

Using ROI Thinking: How to Prove Program Effectiveness in the Public Sector

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Patti P. Phillips, Ph.D., and Jack J. Phillips, Ph.D.
Co-Founders, ROI Institute, Inc.

- Value Creation**
 - We are accountability, evaluation, and measurement thought leaders.
 - We work across industries and sectors to help all professionals achieve success.
- ROI Methodology**
 - We developed the ROI Methodology as a comprehensive system to measure the success of any type of endeavor.
 - The methodology is the most used evaluation system in the world because it's a credible, CEO-friendly, and is a user-centered process.
- Training Excellence**
 - We have trained more than 50,000 managers and professionals.
 - Almost 20,000 individuals have participated in ROI Certification.
- Awards & Recognition**
 - Top 50 Coaches in the World
 - 2022 ATD Thought Leader Award Recipients

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The ROI Methodology[®] in 12 Easy Steps

A step-by-step guide for developing Impact and ROI studies for programs, projects, and initiatives in the following areas:

- Business Development
- Marketing
- Human Resources
- Customer Service
- Product Development
- Operations
- Finance
- Information Technology
- Legal
- Public Relations
- Government

The ROI Methodology[®] is a balanced approach to measuring the success of any type of data:

- Quantitative and Qualitative
- Financial and Non-Financial
- Short-Term and Long-Term
- Individual and Organizational
- Internal and External
- Subjective and Objective

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

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Objectives

After attending this session, participants should be able to:

- Describe the need for ROI and cost-benefit analysis.
- Identify the five levels of outcomes from any project or program.
- Design projects and programs to deliver a positive ROI.
- Use ROI thinking to radically change the success of governments.
- Plan next steps.

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Poll: Why are you interested in ROI? (Select all that apply.)

- ☐ Top executives are requiring impact and ROI.
- ☐ I have pressure to justify my budget.
- ☐ I will need to demonstrate more value in the future.
- ☐ I want to show increased accountability for our expenditures.
- ☐ I want to explore new techniques to measure program success.



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The Value Chain

LEVEL	NAME	MEASURES	TARGETS**
0	Inputs	Volume, Hours, Convenience, Cost	100%
1	Reaction	*Relevance, Engaging, *Important, Useful, *New Content, *Intent to Use, *Recommend to Others	100%
2	Learning	Concepts, Trends, Facts, Contacts, Skills, Competencies	90%
3	Application	Use of content, Frequency of Use, Success with Use, Barriers, Enablers	30%
4	Impact	Productivity, Time, Quality, Costs, Image, Reputation, Engagement, Compliance	10%
5	ROI	Benefit Cost Ratio or Return on Investment, Expressed as a Percent	5%

*Can predict
*Not so difficult to connect
*Possible for many programs

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

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What is ROI?

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

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

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For Governments Issues — Real or Imagined?

- No profits — no ROI?
- Lack of alignment
- Absence of hard data
- Too much politics
- Multiple ROI perspectives



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Examples of Hard Data

 Output	 Quality	 Cost	 Time
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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

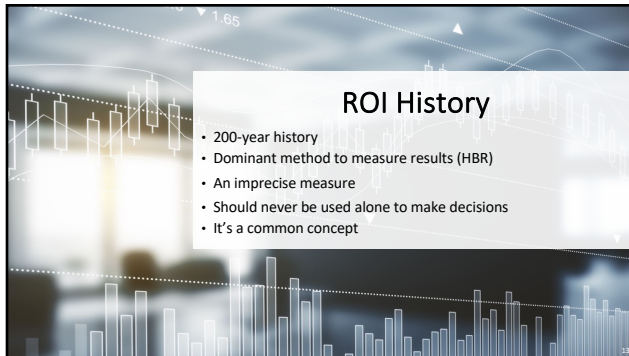
 Employee Development/Advancement	 Client Service	 Image/Reputation
 Work climate/Satisfaction	 Leadership	 Initiative/Innovation

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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

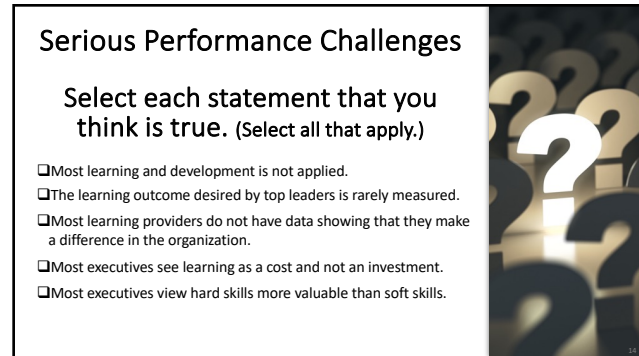
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ROI History

- 200-year history
- Dominant method to measure results (HBR)
- An imprecise measure
- Should never be used alone to make decisions
- It's a common concept

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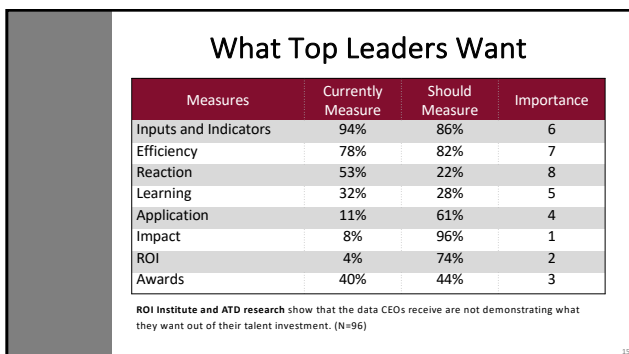


Serious Performance Challenges

Select each statement that you think is true. (Select all that apply.)

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

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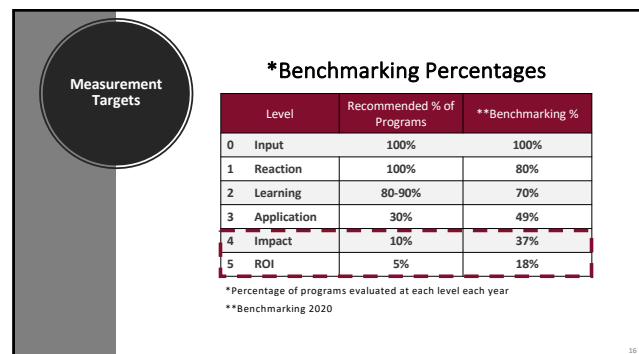


What Top Leaders Want

Measures	Currently Measure	Should Measure	Importance
Inputs and Indicators	94%	86%	6
Efficiency	78%	82%	7
Reaction	53%	22%	8
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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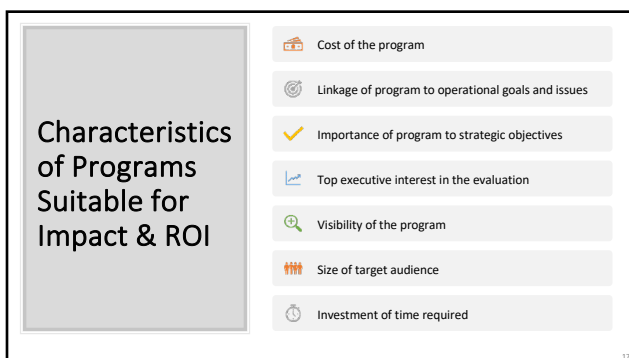


*Benchmarking Percentages

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

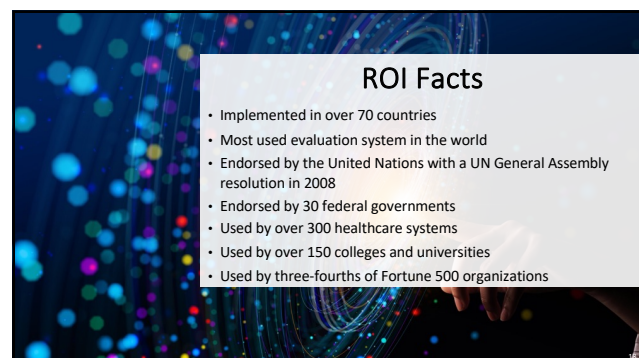
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Characteristics of Programs Suitable for Impact & ROI

- 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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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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Barriers to Impact and ROI

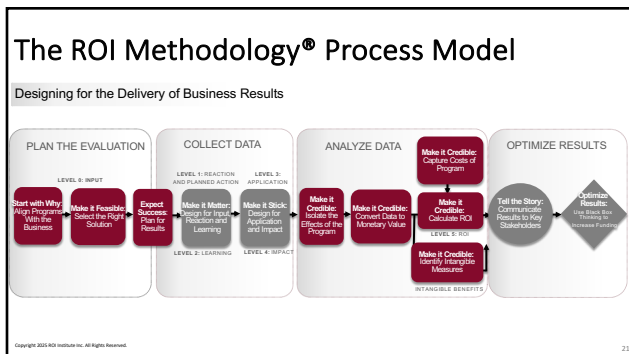
- Fear of Outcome
- Too Difficult
- Too Costly
- Time Consuming
- No One is Asking

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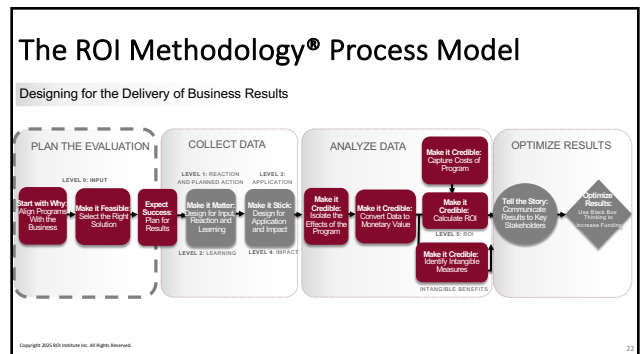
Poll: If you had a credible evaluation at all five levels of your most important programs, what would it mean to you? (Check all that apply).

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

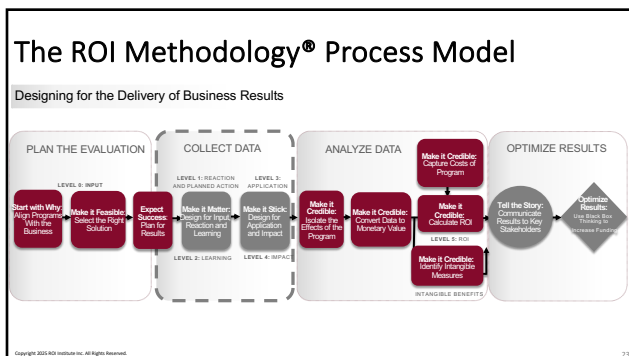
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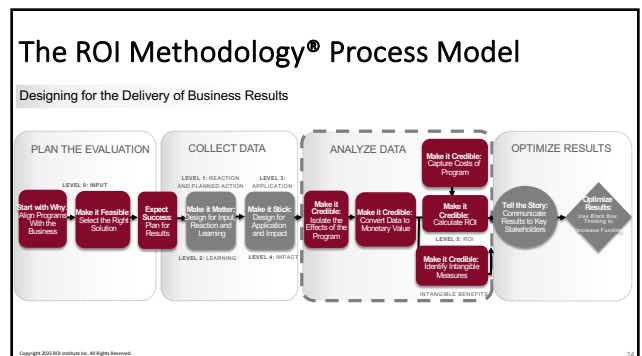
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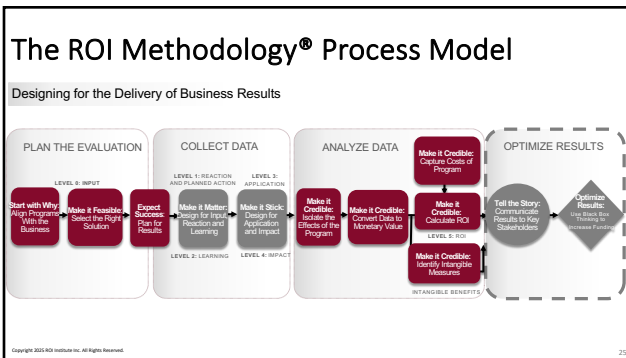
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Many organizations in KSA are using ROI to show the value of what they do.

Oil and Gas Aramco	Government - Institute of Public Administration - Healthcare Leadership Academy - National eLearning Center - Riyadh Airport - Ministry of Education - Ministry of Finance - Ministry of Culture and Information - Ministry of Commerce and Investment - Ministry of Labor and Social Development	Foundations Princess Alanoud Foundation
Telcom Saudi Telecom Company		Universities - Princess Nourah University - Taif University - Qassim University - King Khalid University
Banks Saudi National Bank		
Restaurants Herfy		Hospitals - KAMC - Ministry of Health

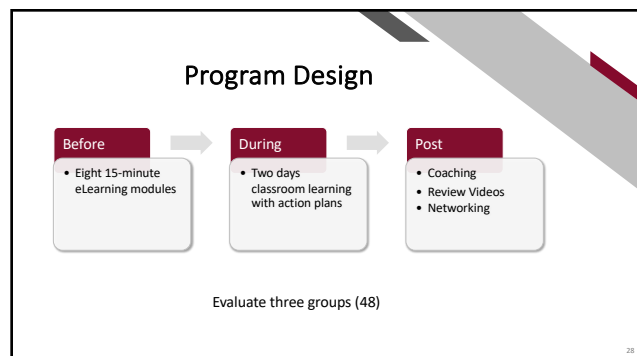
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Leadership Development in the Middle East

Leading for Change

- Communicate often and openly.
- Clearly communicates expectations.
- Open to new ideas and approaches.
- Listens intently to team members.
- Involves all team members in key issues.
- Has the flexibility to change opinions.
- Create a feeling of succeeding and failing together.
- Provides safety for trial and error.

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Leading for Change

- 1. Start with Why—Align to Business Measures**
 - Data, discussion, benchmarking led to business measures. Voluntary turnover, transfers, absenteeism, time savings, job engagement, other measures
 - Each manager selected two measures (KPIs)
- 2. Make it Feasible—Select the Right Solution**
 - The leaders (participants) made the connection.

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Leading for Change

- 3. Expect Success**
 - Definition of success: Impact (business measures)
 - Objectives developed for reaction, learning, application, and impact
 - Objectives provided to all stakeholders with the request: Design to application and impact

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Leading for Change

4. Make it Matter — Reaction

This program is

- Important to our mission. 4.2
- Important to me. 4.6
- Something I will use. 4.9
- Something I will recommend to others. 4.0

• (Ratings based on a five-point scale)
1= not at all, 2= some, 3= average amount, 4= significant amount, 5= very significant amount

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Leading for Change

4. Make it Matter — Learning

I am competent to:

- Communicate often and openly. 4.2
- Clearly communicate expectations. 4.1
- Open up to new ideas and approaches. 3.9
- Listen intently to team members. 4.0
- Involve all team members in key issues. 4.1
- Be flexible to change opinions. 3.9
- Creating a feeling of succeeding and failing together 3.8
- Provide safety for trial and error 3.9

• (Ratings based on a five-point scale)
1= not at all, 2= some, 3= average amount, 4= significant amount, 5= very significant amount.

• Facilitators observed each participant using each competency successfully

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Leading for Change

5. Make it Stick — Application

	Extent of use	Success of use
• Communicate often and openly.	4.3	4.4
• Clearly communicate expectations.	4.2	4.3
• Open up to new ideas and approaches.	4.3	4.3
• Listen intently to team members.	3.9	4.2
• Involve all team members in key issues.	4.1	4.0
• Be flexible to change opinions.	3.2	3.9
• Create a feeling of succeeding and failing together.	3.4	4.1
• Provide safety for trial and error.	3.5	3.8

• (Ratings based on a five-point scale)
For extent of use: 1= not at all, 2= some, 3= average amount, 4= significant amount, 5= very significant amount
For success of use: 1= not at all, 2= some, 3= average amount, 4= significant amount, 5= very significant amount

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Leading for Change

Step 6. Make it Credible: Isolate the Effects of the Program

- Explored: experimental versus control group
- Tried: trend line analysis
- Used: estimates from participants adjusted for error

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Leading for Change

Step 7. Make it Credible: Convert Data to Money

- Voluntary Turnover – HR provided (150% of annual pay)
- Transfers – HR provided (SAR 40,000)
- Absenteeism – Payroll provided (SAR 1063.7 per absence)
- Time Savings – Payroll provided an average hourly rate (SAR 144)
- Others – Varies
- Total Monetary Value – One year of benefits

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Monetary Calculations From Action Plans

Measure	% Participants Claiming	# Prevented Annually	Unit Cost	Total	Contribution	Confidence	Total
Voluntary Turnovers	42% (20)	14	SAR 300,000	SAR 4,200,000	65%	72%	SAR 1,915,600
Transfers	54% (26)	9	SAR 40,000	SAR 360,000	43%	76%	SAR 117,648
Time Savings	42% (20)	3680	SAR 144	SAR 529,920	72%	81%	SAR 309,049
Absenteeism	38% (18)	198	SAR 1063.7	SAR 210,618	37%	73%	SAR 56,888
							Total = SAR 2,399,185

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Leading for Change

Step 8. Make it Credible: Identify Intangible Benefits

Teamwork	4.8
Innovation	4.7
Compassion	4.6
Job Satisfaction	4.6
Engagement	4.5
Quality of Work	4.5
Trust	4.4
Collaboration	4.2
Stress	3.9

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Step 9. Make it Credible: Capture Costs* of Program

Needs assessment (prorated)	1,500
Research/Development costs (prorated)	3,750
Production costs (prorated)	1,875
Salaries/benefits facilitation	112,500
Salaries/benefits coordination	54,000
Salaries/benefits participation	498,600
Coaching	378,000
Travel and lodging	355,680
Facilities	6,750
Evaluation (internal and external)	41,250
Prorated over life of program = 2,400 managers Three groups of 16 managers = 48 managers	Total = SAR 1,453,905

* Costs listed in SAR

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Step 10. Make it Credible: Calculate ROI

Total Monetary Benefits = SAR 2,399,185
Total Costs = SAR 1,453,905

$$\text{BCR} = \frac{2,399,185}{1,453,905} =$$

$$\text{ROI} = \frac{2,399,185 - 1,453,905}{1,453,905} \times 100 =$$

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Step 10. Make it Credible: Calculate ROI

Total Monetary Benefits = SAR 2,399,185
Total Costs = SAR 1,453,905

$$\text{BCR} = \frac{2,399,185}{1,453,905} = 1.65$$

$$\text{ROI} = \frac{2,399,185 - 1,453,905}{1,453,905} \times 100 = 65\%$$

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Leading for Change

Step 11. Tell the Story: Communicate Results to Key Stakeholders

- With numbers and narrative, results were communicated to:
- Executives — face-to-face briefing
 - Immediate managers — executive summary
 - Participants — infographic with webinar
 - Talent development team — full report with webinar

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Leading for Change

Step 12. Optimize Results: Use Black Box Thinking to Increase Funding

- Although the objectives were met, there is always room for improvement.
- The barriers, enablers, and suggestions are sources for making it better.
- There may be an opportunity to connect this problem to other tangible measures of productivity, quality, and innovation.
- This program should not be in jeopardy of funding and enjoy increased support and commitment based on this study.
- The reputation of talent development was enhanced because of this study.

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University in KSA

Leadership and Creativity for Performance

- Business Need**
 - Student satisfaction
 - Staff satisfaction
 - Community satisfaction
 - Quality
 - Time
 - Productivity
 - Engagement
 - University ranking
- Performance Need**
 - Open and clear communications
 - Decision-making skills
 - Creativity and problem solution
- Results**
 - Quality, productivity, time savings
 - First-year monetary benefits: SAR 466,681
 - Program costs: SAR 312,260
 - ROI: 49%**
 - Intangibles: Staff satisfaction, student satisfaction, engagement, university image

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Poll: How Often Do You Align Your Programs to Impact?

- A. Never
- B. 1-5% of Programs
- C. 6-10% of Programs
- D. 11-20% of Programs
- E. Over 20% of Programs

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Developing Objectives for Each Level

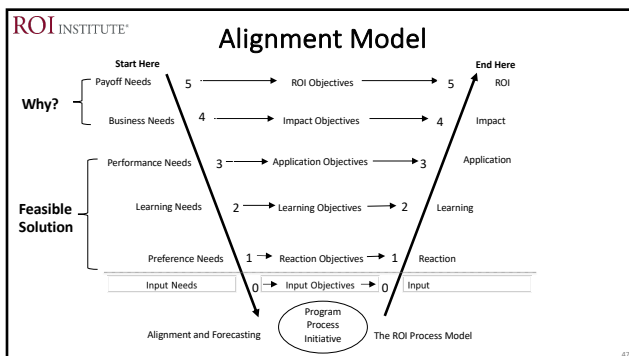
Levels	Focus
Level 1, Reaction	Defines specific measures of expected reaction to the program as it is revealed and communicated to the stakeholders
Level 2, Learning	Defines specific measures of improvement in knowledge, information, contacts, and skills as the participants and other stakeholders learn 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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Guiding Principles

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

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Make it Credible

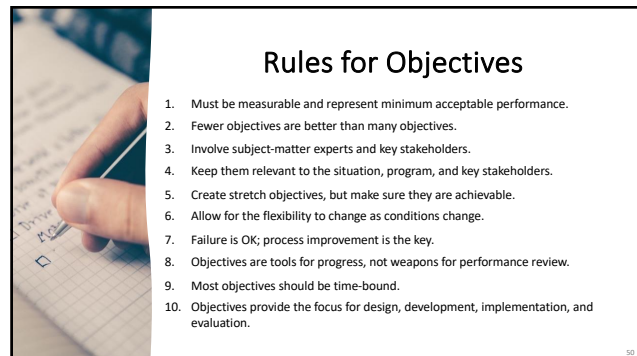
Measure Results and Calculate ROI

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

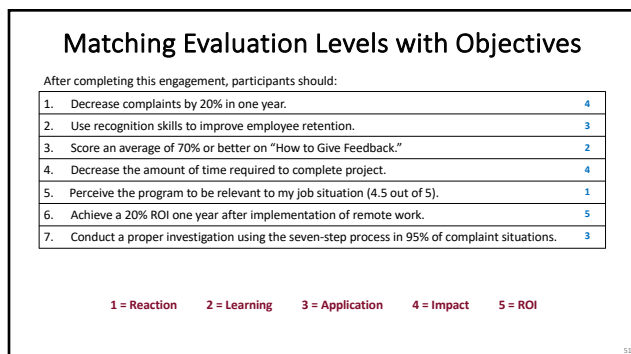
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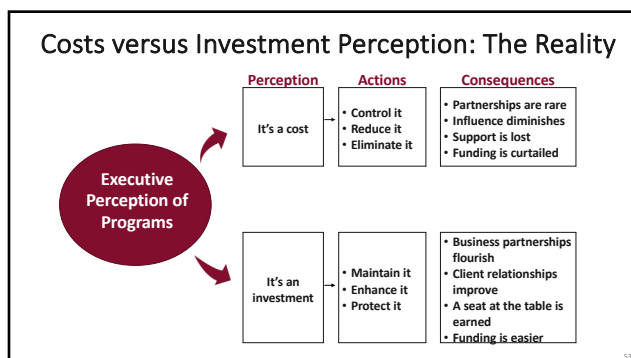
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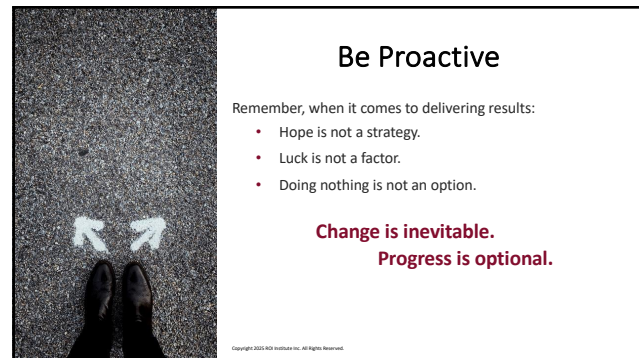
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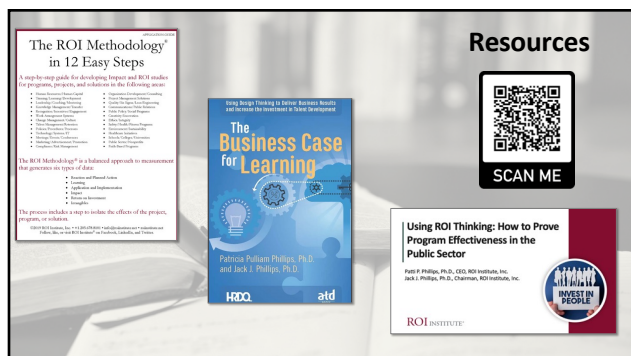
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