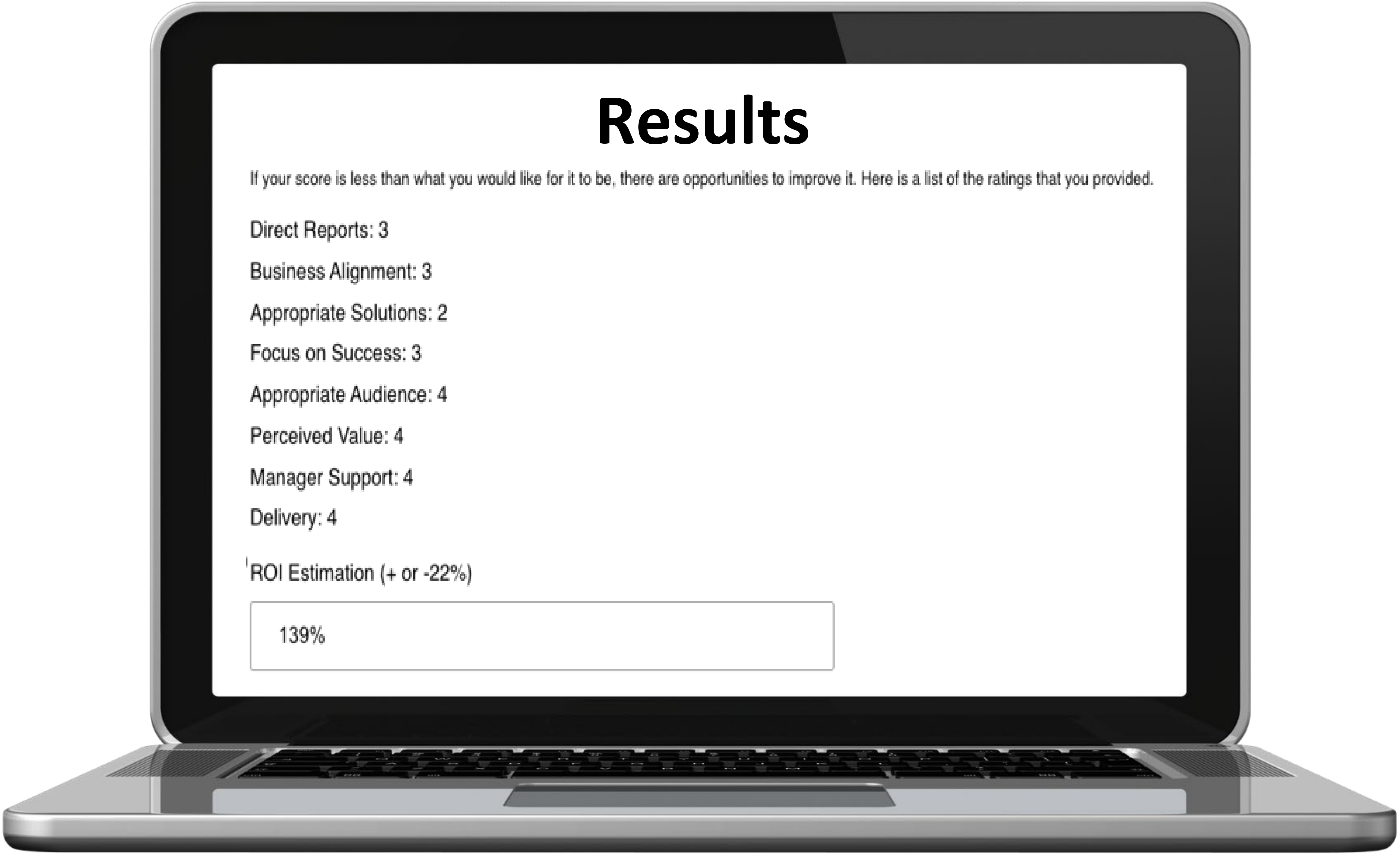
108.42%

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.


Results
This means, for every dollar invested...
for a positive ROI, you receive the $ plus an additional:
$1.39


Results
If your score is less than what you would like for it to be, there are opportunities to improve it. Here is a list of the ratings that you provided.
Direct Reports: 3
Business Alignment: 3
Appropriate Solutions: 2
Focus on Success: 3
Appropriate Audience: 4
Perceived Value: 4
Manager Support: 4
Delivery: 4
ROI Estimation (+ or -22%)
139%

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.

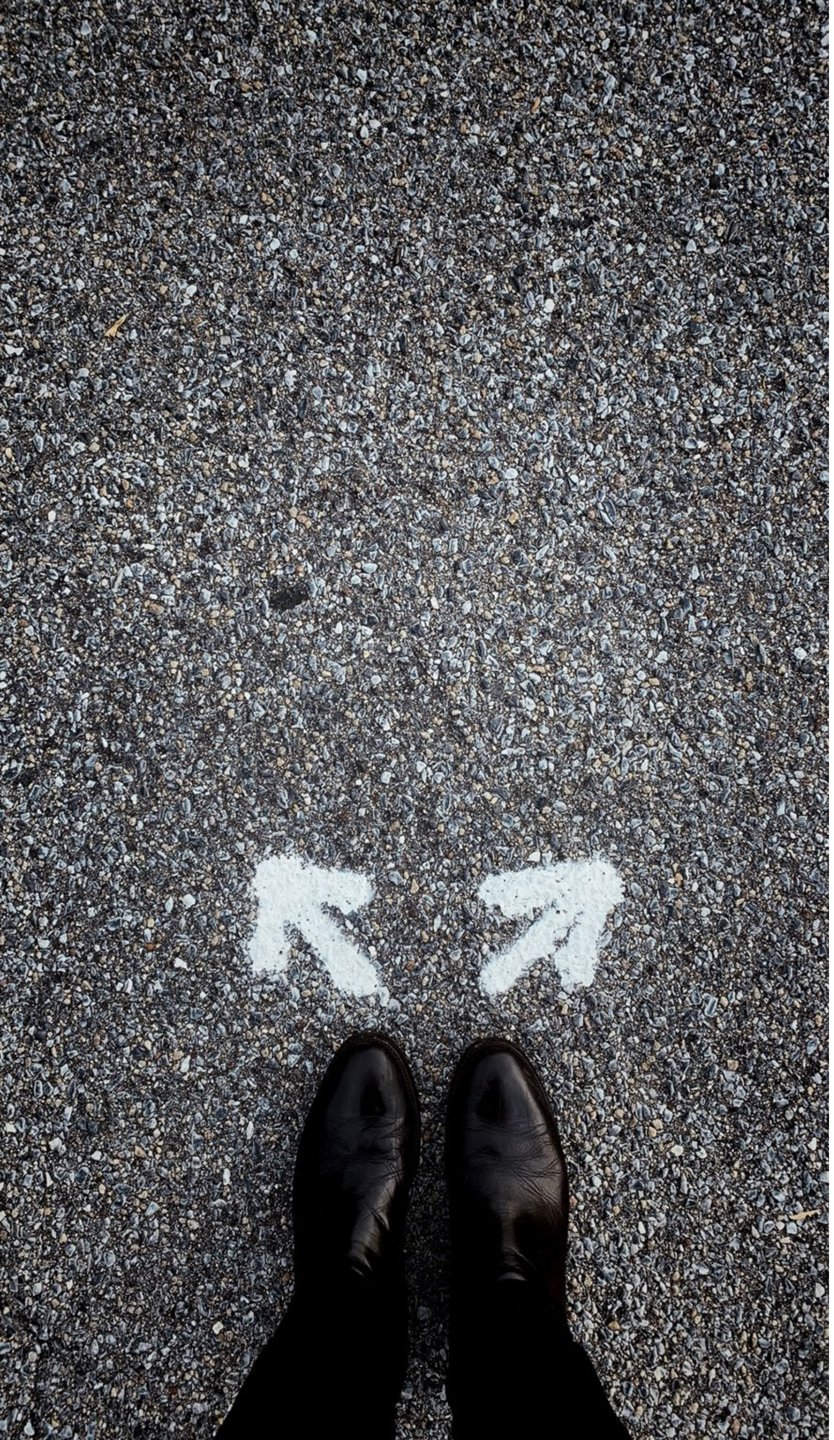
Follow up with an actual ROI Study

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

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 a 1 hour eLearning program



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.

Next Steps

- Schedule a meeting with an ROI team leader.
- Register for ROI Boot Camp or ROI Certification.
- Leverage ROI Institute's expertise through our consulting or coaching services.
- Share information I learned with a colleague.
- Review the materials from today's session.

ROI Learning Center

training magazine Network

Hosted by Training Magazine Network
Created by ROI Institute, Inc.

Four realities occur in today's learning and development environment, globally.
1. Most top executives want learning and development to be aligned with the business.
2. The concept of ROI is familiar to most people.
3. Connecting learning and development to the business is not that difficult.
4. Thousands of L&D professionals are routinely doing this.

The ROI Learning Center provides tools, templates, and case studies to help prepare you for success in today's environment. Our goal is to take the mystery out of the ROI process.

Start at Level 1 and explore each level at your own pace. Each of the five levels will bring you closer to calculating the ROI of your program or project. There is also a calculator to help you calculate ROI when you have the appropriate data.

- Level 1 Reaction
- Level 2 Learning
- Level 3 Application
- Level 4 Impact
- Level 5 ROI
- ROI Calculator

https://www.trainingmagnetwork.com/roilearningcenter

ROI INSTITUTE®

Need an ROI study on an important program or project?

ROI Certification is the Solution!

Webinar attendees receive 10% off
Use code ROI10

By attending ROI Certification, you will:

- Build serious measurement and evaluation capability.
- Maximize learning through weekly group coaching with ROI Institute leaders.
- Complete an ROI evaluation study on an important program.
- Earn the Certified ROI Professional® (CRP) designation and digital badge.
- Join the ROI Network with more than 6,000 ROI professionals.
- Advance your professional skills and improve organization outcomes.

SCAN ME

https://roiinstitute.net/roicertification/

ROI INSTITUTE Certified ROI Professional (CRP)

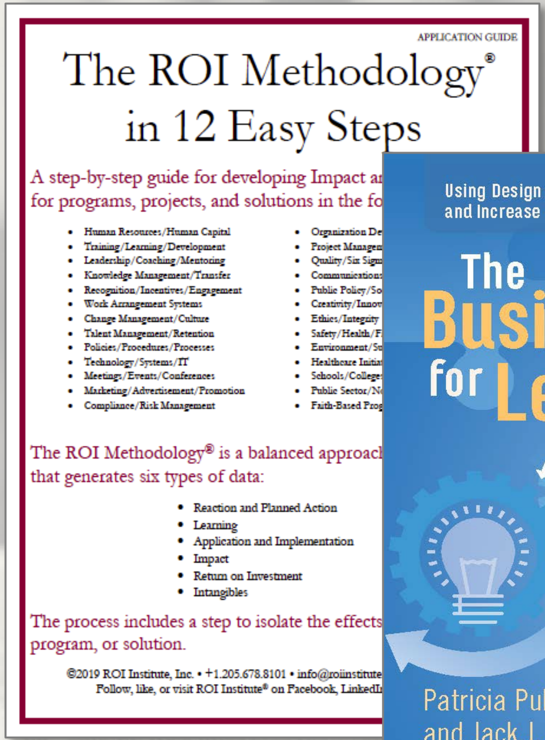
atd Certification Institute aptd cptd PRE-APPROVED PROVIDER for Eligibility and Recertification Points

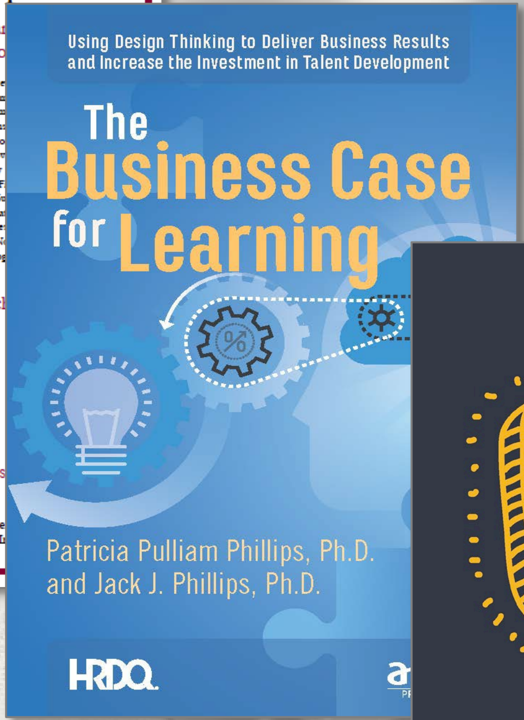
RECERTIFICATION PROVIDER HRCI 2024 HRCI.ORG

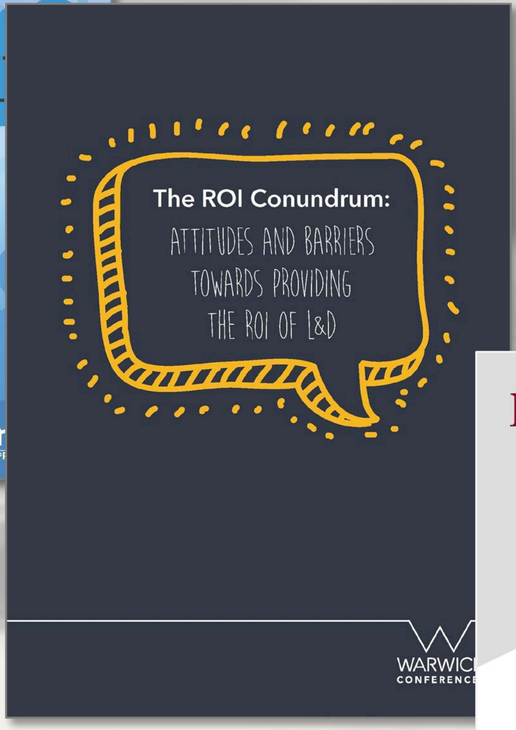
TRAINING INDUSTRY CPTM RECERTIFICATION

SHRM SHRM-CP | SHRM-SCP RECERTIFICATION PROVIDER

Resources







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Questions?

Visit us Online

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