Show Me the Money!

Demonstrating the ROI for Training and Development
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President & CEO

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ROI INSTITUTE®
You Will Learn:

- What ROI is, what it is not, and how and when to use it.

- How to ensure your programs deliver results that matter.

- Techniques to integrate evaluation so that it is a seamless part of your programming.
What is ROI?

BCR = \[
\frac{\text{Program Benefits}}{\text{Program Costs}}
\]

ROI = \[
\frac{\text{Net Program Benefits}}{\text{Program Costs}} \times 100
\]
Try it!

Program Benefits = $750,000
Costs = $425,000

What is the BCR?
What is the ROI?
TRY IT!

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

ROI = \frac{\$750,000 - \$425,000}{\$425,000} \times 100 =
TRY IT!

BCR = \( \frac{\$750,000}{\$425,000} \) = 1.76:1

ROI = \( \frac{\$750,000 - \$425,000}{\$425,000} \) \times 100 = 76\%
SOMETIMES THIS HAPPENS

BCR = \frac{750,000}{425,000} = 1.76 \times 100 = 176\%
TRY IT!

BCR = \frac{\$750,000}{\$425,000} = 1.76:1

ROI = \frac{\$750,000 - \$425,000}{\$425,000} \times 100 = 76\%
<table>
<thead>
<tr>
<th>Levels of Evaluation</th>
<th>Measurement Focus</th>
<th>Typical Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 Inputs</td>
<td>The input into the project in terms of scope, volume, efficiencies, costs</td>
<td>Participants, Hours, Costs, Timing</td>
</tr>
<tr>
<td>1 Reaction</td>
<td>Reaction to the project or program, including the perceived value</td>
<td>Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to take action</td>
</tr>
<tr>
<td>2 Learning</td>
<td>Learning to use the content and materials, including the confidence to use what was learned</td>
<td>Skills, Knowledge, Capacity, Competencies, Confidence, Contacts</td>
</tr>
<tr>
<td>3 Application</td>
<td>Use of content and materials in the work environment, including progress with actual items and implementation</td>
<td>Extent of use, Task completion, Frequency of use, Actions completed, Success with use, Barriers to use, Enablers to use</td>
</tr>
<tr>
<td>4 Impact</td>
<td>The consequences of the use of the content and materials expressed as business impact measures</td>
<td>Productivity, Revenue, Quality, Time, Efficiency, Customer Satisfaction, Employee Engagement</td>
</tr>
<tr>
<td>5 ROI</td>
<td>Comparison of monetary benefits from program to program costs</td>
<td>Benefit-Cost Ratio (BCR), ROI%, Payback Period</td>
</tr>
</tbody>
</table>
What level is the highest to which you have evaluated your programs?
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</table>
The Framework Serves Three Purposes

- Needs
- Evaluation
- Objectives
Alignment Model

Start Here
- Payoff Needs
- Business Needs
- Performance Needs
- Learning Needs

Preference Needs
1 → Reaction Objectives
0 → Input Objectives

Initial Analysis

Initial Analysis
- Preference Needs
1 → Reaction Objectives
0 → Input Objectives

Measurement and Evaluation

- Input, Activity, Output Needs
0 → Input Objectives
0 → Input, Activity, Output Objectives

Alignment and Forecasting

- Program Process Initiative

The ROI Process Model

- ROI Objectives
5

End Here
- ROI
5

- Impact
4

- Application
3

- Learning
2

- Impact Objectives
4

- Application Objectives
3

- Learning Objectives
2

- Reaction Objectives
1

Payoff Needs
Absenteeism is costing $10,000 monthly.

Business Needs
Unexpected absenteeism is 9% and growing; benchmark data is at 5%

Job Performance Needs
Discussions between team member and supervisor are not occurring when there is an unplanned absence.

Learning Needs
Deficiency in counseling/discussion skills.

Preference Needs
One-day counseling skills workshop must provide usable necessary and relevant skills; facilitator-led; participants are supervisors

Impact Needs
ROI of 25%

Impact Objectives
Reduce absenteeism to 5% six months after course

Application Objectives
Counseling discussions conducted in 95% of situations when an unexpected absence occurs

Learning Objectives
Be able to demonstrate the use of counseling skills

Reaction Objectives
Program receives favorable rating of 4 out of 5 on need for program, relevance of the program, and the practicality of program

Monitor absenteeism records for six months

Follow-up questionnaire to participants to check frequency of discussions – three months

Skills practice session during program

Reaction questionnaire at the end of program

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Calculate ROI
ROI METHODOLOGY PROCESS MODEL

Evaluation Planning
- Develop Objectives of Solution(s)
  - Input/Indicators
- Develop Evaluation Plans and Baseline Data

Data Collection
- Collect Data During Solution Implementation
  - Reaction
  - Learning
- Collect Data After Solution Implementation
  - Application
  - Business Impact

Data Analysis
- Isolate the Effects of Solution
- Convert Data to Monetary Values
- Calculating the Return on Investment
  - ROI
- Identify Intangibles

Reporting
- Develop Report and Communicate 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 alternatives for calculations.
5. Use at least one method to isolate the effects of the program or project.
6. If no improvement data are available for a population or from a specific source, assume that no improvement has occurred.
7. Adjust estimates of improvements for the potential error of the estimates.
8. Avoid use of extreme data items and unsupported claims when calculating ROI calculations.
9. Use only the first year of annual benefits in the ROI analysis of short-term solutions.
10. Fully load all costs of the 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 the ROI Methodology to all key stakeholders.
Chain of Impact

Isolate the Effects of the Program

Reaction
Learning
Application & Implementation
Impact
ROI
Intangible Benefits
## Data Collection

<table>
<thead>
<tr>
<th>Method</th>
<th>Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Surveys</td>
<td>✔</td>
</tr>
<tr>
<td>Questionnaires</td>
<td>✔</td>
</tr>
<tr>
<td>Observation</td>
<td>✔</td>
</tr>
<tr>
<td>Interviews</td>
<td>✔</td>
</tr>
<tr>
<td>Focus Groups</td>
<td>✔</td>
</tr>
<tr>
<td>Tests/Quizzes</td>
<td>✔</td>
</tr>
<tr>
<td>Demonstrations</td>
<td>✔</td>
</tr>
<tr>
<td>Simulations</td>
<td>✔</td>
</tr>
<tr>
<td>Action planning/improvement plans</td>
<td></td>
</tr>
<tr>
<td>Performance contracting</td>
<td>✔</td>
</tr>
<tr>
<td>Performance monitoring</td>
<td></td>
</tr>
</tbody>
</table>
Techniques to Isolate Program Effects

<table>
<thead>
<tr>
<th>Method</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Control Groups</td>
<td>32%</td>
</tr>
<tr>
<td>2. Trend Line Analysis</td>
<td>29%</td>
</tr>
<tr>
<td>3. Forecasting Methods</td>
<td>5%</td>
</tr>
<tr>
<td>4. Participant Estimates</td>
<td>55%</td>
</tr>
<tr>
<td>5. Manager Estimates</td>
<td>37%</td>
</tr>
<tr>
<td>6. Sr. Management Estimates</td>
<td>11%</td>
</tr>
<tr>
<td>7. Expert Input</td>
<td>13%</td>
</tr>
<tr>
<td>8. Customer Input</td>
<td>11%</td>
</tr>
</tbody>
</table>

* Survey of Users, N = 235
What is ROI?

**BCR** = \( \frac{\text{Program Benefits}}{\text{Program Costs}} \)

**ROI** = \( \frac{\text{Net Program Benefits}}{\text{Program Costs}} \times 100 \)
Five Steps to the Money

1. Unit of Measure: 1 First Aid Treatment
2. $V = \$300\text{ standard value}$
3. $\Delta = 6\text{ incidents per month}$
   (isolation: experimental versus control)
4. $\Delta P = 6 \times 12 = 72$
5. $V \times \Delta P = \$300 \times 72 = \$21,600$
Data Conversion Techniques

- 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
Five Steps to the Money

1. Unit of Measure: 1 Grievance
2. $V = $6,500 Director Labor Relations
3. $\Delta = \text{reduction in grievances and average of 7 per month due to the program}$
4. $\Delta P = $
5. $V \times \Delta P =$
Five Steps to the Money

1. Unit of Measure: 1 Grievance
2. \( V = $6,500 \) Director Labor Relations
3. \( \Delta = \) reduction in grievances and average of 7 per month due to the program
4. \( \Delta P = 7 \times 12 = 84 \) per year
5. \( V \times \Delta P = 84 \times $6,500 = $546,000 \)
WHAT IS ROI?

BCR = \frac{$546,000}{\text{Program Cost}} = \\
ROI = \frac{$546,000 - \text{Program Cost}}{\text{Program Cost}} \times 100 =
Typical Intangibles

- Adaptability
- Awards
- Agency brand
- Career minded
- Caring
- Collaboration
- Communication
- Conflicts
- Corporate social responsibility
- Decisiveness
- Engagement

- Image
- Innovation
- Job satisfaction
- Leadership
- Networking
- Organizational climate
- Organizational commitment
- Sustainability
- Stress
- Talent
- Teamwork
Fully-Loaded Program 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
WHAT IS ROI?

$546,000 - $375,000 = 1.46$

ROI = \( \frac{\$546,000 - \$375,000}{\$375,000} \times 100 = 46\% \)
Sample Case Studies

Work Engagement
Controllable waste, rework, and engagement.
Isolation: Comparison group and estimates; Data conversion: Standard value
Benefits: $1,265,565; Costs: $253,761
ROI = 399%

eLearning Sales
Close ratio, revenue, customer satisfaction
Isolation: Estimates; Data conversion: Standard value
Benefits: $1,857,000, Costs: $606,600
ROI = 206%

Safety Leadership
Injuries, property damage, OSHA citations, first aid
Isolation: Estimates; Data conversion: Standard values, expert input, estimates
Benefits: $538,939; Costs: $128,057
ROI = 321%

Skill-Based Pay
Employee turnover, staffing levels
Isolation: Estimates; Data conversion: Standard values; database
Benefits: $4,625,000; Costs: $1,290,396
ROI = 258%
## Sample Operations Report for L&D

### Effectiveness Measures

<table>
<thead>
<tr>
<th>Level 1: Participant Feedback (All programs)</th>
<th>Unit of Measure</th>
<th>2015 Actual</th>
<th>Plan</th>
<th>Jun YTD</th>
<th>to Plan</th>
<th>Forecast</th>
<th>to Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of content</td>
<td>% favorable</td>
<td>76%</td>
<td>80%</td>
<td>79%</td>
<td>1% below</td>
<td>79%</td>
<td>1% below</td>
</tr>
<tr>
<td>Quality of instructor</td>
<td>% favorable</td>
<td>80%</td>
<td>85%</td>
<td>86%</td>
<td>1% above</td>
<td>85%</td>
<td>on plan</td>
</tr>
<tr>
<td>Relevance</td>
<td>% favorable</td>
<td>72%</td>
<td>78%</td>
<td>73%</td>
<td>5% below</td>
<td>75%</td>
<td>3% below</td>
</tr>
<tr>
<td>Alignment to goals</td>
<td>% favorable</td>
<td>68%</td>
<td>75%</td>
<td>69%</td>
<td>6% below</td>
<td>71%</td>
<td>4% below</td>
</tr>
<tr>
<td>Total for Level 1</td>
<td>Average of measures</td>
<td>74%</td>
<td>80%</td>
<td>77%</td>
<td>3% below</td>
<td>78%</td>
<td>2% below</td>
</tr>
</tbody>
</table>

| Level 1: Sponsor Feedback (Select programs) | % favorable | 66% | 80% | 68% | 12% below | 75% | 5% below |

| Level 2: Learning (Select programs) | Score | 78% | 85% | 83% | 2% below | 85% | on plan |

| Level 3: Application rate (Select programs) | % top two boxes | 70% | 75% | 70% | 5% below | 72% | 3% below |
| Actual application (after three months)   | % who applied it | 51% | 65% | 55% | 10% below | 63% | 2% below |

| Level 4 (Select programs) | % contribution to goal | 20% | 25% | 15% | 10% below | 20% | 5% below |

| Level 5 (Select programs) | Thousands $ | $546 | $800 | $250 | 31% | $650 | 81% |
| ROI                        | %           | 29%  | 35%  | 25%  | 10% below | 30% | 5% below |

### Comparison

<table>
<thead>
<tr>
<th>For 2016</th>
<th>Comparison</th>
<th>to Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Net benefits

<table>
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<tr>
<th>Thousands $</th>
<th>31%</th>
<th>$650</th>
<th>81%</th>
</tr>
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| ROI | %  | 29% | 35% | 25%  | 10% below | 30% | 5% below |

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<th>Thousands $</th>
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<th>$250</th>
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<th>$650</th>
<th>81%</th>
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<tr>
<td>ROI</td>
<td>%</td>
<td>29%</td>
<td>35%</td>
<td>25%</td>
<td>10% below</td>
<td>30%</td>
<td>5% below</td>
<td></td>
</tr>
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Sample Operations Report for L&D (continued)

<table>
<thead>
<tr>
<th>Efficiency Measures</th>
<th>Unit of Measure</th>
<th>2015 Actual</th>
<th>2015 Plan</th>
<th>Jun YTD</th>
<th>% to Plan</th>
<th>Forecast</th>
<th>% to Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Participants</td>
<td>Number</td>
<td>109,618</td>
<td>147,500</td>
<td>67,357</td>
<td>46%</td>
<td>145,000</td>
<td>98%</td>
</tr>
<tr>
<td>Total Unique Participants</td>
<td>Number</td>
<td>40,729</td>
<td>45,313</td>
<td>36,998</td>
<td>82%</td>
<td>44,000</td>
<td>97%</td>
</tr>
</tbody>
</table>

Courses Taken by Type of Learning

<table>
<thead>
<tr>
<th>Type of Learning</th>
<th>% of total</th>
<th>2015</th>
<th>2015 Plan</th>
<th>Jun YTD</th>
<th>% to Plan</th>
<th>Forecast</th>
<th>% to Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>ILT only</td>
<td></td>
<td>56%</td>
<td>25%</td>
<td>40%</td>
<td>15% below</td>
<td>33%</td>
<td>8% below</td>
</tr>
<tr>
<td>vILT only</td>
<td></td>
<td>3%</td>
<td>12%</td>
<td>9%</td>
<td>3% below</td>
<td>10%</td>
<td>2% below</td>
</tr>
<tr>
<td>E-learning only</td>
<td></td>
<td>35%</td>
<td>48%</td>
<td>39%</td>
<td>9% below</td>
<td>42%</td>
<td>6% below</td>
</tr>
<tr>
<td>Blended only</td>
<td></td>
<td>6%</td>
<td>15%</td>
<td>12%</td>
<td>3% below</td>
<td>15%</td>
<td>on plan</td>
</tr>
<tr>
<td>Total courses</td>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
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Utilization of E-learning Courses

<table>
<thead>
<tr>
<th>Availability</th>
<th>Number</th>
<th>2015</th>
<th>2015 Plan</th>
<th>Jun YTD</th>
<th>% taken by more than 20</th>
<th>Forecast</th>
<th>% taken by more than 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>60</td>
<td>74</td>
<td>65</td>
<td>88%</td>
<td>83%</td>
<td>70</td>
<td>95%</td>
</tr>
<tr>
<td>Number</td>
<td>50</td>
<td>70</td>
<td>19</td>
<td>27%</td>
<td>83%</td>
<td>55</td>
<td>79%</td>
</tr>
<tr>
<td>% taken by more than 20</td>
<td>83%</td>
<td>95%</td>
<td>29%</td>
<td>66% below</td>
<td>79%</td>
<td>16% below</td>
<td></td>
</tr>
</tbody>
</table>

Reach

<table>
<thead>
<tr>
<th>% of employee reached by L&amp;D</th>
<th>%</th>
<th>2015</th>
<th>2015 Plan</th>
<th>Jun YTD</th>
<th>% below</th>
<th>Forecast</th>
<th>% below</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of employees with development plans</td>
<td>% 85%</td>
<td>88%</td>
<td>72%</td>
<td>16% below</td>
<td>88%</td>
<td>on plan</td>
<td></td>
</tr>
<tr>
<td>% of employees with development plans</td>
<td>% 82%</td>
<td>85%</td>
<td>84%</td>
<td>1% below</td>
<td>90%</td>
<td>5% above</td>
<td></td>
</tr>
</tbody>
</table>

Course Management

<table>
<thead>
<tr>
<th>Total Developed</th>
<th>Number</th>
<th>2015</th>
<th>2015 Plan</th>
<th>Jun YTD</th>
<th>% Meeting Deadline</th>
<th>Forecast</th>
<th>% Meeting Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number Meeting Deadline</td>
<td>Number</td>
<td>22</td>
<td>36</td>
<td>18</td>
<td>50%</td>
<td>36</td>
<td>100%</td>
</tr>
<tr>
<td>% Meeting Deadline</td>
<td>%</td>
<td>73%</td>
<td>92%</td>
<td>67%</td>
<td>25% below</td>
<td>78%</td>
<td>14% below</td>
</tr>
<tr>
<td>Total Delivered</td>
<td>Number</td>
<td>143</td>
<td>178</td>
<td>99</td>
<td>56%</td>
<td>180</td>
<td>101%</td>
</tr>
</tbody>
</table>
How can you get started?

- Assess your readiness for ROI
- Identify stakeholders and their data needs
- Determine the purpose of your evaluation practice
- Identify programs suitable for ROI
- Build capability in the ROI Methodology
How can you get started?

- Assessing your readiness for ROI
- Identifying stakeholders and their data needs
- Determining the purpose of your evaluation practice
- Identifying programs suitable for ROI
- Building capability in the ROI Methodology

REMEMBER:

HOPE IS NOT A STRATEGY.
LUCK IS NOT A FACTOR.
DOING NOTHING IS NOT AN OPTION.

THE TIME IS NOW TO MOVE FROM ACTIVITY TO RESULTS.......
Questions?

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ROI INSTITUTE®