



Show the Value of What You Do: Measuring ROI for Success

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

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 Management
- Training/Employee Development
- Leadership/Executive Coaching
- Knowledge Management/Transfer
- Organizational Development
- Process Improvement
- Change Management/Change
- Client Engagement/Retention
- Customer Satisfaction/Churn
- Technology/IT/Innovation
- Marketing/Sales/Revenue
- Compliance/Risk Management
- Logistics/Supply Chain
- Product Development/Innovation
- Public Policy/Regulatory
- Healthcare
- Energy/Environment
- Non-Profit/Community
- Government/Policy
- Real Estate/Construction
- Transportation

The ROI Methodology[®] is a balanced approach to measurement and evaluation that generates six types of data:

- Reaction and Perceived Value
- Learning
- Application and Implementation
- Impact
- Behavioral/Performance
- ROI/Value

The process includes a step to isolate the effects of the project, program, or solution.

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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.

HRO. atd

Second Edition

Proving the Value of HR

How and Why to Measure ROI

Jack J. Phillips, Ph.D.
and Patricia Pulliam Phillips, Ph.D.

Resources

**Show the Value of What You Do:
Measuring ROI for Success**

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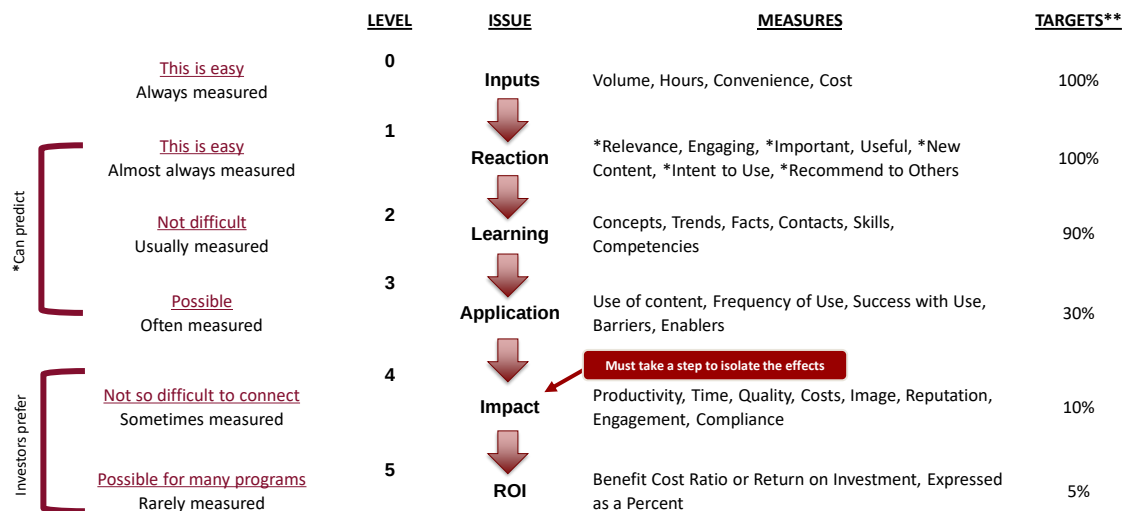
Objectives

After attending this session, participants should be able to:

1. Explain what top executives want to see from HRD programs.
2. Describe the steps in the ROI Methodology.
3. Use objectives with key results to drive performance.
4. Evaluate HRD programs at the impact and ROI levels.

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The Value Chain



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

Examples of Hard Data



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Characteristics of Hard Data

- Objectively based
- Easy to measure and quantify
- Relatively easy to assign monetary values
- Common measures of organizational performance
- Very credible with management

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Examples of Soft Data



Employee
Development/
Advancement



Client
Service



Image/
Reputation



Work Climate/
Satisfaction



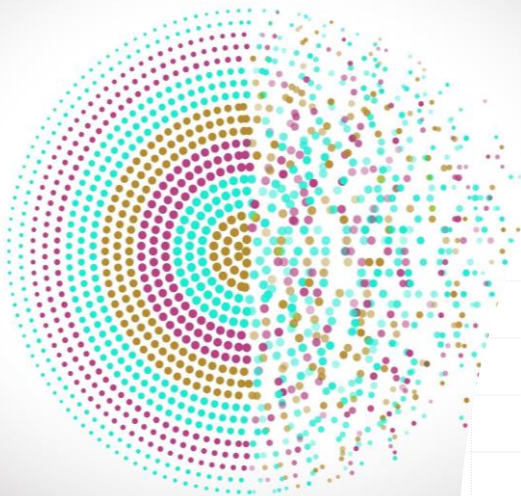
Leadership



Initiative/
Innovation

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Characteristics of Soft Data



- Subjectively based in many cases
- Difficult to measure and quantify, directly
- Difficult to assign monetary values
- Less credible as a performance measure
- Usually behaviorally oriented

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- Local Records
- Safety and Health Reports
- Quality Reports
- Project Reports
- Compliance Reports
- Annual Reports
- Benchmarking Reports
- Community Databases
- Cost Statements
- Scorecards
- Productivity Records

- Government Reports
- Payroll Records
- Design Documents
- Test Records
- Marketing Reports
- Service Records
- Human Capital Databases
- Industry/Trade Association Records
- UN System
- Strategic Plan
- Financial Records

Source of Impact Data

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Defining the ROI Calculation

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

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



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ROI Calculation Exercise

Building High Performance Teams

Benefits per program (85): **\$1,341,970**

Costs per program (98): **\$576,865**

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

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

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ROI Calculation Exercise

Building High Performance Teams

Benefits per program (85): **\$1,341,970**

Costs per program (98): **\$576,865**

$$\text{BCR} = \frac{\$1,341,970}{\$576,865}$$

$$\text{ROI} = \frac{\$1,341,970 - \$576,865}{\$576,865} \times 100$$

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ROI Calculation Exercise

Building High Performance Teams

Benefits per program (85): **\$1,341,970**

Costs per program (98): **\$576,865**

$$\text{BCR} = \frac{\$1,341,970}{\$576,865} = 2.33$$

$$\text{ROI} = \frac{\$1,341,970 - \$576,865}{\$576,865} \times 100 = 133\%$$

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Serious Performance Challenges

**True
or
False?**

1. Most learning and development is not applied.
2. The learning outcome desired by executives is rarely measured.
3. Most learning providers do not have data showing that they make a difference in the organization.
4. Most executives see learning as a cost and not an investment.
5. Most executives view hard skills more valuable than soft skills.

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Serious Performance Challenges

True
or
False?

1. Most learning and development is wasted (not measured).
2. The learning outcome desired by executives in organizations is rarely measured.
3. Most learning providers do not have data showing that they make a difference in the organization.
4. Most executives view learning as a cost and not an investment.
5. Most executives view hard skills more valuable than soft skills.

It's much worse for virtual.

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What Executives Want

Measures	Currently Measure	Should Measure	Importance
Inputs and Indicators	94%	86%	6
Reaction	53%	22%	7
Learning	32%	28%	5
Application	11%	61%	4
Impact	8%	96%	1
ROI	4%	74%	2
Awards	40%	44%	3

ROI Institute and ATD research show that the data CEOs receive are not demonstrating what they want out of their talent investment. (N=96)

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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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A Variety of ROI Applications

The Possibilities are Endless...

What do you see in common with the examples?
What is driving this level of accountability for these programs?

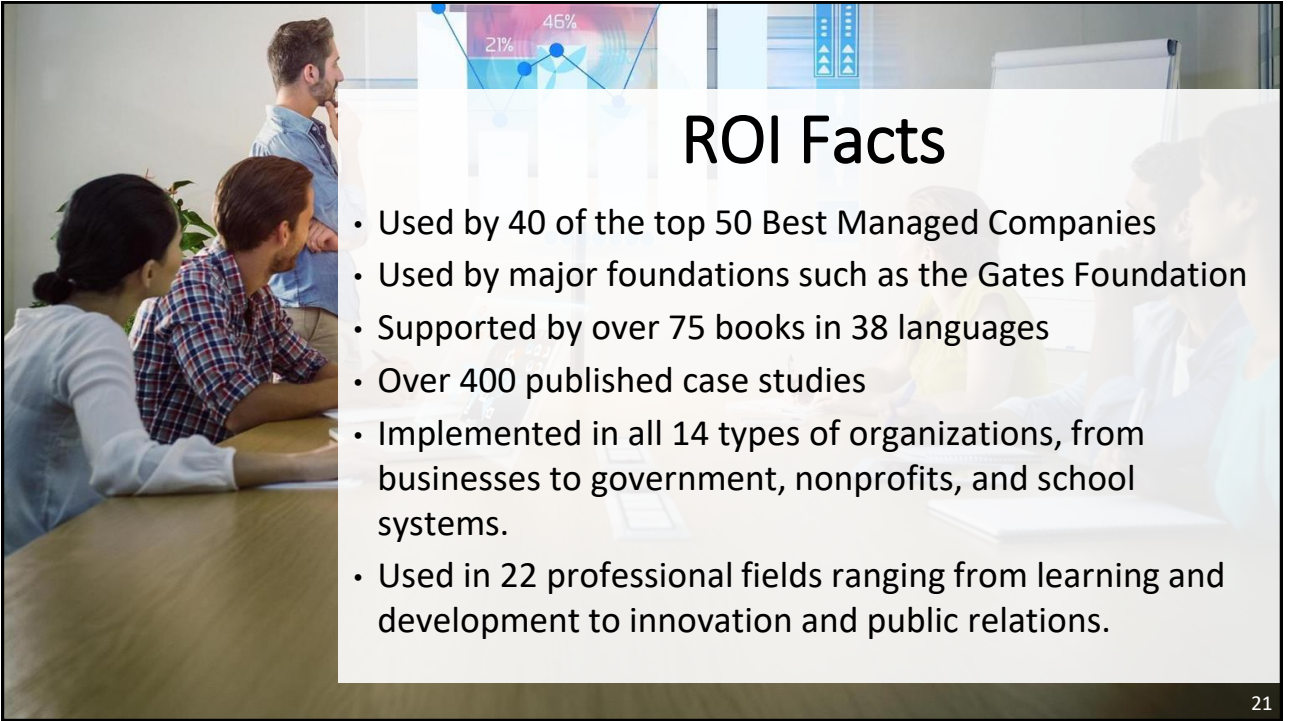


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ROI Facts

- Implemented in over 70 countries
- Most used evaluation system in the world
- Endorsed by the United Nations with a UN General Assembly resolution in 2008
- Endorsed by 30 federal governments
- Used by over 300 healthcare systems
- Used by over 150 colleges and universities
- Used by three-fourths of Fortune 500 organizations

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ROI Facts

- Used by 40 of the top 50 Best Managed Companies
- Used by major foundations such as the Gates Foundation
- Supported by over 75 books in 38 languages
- Over 400 published case studies
- Implemented in all 14 types of organizations, from businesses to government, nonprofits, and school systems.
- Used in 22 professional fields ranging from learning and development to innovation and public relations.

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If you had a credible evaluation of your most important program/projects, showing reaction, learning, application, impact, and a positive ROI, what would it mean to you? (Check all that apply)

- ☐ My team would be happy.
- ☐ I will have more support for this program.
- ☐ This will help keep funding for the program.
- ☐ My relationship with the sponsor will improve.
- ☐ I will know what worked and what didn't work.
- ☐ Other

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Enter Design Thinking



Identify impacts needed.



All stakeholders work toward impacts.

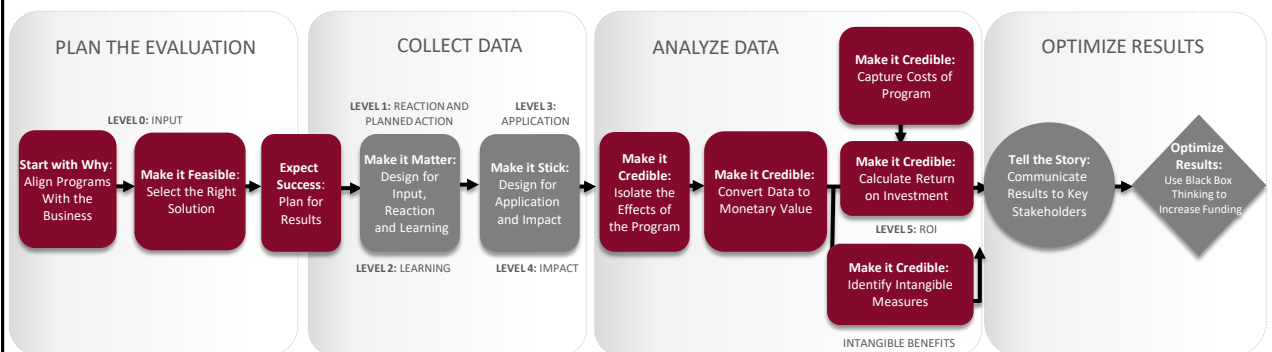


Success is defined by achieving impact.

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The ROI Methodology Process Model

Designing for the Delivery of Business Results



Guiding Principles

1. When conducting a higher-level evaluation, collect data at lower levels.
2. When planning a higher-level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analyzing data, use only the most credible sources.
4. When analyzing data, select the most conservative alternative for calculations.
5. Use at least one method to isolate the effects of a project.
6. If no improvement data are available for a population or from a specific source, assume that little or no improvement has occurred.
7. Adjust estimates of improvement for potential errors of estimation.
8. Avoid use of extreme data items and unsupported claims when calculating ROI.
9. Use only the first year of annual benefits in ROI analysis of short-term solutions.
10. Fully load all costs of a solution, project, or program when analyzing ROI.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. Communicate the results of ROI Methodology to all key stakeholders.

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Start with Why

Align Programs with the Business

Design Thinking Principle 1

A problem-solving approach to handle problems on a systems levels



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Case Study: Scotland Yard

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?



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Case Study: Kansas City Police

1. Is it possible to “start with why” (the business measure) with every project? Explain.
2. What are the business measures for your project?

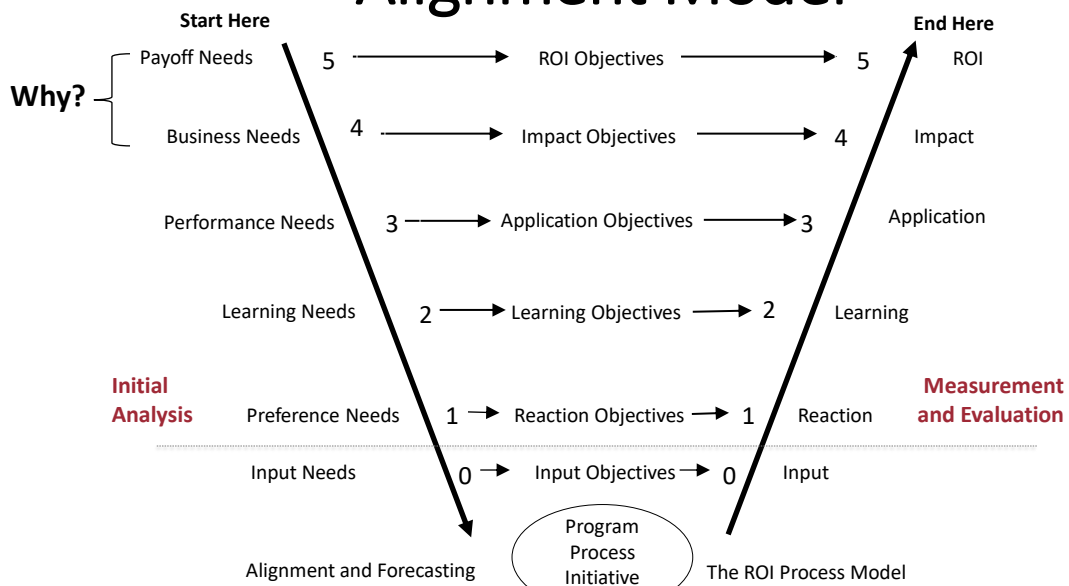


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KANSAS CITY PD STORY

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Alignment Model



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Make it Feasible

Select the Right Solution

Design Thinking Principle 2

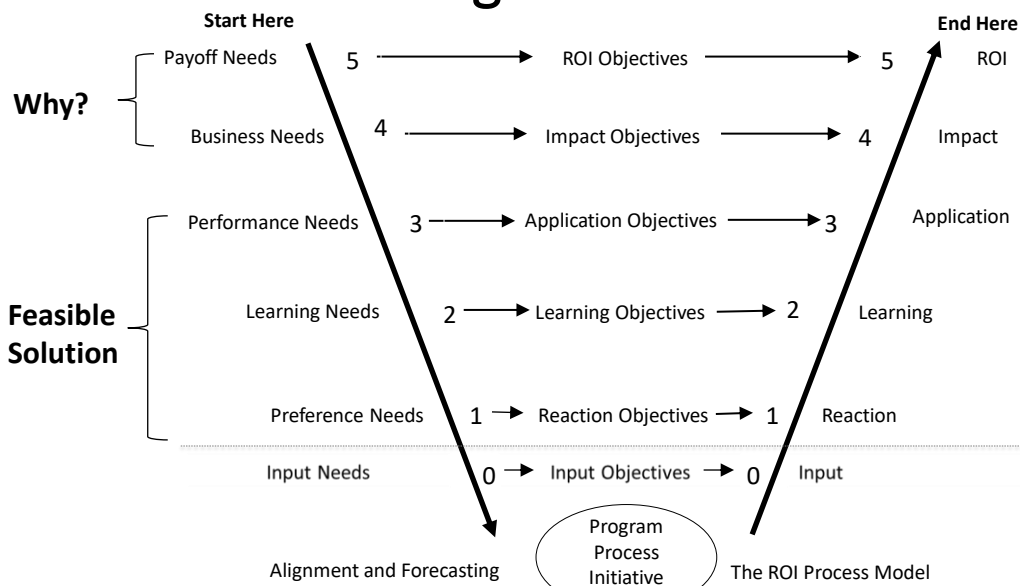
A mind-set for curiosity and inquiry



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Alignment Model



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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.
8. Conduct an analysis.

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Expect Success

Design for Results

Design Thinking Principle 3

A framework to balance
needs and feasibility



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Developing Objectives for Each Level

Levels	Focus
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 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

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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.

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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**

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ROI Objective Options

1. Set the value at the same level as other investments: 15%
2. Set slightly above other estimates: 25%
3. Set at breakeven: 0%
4. Set at client expectations.

Private sector organizations usually go with option #2; public sector organizations prefer #3.

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A close-up photograph of a person's hands writing on a white sheet of paper with a black pen. The person is wearing a light blue shirt. The background is blurred, showing more papers and a desk.

Make it Matter
Design for Input, Reaction, and Learning

Design Thinking Principle 4
A way to take on design challenges by applying empathy

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A photograph of a single glowing yellow lightbulb in the foreground, hanging from a cord. In the background, many other unlit lightbulbs are hanging, creating a sense of depth and focus on the illuminated bulb.

Make it Stick
Design for Application and Impact

Design Thinking Principle 5
A culture that fosters exploration
and experimentation

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Data Collection Issues

- Objectives
- Type of data
- Instruments/Methods
- Sources of data
- Timing of collection
- Responsibilities
- Response rate
- Sampling

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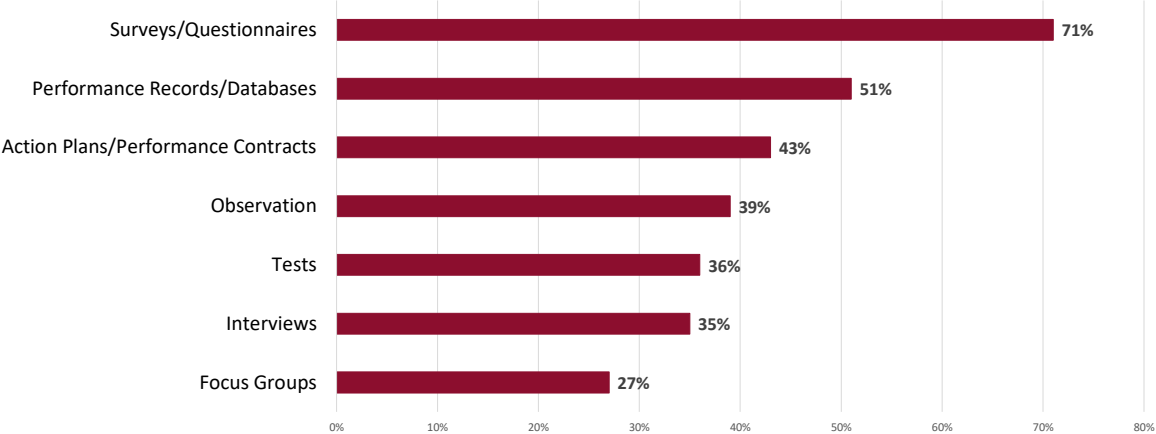
Collect Data During and After the Program

Method	Level			
	1	2	3	4
Surveys	✓	✓	✓	
Questionnaires	✓	✓	✓	✓
Observation	✓	✓	✓	
Interviews	✓	✓	✓	
Focus Groups	✓	✓	✓	
Tests/Quizzes		✓		
Demonstrations		✓		
Simulations		✓		
Action planning/improvement plans			✓	✓
Performance contracting			✓	✓
Performance monitoring				✓

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Data Collection Methods

Benchmarking



*Survey of Users, N = 246

Making the Program Work

		Timeframe		
		Before	During	After
Role-Players	Manager or Significant Other			
	Participant			
	Facilitator/ Organizer			

Make it Credible

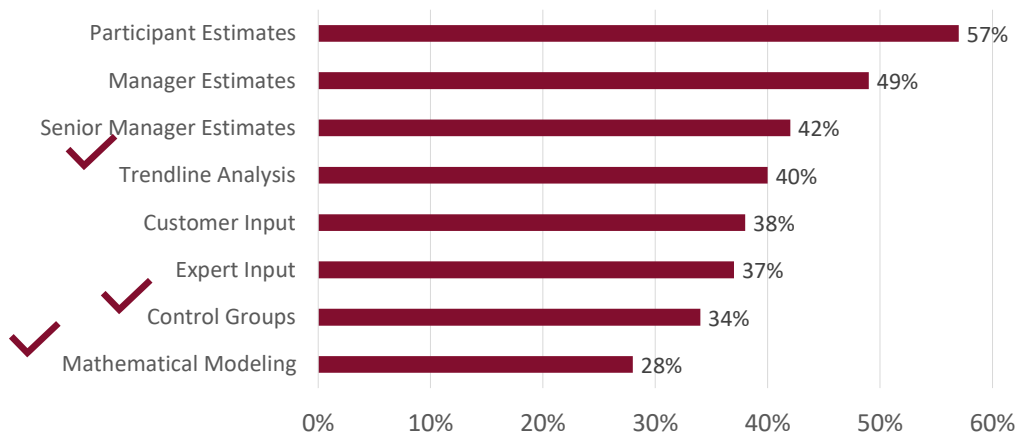
Measure Results and Calculate ROI

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

Design Thinking Principle
A fixed process and a tool kit

Isolation Methods

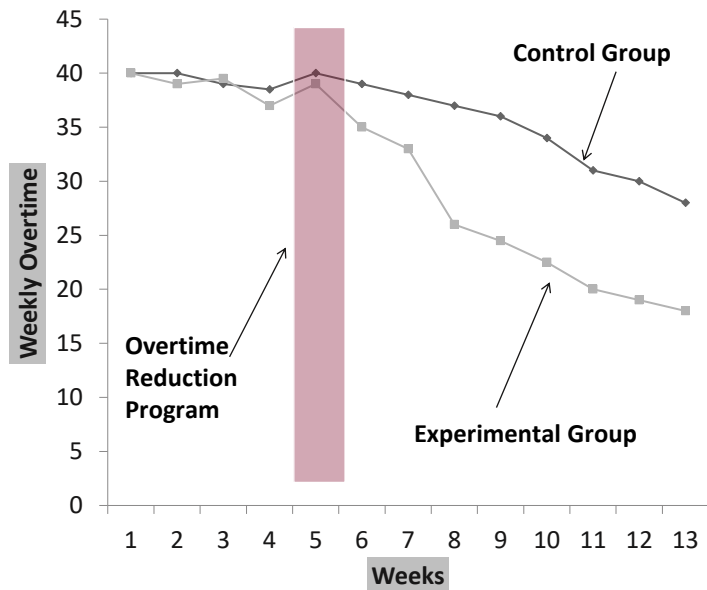
Benchmarking



*Survey of Users, N = 246

Use of Control Groups Example:

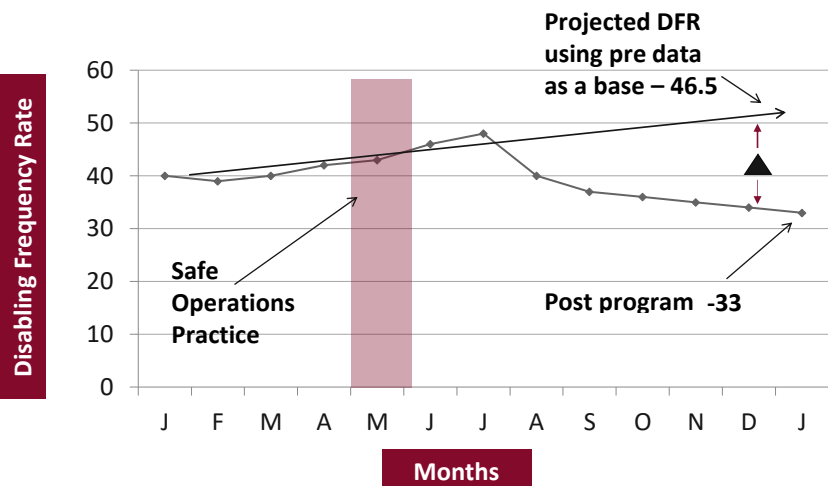
Nurse Overtime Reduction at the Provincial Health Authority



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Case Application: Muskoka Hospital

Use of Trend Line Analysis



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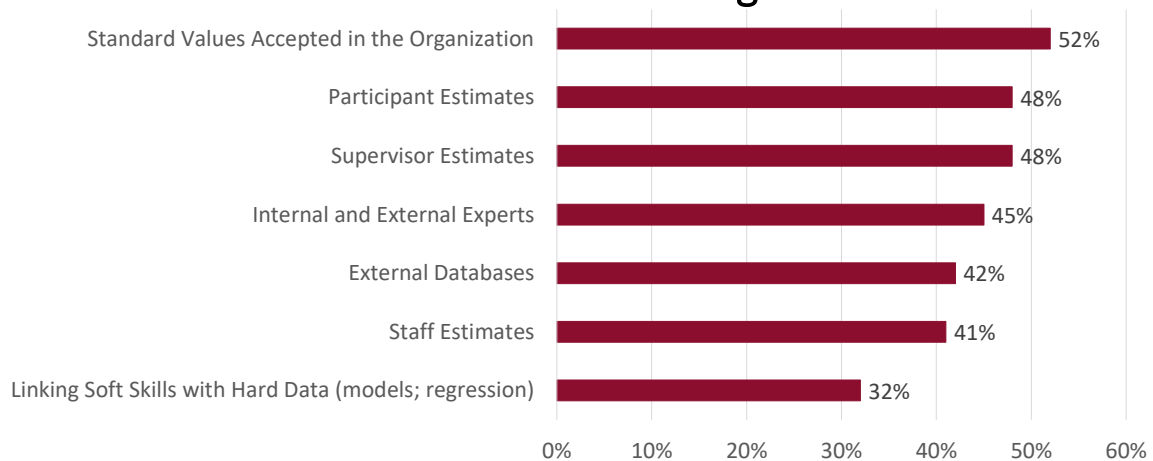
The Wisdom of Crowds



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Data Conversion Methods

Benchmarking



*Survey of Users, N = 246

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Common 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

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Project Cost Categories

Tabulating
Program Costs
Recommended
Items

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		✓

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ROI Calculation Example

Program: Emerging Leadership

Program Benefits = AED2,016,290

Program Costs = AED589,386

Data taken from an emerging leadership program case study.

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What is ROI?

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

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

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What is ROI?

$$\text{BCR} = \frac{\text{AED2,016,290}}{\text{AED589,386}} = 3.42$$

$$\text{ROI} = \frac{\text{AED2,016,290} - \text{AED589,386}}{\text{AED589,386}} \times 100 = 242\%$$

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Tell the Story

Communicate Results to Key Stakeholders

Design Thinking Principle 7

A storytelling process to inspire senior executives

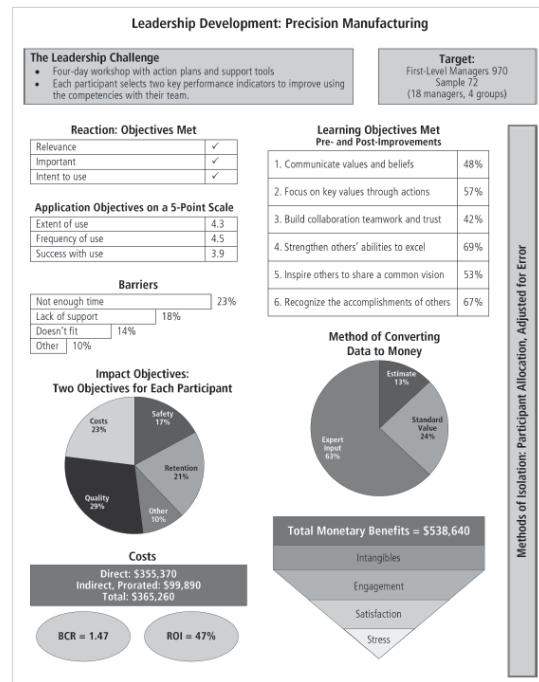
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Methods of Communication

- 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

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ROI Study: One-Page Summary Example



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Optimize Results

Use Black Box Thinking to Increase Funding

Design Thinking Principle 8

A new competitive logic of business strategy

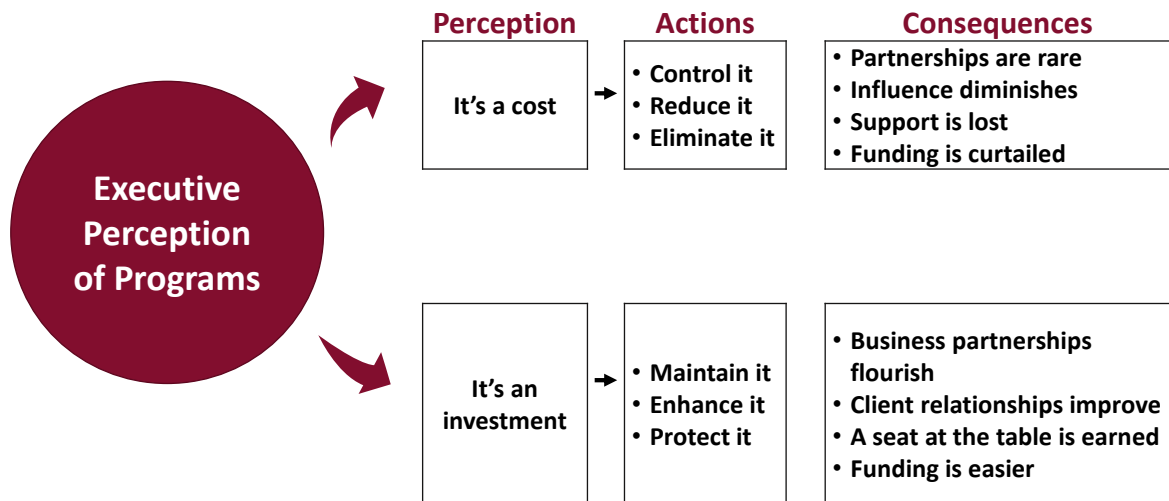


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Do Your Executives See Your
Programs as a Cost or
Investment?

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Costs Versus Investment Perception: The Reality



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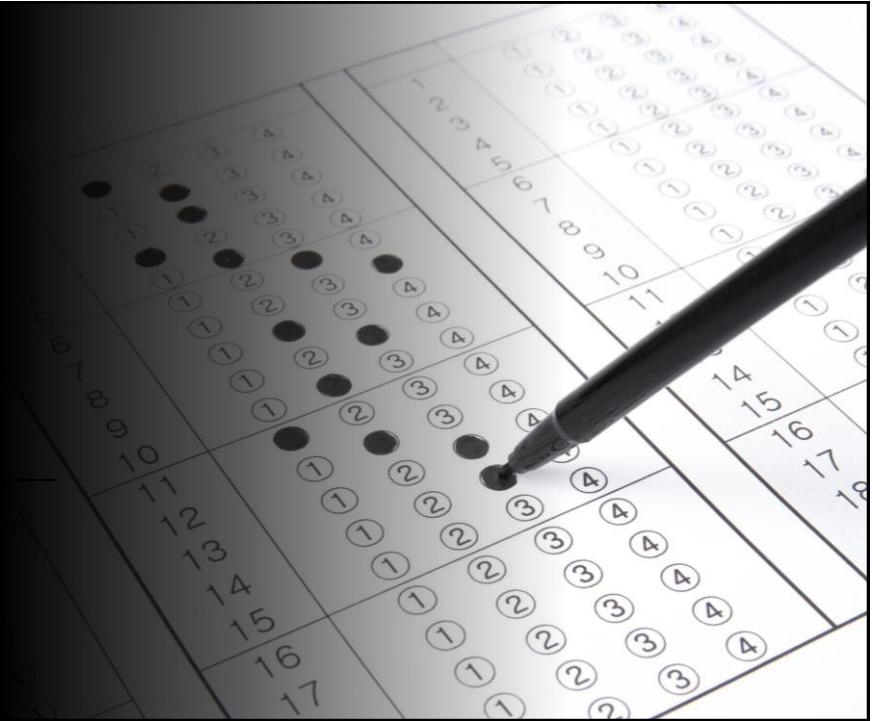
The Payoff

- 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."

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Take the ROI Quiz



Be Proactive

Remember, when it comes to delivering results:

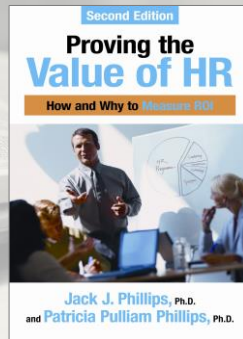
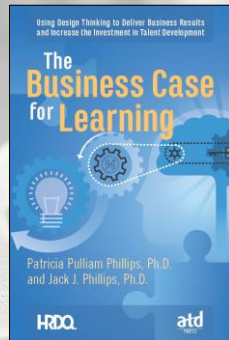
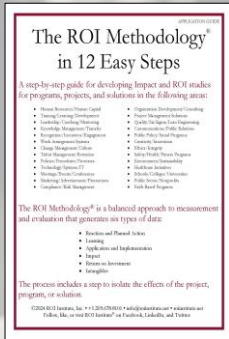
- Hope is not a strategy.
- Luck is not a factor.
- Doing nothing is not an option.

Change is inevitable.
Progress is optional.

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Resources



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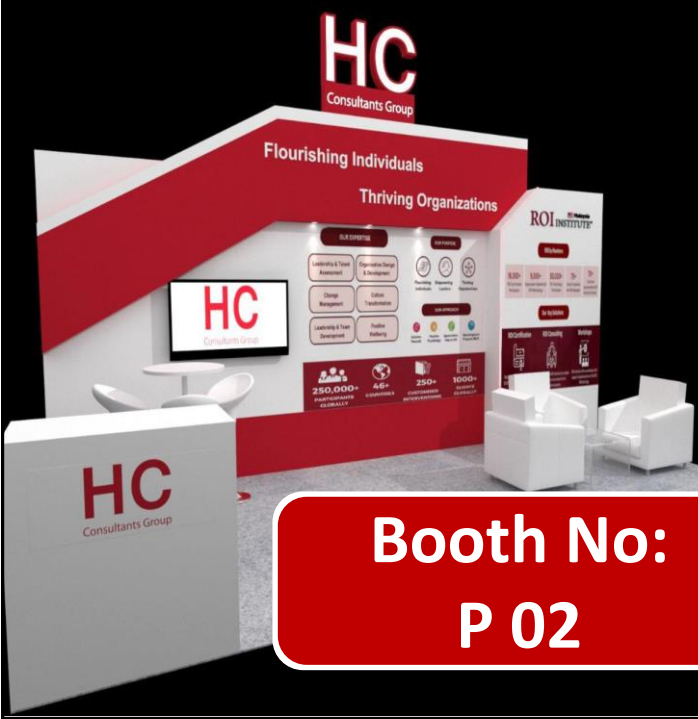
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