What's it worth?

Demonstrate the ROI of Your Programs

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atd Association for Talent Development

Objectives

Why it is as important today as it has ever been to embrace ROI

Calculate the ROI and its sister metrics, the benefit-cost ratio, and payback period

What ROI can do for you

Evaluation Framework

Levels of Evaluation	Measurement Focus	Typical Measures
0. Inputs	The input into the project in terms of scope, volume, efficiencies, costs	Participants, Hours, Costs, Timing
1. Reaction & Planned Action	Measures participant satisfaction and captures planned actions, if appropriate	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to take action
2. Learning	Measures changes in knowledge, skills, and attitudes	Skills, Knowledge, Capacity, Competencies, Confidence, Contacts
3. Application	Measures changes in behavior or actions	Extent of use, Task completion, Frequency of use, Actions completed, Success with use, Barriers to use, Enablers to use
4. Business Impact	Measures changes in business impact variables	Productivity, Revenue, Quality, Time, Efficiency, Customer Satisfaction, Employee Engagement
5. Return on Investment	Compares project benefits to the costs	Benefit-Cost Ratio (BCR), ROI%, Payback Period

Return on Investment

ROI measures the amount of return relative to an investment. It indicates whether or not an organization is using its resources efficiently.

The ROI Calculation is Simple

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

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

Try it!

$$\textbf{BCR} = \frac{\$750{,}000}{\$425{,}000}$$

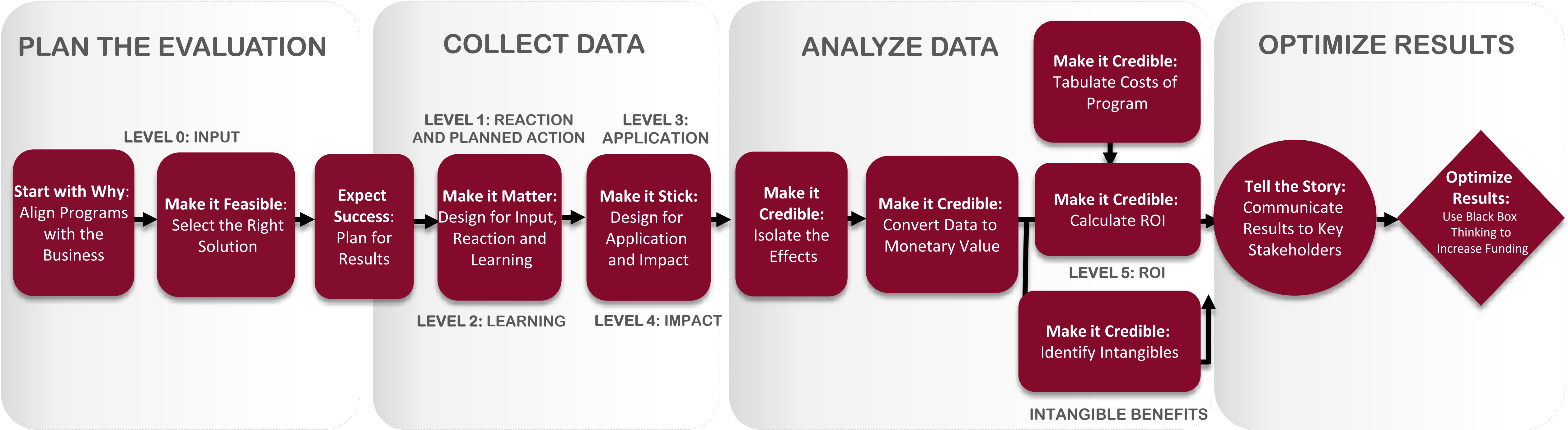
$$\textbf{ROI} = \frac{\$750{,}000 - \$425{,}000}{\$425{,}000} \text{ X } 100$$

Payback Period

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

$$\textbf{PP} = \frac{\text{Program Costs}}{\text{Program Benefits}}$$

The ROI Methodology® Process Overview



Twelve Guiding Principles

1. Report the complete story
2. Conserve evaluation resources
3. Use the most credible sources of data
4. Choose the most conservative alternatives
5. Isolate the effects of the program
6. Assume no data, no improvement
7. Adjust estimates for error
8. Throw out the extreme and unsupported claims
9. Use first year benefits for short-term programs
10. Include fully-loaded costs
11. Report intangible benefits
12. Communicate results to all stakeholders

Steps to the Money

- Define the unit of measure
- Determine the value of the measure (V)
- Determine the change in performance (△P)
- Determine the annual change in performance (A△P)
- Calculate the annual monetary benefit (A△P x V)

01. DEFINE UNIT OF MEASURE.

The standard unit by which
a quantity is measured.

Define the Unit of Measure

If this	Then this
Increase sales to new customer	1 sale
Reduce turnover of mid-level managers	1 turnover statistic
Reduce complaints regarding hostile work environment	1 complaint
Increase in employee engagement	1 percentage point
Reduce time in meetings	1 hour
Increase time in knowledge management system	1 minute

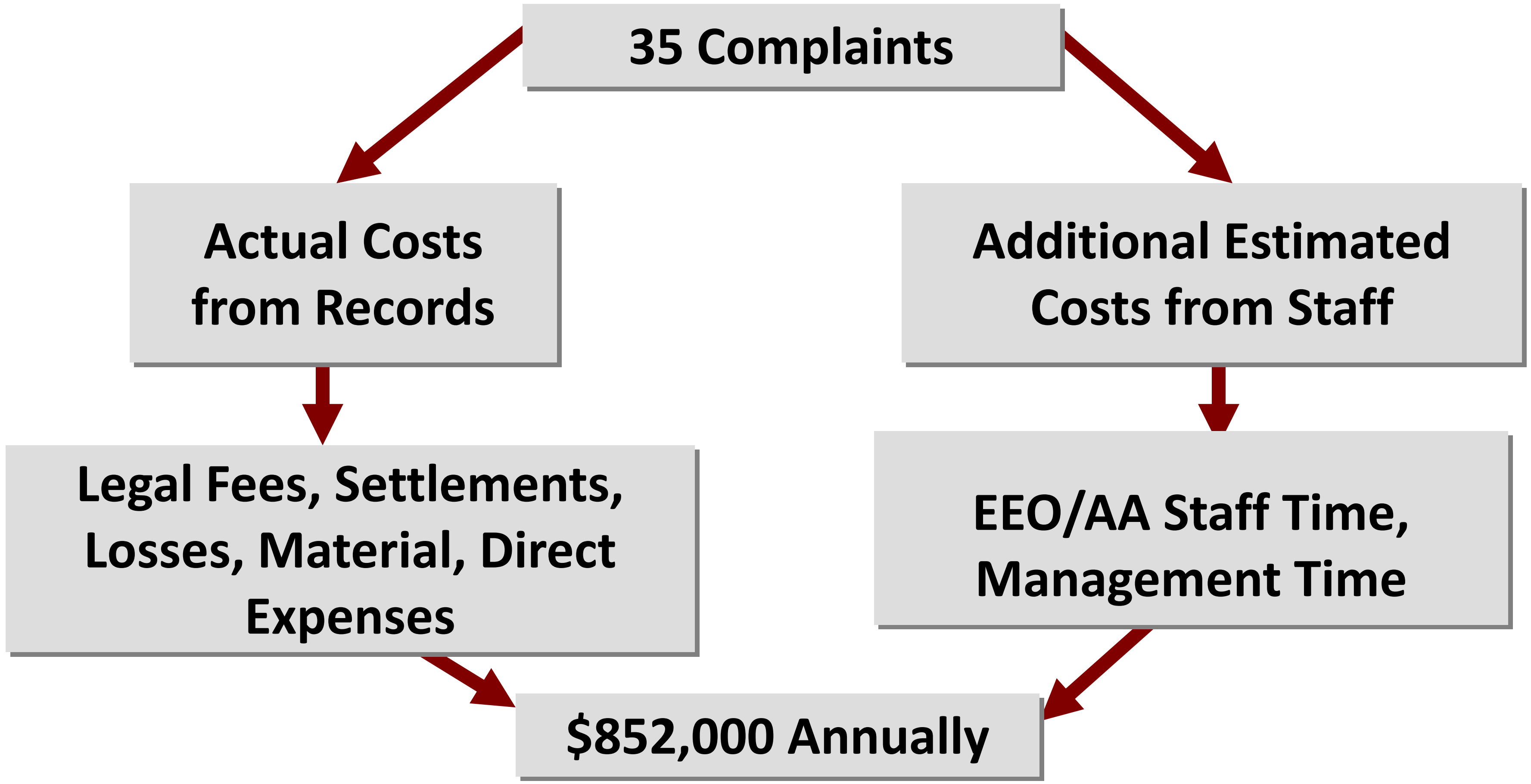
02. Determine the Value.

The monetary value of the measure of interest.

Determine the Value of the Measure

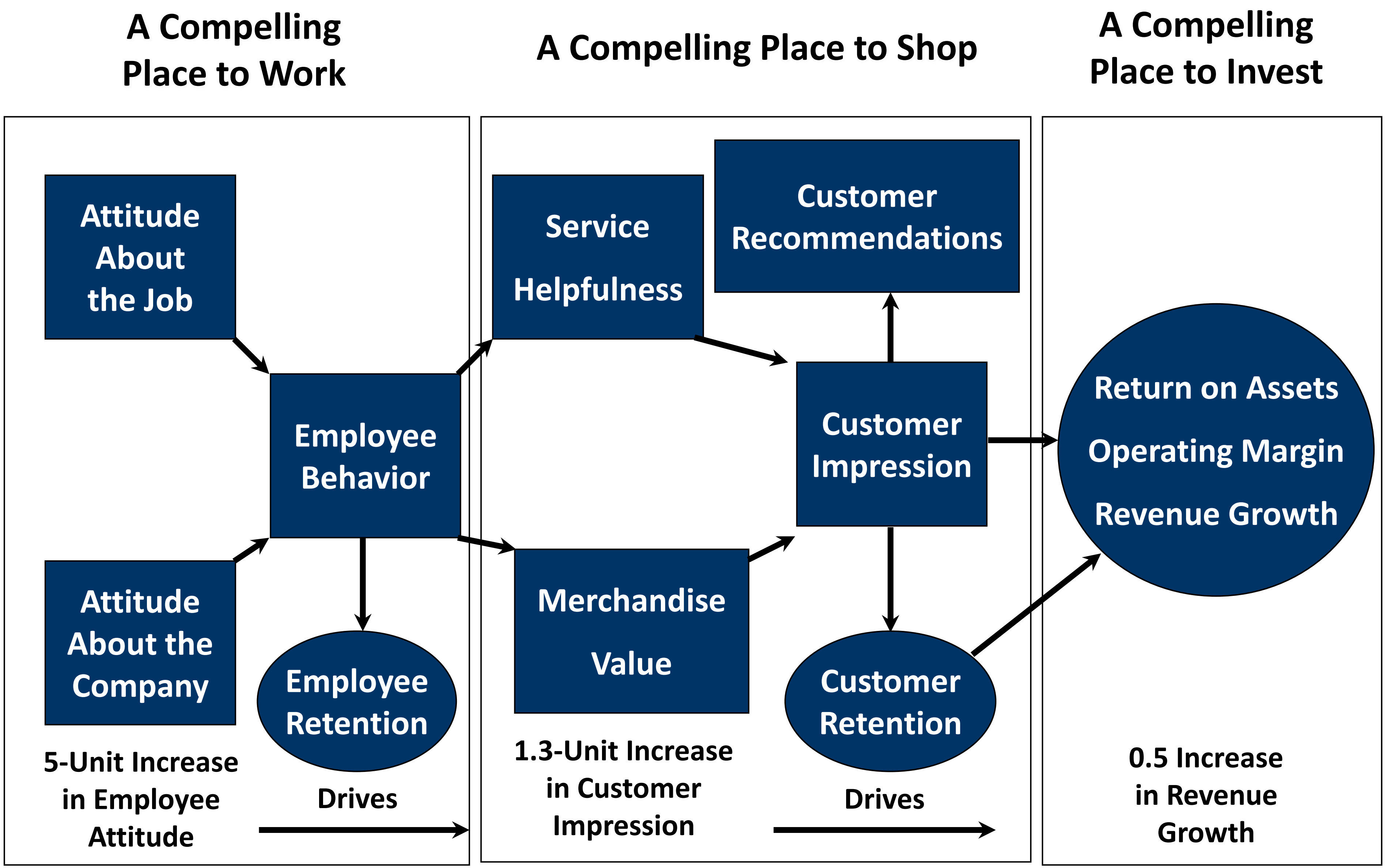
- Converting output to contribution – standard value
- Converting the cost of quality – standard value
- Converting employee’s time – standard value
- Using historical costs/existing data
- Using internal and external experts
- Using data from external databases
- Linking with other measures
- Using participants’ estimates
- Using supervisors’ and managers’ estimates
- Using staff estimates

Cost of a Complaint



Cost per complaint: $\dfrac{\underline{\$852{,}000}}{35} = \$24{,}343$

Linking with Other Measures



Estimations

- Identify the most credible source of data.
- Ask them three questions:
    - What happens when?
    - Given what you know, how much does it cost (or is it worth)?
    - How confident are you in your estimate?

Example: 1 Unexpected Absence

Most Credible Source: Supervisors

Data Collection Approach: Focus Group

Three questions (round robin format):

1. What happens when someone does not show up for work?
2. Given what you know about what happens, what does it cost for one person not to show up on one day?
3. How confident are you in your estimate?

Example: Unexpected Absenteeism

Supervisor	Estimate Value	Confidence	Adjusted Value
1	$1,500	90%	
2	$2,000	80%	
3	$1,800	85%	
4	$2,100	75%	
5	$1,000	95%	
Monetary value of an absence			

03. DETERMINE THE CHANGE IN PERFORMANCE.

The output of your Level 4 evaluation indicating the change in the business measure due to the program (after isolation).

Collecting Post-Program Data

METHOD	LEVEL	
	3	4
Follow-up Surveys	✓	
Follow-up Questionnaires	✓	✓
Observation	✓	
Interviews	✓	
Focus Groups	✓	
Tests		
Action Planning	✓	✓
Performance Contracting	✓	✓
Performance Monitoring		✓

Methods to Isolate Program Effects

- Use of a control group arrangement
- Trend line analysis of performance data
- Use of forecasting methods of performance data
- Participant’s estimate of program impact (percent)
- Supervisor’s estimate of program impact (percent)
- Manager’s estimate of program impact
- Use of expert/previous studies
- Calculate/estimate the impact of other factors
- Customer input

Classic Control Group Design

What is the difference in the change in performance?

Experimental Group

Pre-Measure → Program → Post-Measure

Control Group

Pre-Measure → Post-Measure

Post-Program Only Design

What is the difference?

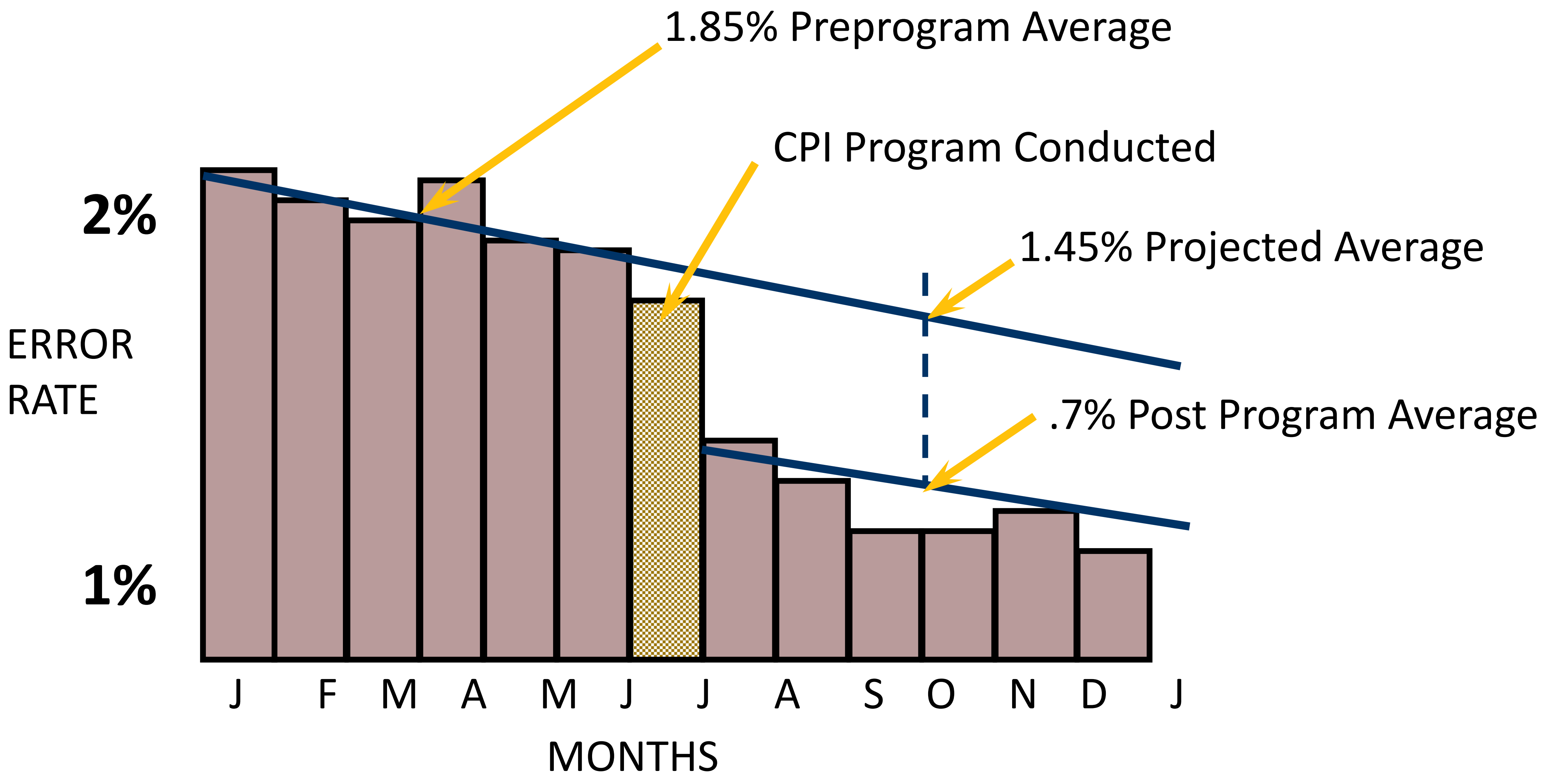
Experimental Group

Program → Post-Measure

Control Group

→ Post-Measure

Example Of Trend Line Analysis

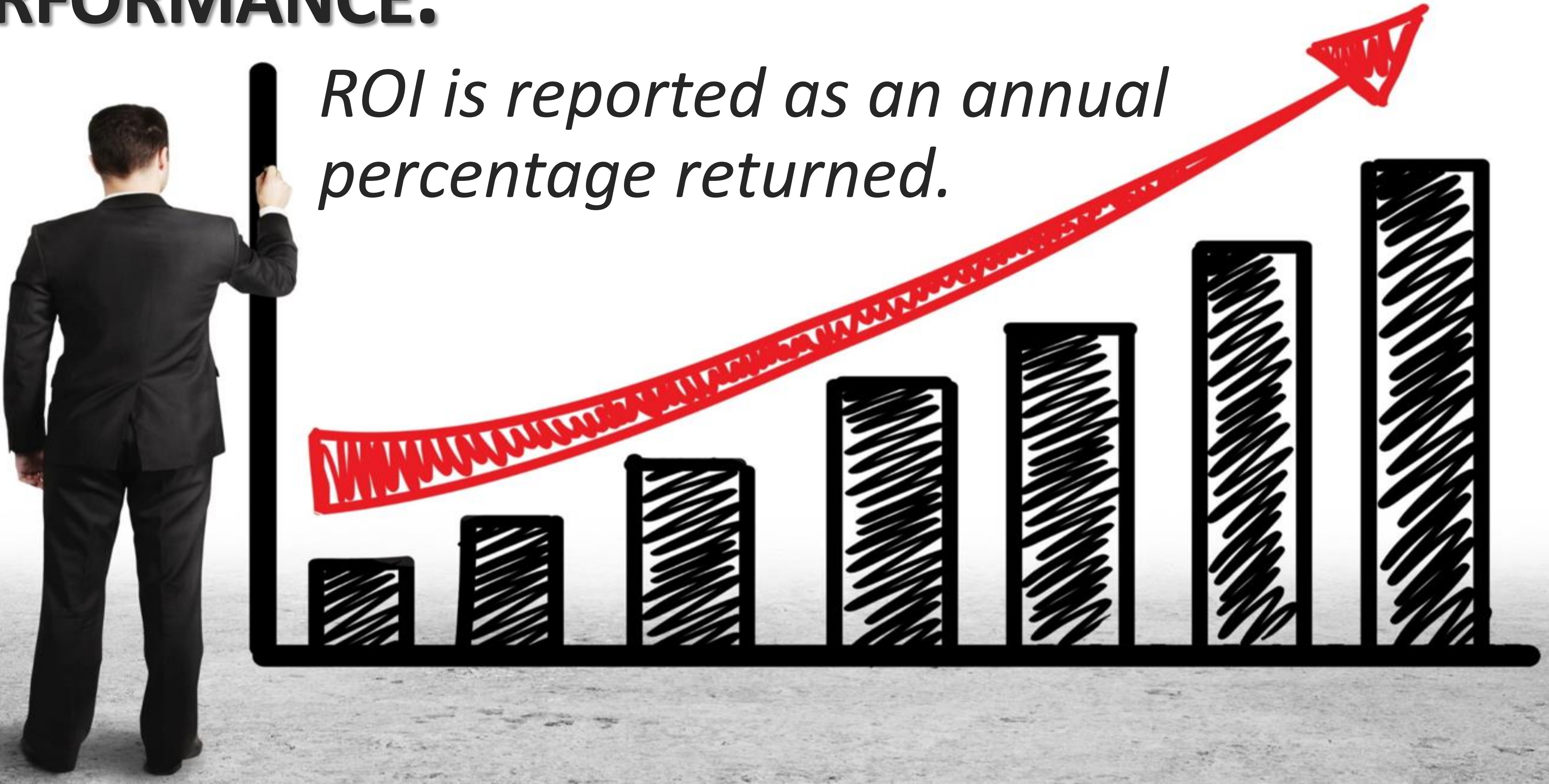


Example of Estimations

Monthly increase in credit card accounts: 175 (fact)		
Contributing Factors	**Consensus Impact (%)**	**Average Confidence (%)**
Sales Training	32%	83%
Incentives	41%	87%
Management Reinforcement	14%	62%
Market Fluctuations	11%	91%
Other __________	2%	91%
	100%	

04. DETERMINE THE ANNUAL CHANGE IN PERFORMANCE.

ROI is reported as an annual percentage returned.



Define the Annual Change in Performance

If this	Then this
Grievances decrease 7 per month	Grievances decrease 84 per year (7 X 12)
Absenteeism decrease 1.2% and there are 120 people working 240 days per year	Absenteeism decrease 345.6 per year (.012 x 120 x 240*)
Sales increase $1,250 per week	Sales increase $60,000 per year ($1,250 x 48 weeks*)
Employee turnover decreases 10 per year	Employee turnover decreases 10 per year
Kilowatt hours (kWh) used per month decrease by 100 per month	Kilowatt hours (kWh) used per month decrease by 1,200 per year (100 x 12)

***Varies based on organization practice.**

05. Calculate the annual monetary benefit.

Multiply the annual change by the value of one unit.

Calculate the Annual Monetary Benefit

If this	then this	and this	then this
Grievances decrease 7 per month	Grievances decrease 84 per year (7 X 12)	Value = $6500	**$546,000** (84 x $6500)
Absenteeism decrease 1.2% and there are 120 people working 240 days per year	Absenteeism decrease 345.6 per year (012 x 120 x 240*)	Value = $105	**$36,288** (345.6 x $105)
Sales increase $1,250 per week	Sales increase $60,000 per year ($1,250 x 48 weeks*)	Value = 15% profit	**$9,000** ($60,000 x .15)

Steps to the Money

- Define the unit of measure
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- Calculate the annual monetary benefit (A△P x V)

Example: Grievances

Unit of Measure: 1 Grievance

V = \$6,500 Director of Nursing and HR expert

△P = reduction in grievances and average of 7 per month due to the program

A△P =

A△P x V =

Ready?

Turnover of Middle Managers: A Word Problem

Your organization is experiencing a high level of **turnover of middle managers who are paid $75,000 per year** (fully-loaded). To capture the value of turnover for this group, you rely on a **database**. The database provides you with various job groups and a **range** for the cost of turnover for each group. A program was implemented to reduce the turnover. One year after the program, you found that turnover decreased by **10 for the year** – a direct result of the program. Using your five steps, the guiding principles, and the Turnover Cost Summary, calculate the **annual monetary value** of the reduction in turnover of middle managers who are paid $75,000 per year.

Steps to the Money

- Define the unit of measure
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Turnover Cost Summary

Job Type/Category	Turnover Cost Ranges
Entry level – hourly, non-skilled	30-50%
Service / Production workers – hourly	40-70%
Skilled hourly	75-100%
Clerical / Administrative	50-80%
Professional	75-125%
Technical	100-150%
Engineers	200-300%
Specialists	200-400%
Supervisors / Team Leaders	100-150%
Middle Managers	125-200%

Steps to the Money

1. **Define the unit of measure:**

2. **Determine the value of the measure (V):**

3. **Determine the change in performance (△P):**

4. **Determine the annual change in performance (A△P):**

5. **Calculate the annual monetary benefit (A△P x V):**

If you choose not to convert, report benefits as intangible.

- Adaptability
- Awards
- Brand awareness
- Career minded
- Caring
- Collaboration
- Communication
- Conflicts
- Corporate social responsibility
- Decisiveness
- Engagement
- Image
- Innovation
- Job satisfaction
- Leadership
- Networking
- Organizational climate
- Organizational commitment
- Reputation
- Stress
- Talent
- Teamwork

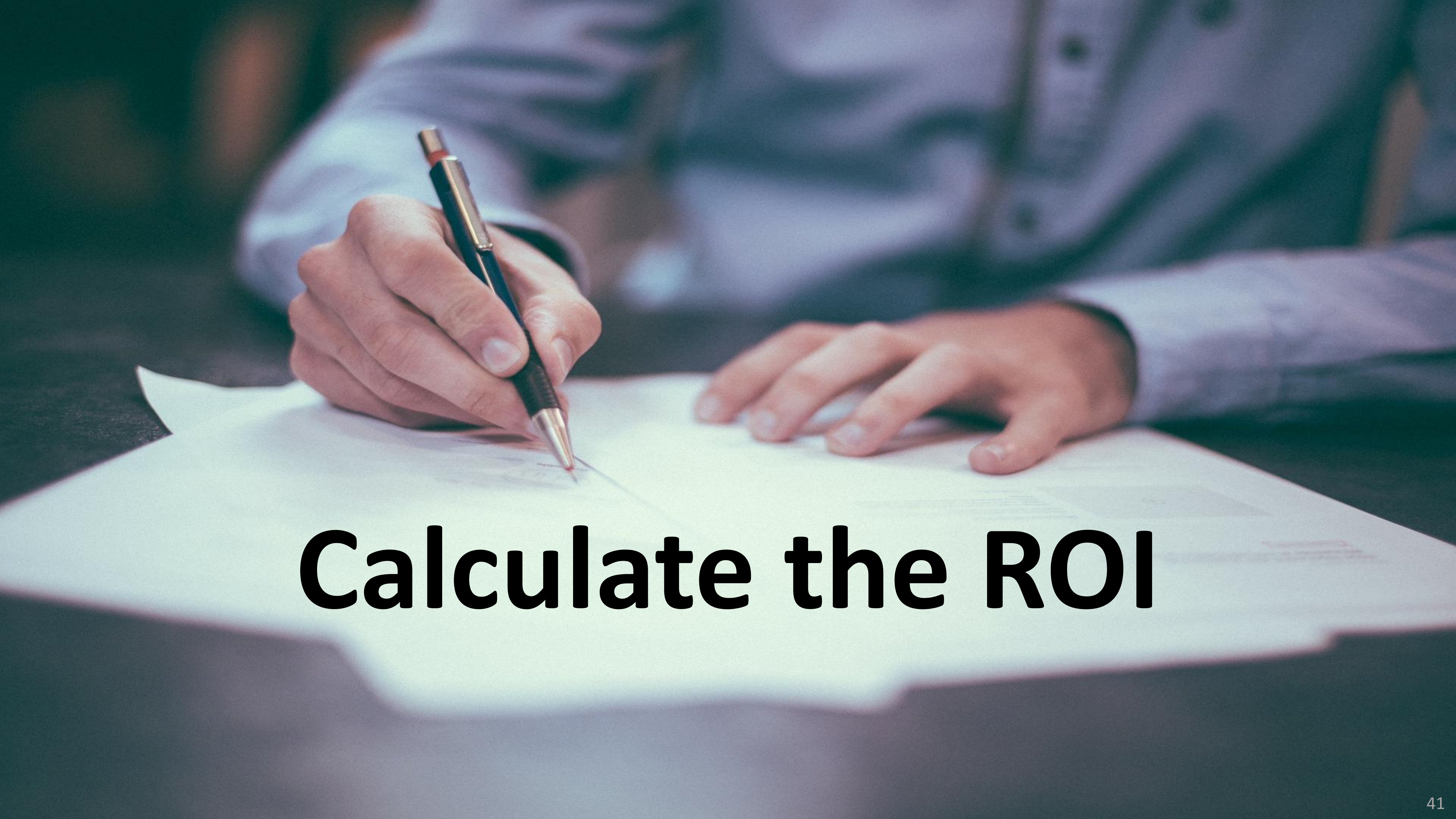
ROI Calculation

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

$$\textbf{ROI} = \frac{\text{Net Program Benefits}}{\text{Program Costs}} \text{ X } 100$$

Program Costs are Fully-Loaded Costs

- Assessment Costs (Prorated)
- Development Costs (Prorated)
- Program Materials
- Instructor/Facilitator Costs
- Facilities Costs
- Travel/Lodging/Meals
- Participant Salaries and Benefits
- Administrative/Overhead Costs
- Evaluation Costs



Calculate the ROI

- Data Collection Techniques
  - (3) Self Assessment Questionnaire – 6 months after program
  - (3) Employee Survey (25% Sample) – 6 months after program
  - (4) Complaint and Turnover Records – 12 months after program
- Isolation Techniques
  - Complaints – Trend Line Analysis
  - Turnover – Forecasting
- Data Conversion Techniques
  - Complaints – Historical costs and input from experts (internal EEO/AA staff)
  - Turnover – External studies within industry
- Program costs
  - Fully-loaded including needs assessment, development, coordination, salaries and benefits of initial meeting, and evaluation
  - Total Costs - $277,987
- Benefits
  - Complaints
    - Value of one complaint - $24,343
    - Prevented over one year - 14.8
  - Turnover
    - Value of one turnover statistic - $20,887
    - Prevented over one year – 136

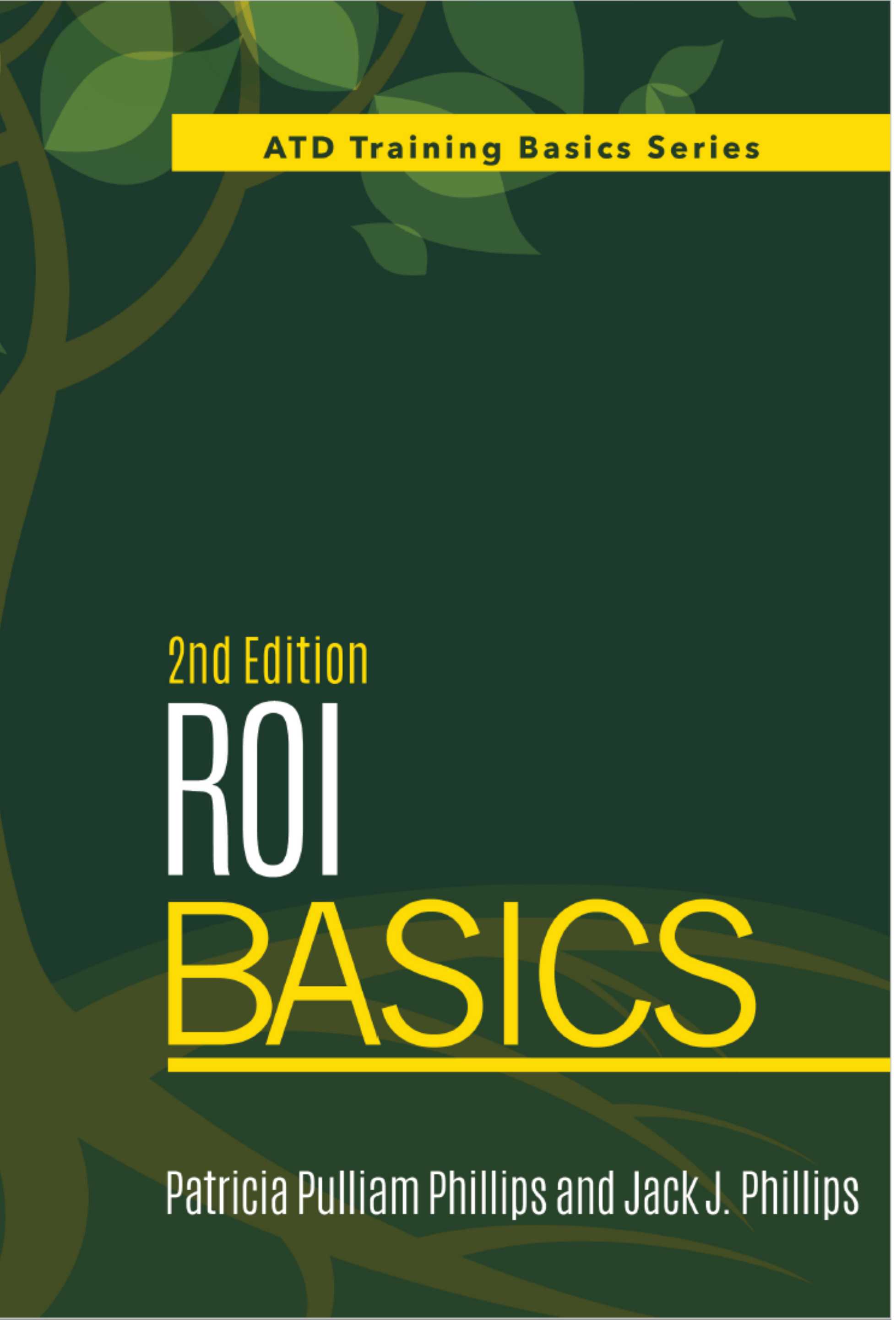
Why do People Like ROI?

The people who like ROI do so because the ROI Methodology:

- Generates a balanced set of measures.
- Employs a step-by-step process.
- Bridges evaluation disciplines.
- Balances research and reality.
- Offers a flexible evaluation solution.
- Provides a credible approach to measurement and evaluation.

Next Steps

- Assess your readiness for ROI
- Identify stakeholders and their data needs **(p. 21 in ROI Basics!)**
- Determine the purpose of your evaluation practice
- Identify programs suitable for ROI
- Develop capability in the ROI Methodology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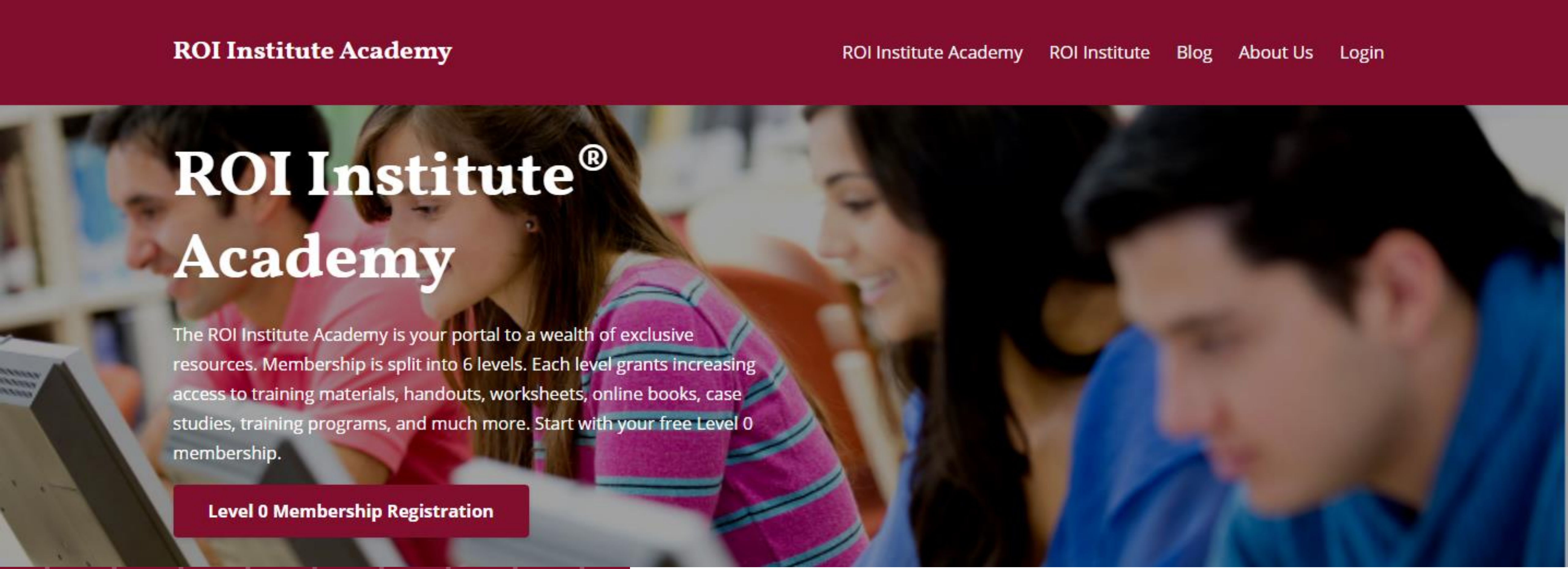

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ROI CERTIFICATION®

2020 SCHEDULED EVENTS

*January 7-9, San Diego, CA	*April 14-16, Salt Lake City, UT	August 3-7, Columbus, OH
January 20-24, Austin, TX	May 4-8, Washington, D.C.	August 24-28, Atlanta, GA
February 3-7, San Francisco, CA	May 18-22, Denver, CO	*September 15-17, Boston, MA
February 24-28, Orlando, FL	June 1-5, Chicago, IL	Sept. 28-Oct. 2, Charlotte, NC
*March 10-12, Sacramento, CA	*June 23-25, Milwaukee, WI	October 26-30, Dallas, TX
March 23-27, Atlanta, GA	*July 14-16, Louisville, KY	November 9-13, Nashville, TN
April 6-10, New Orleans, LA	July 27-31, Seattle, WA	*December 1-3, Albuquerque, NM

*DENOTES THREE-DAY OPTION

WHAT IS ROI CERTIFICATION?

ROI Certification is a globally renowned process focused on measuring the true value of tough-to-measure initiatives using the ROI Methodology®. Participating in ROI Certification is the most comprehensive way to gain the skills needed to evaluate major programs and to report the most credible results that drive organizational improvement.

Email: info@roiinstitute.net Register: http://bit.ly/ROI2020 Call: 205.678.8101

This program has been approved for 37.5 (HR General) Recertification Credit Hours toward PHR, SPHR and GPHR recertification through the HR Certification Institute (HRCI).

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