Measuring Impact and ROI

A Partnership Between the ROI Institute and United Nations Systems Staff College
Agenda

• Overview of the ROI Methodology
• Focus on the ROI in the Public Sector
• Benefits for the Learning Managers and their organizations
• Pay-off of the ROI in the UN context
• UNSSC-ROI Partnership
• Final Questions and Answers
The “New” Definition of Value

Value Must:

- Be balanced, with qualitative and quantitative data
- Contain financial and non-financial perspectives
- Reflect strategic and tactical issues
- Represent different time frames
- Satisfy all key stakeholders
- Be consistent in collection and analysis
- Be grounded in conservative standards
- Come from credible sources
- Reflect efficiency in its development
- Create a call for action
What is Your Definition of Value?
<table>
<thead>
<tr>
<th>Level</th>
<th>Measurement Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>0. Input</td>
<td>Measures input such as volume and efficiencies</td>
</tr>
<tr>
<td>1. Reaction &amp; Planned Action</td>
<td>Measures participant reaction to the program and captures planned actions</td>
</tr>
<tr>
<td>2. Learning &amp; Confidence</td>
<td>Measures changes in knowledge, skills, and attitudes</td>
</tr>
<tr>
<td>3. Application &amp; Implementation</td>
<td>Measures and changes in on-the-job behavior or actions and progress with actions</td>
</tr>
<tr>
<td>4. Business Impact</td>
<td>Captures changes in business impact measures</td>
</tr>
<tr>
<td>5. ROI</td>
<td>Compares program benefits to program costs</td>
</tr>
</tbody>
</table>
Evaluating Learning Is More Than Telling A Story
Global Trends in Measurement and Evaluation

- Organizations are moving up the value chain in their evaluation strategies
- Investment is increasing to 3-5% of the budget
- Increase focus is driven by clients and sponsors
- ROI is the fastest growing metric

... and
Global Trends in Measurement and Evaluation

- Evaluation data is used to drive improvement and secure funding
- Evaluation is addressed early and often in the implementation cycle
- Processes are systematic and methodical, often designed into the delivery and implementation processes
- Technology is significantly enhancing processing
## Evaluation Targets

**Percent of Programs**

<table>
<thead>
<tr>
<th>Level</th>
<th>Current</th>
<th>Target</th>
<th>Suggested</th>
<th>Benchmarking*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Input</td>
<td></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>2 Reaction</td>
<td>90 – 100%</td>
<td>79%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Learning</td>
<td>40 – 60%</td>
<td>54%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Application (Behavior)</td>
<td></td>
<td>30%</td>
<td>31%</td>
<td></td>
</tr>
<tr>
<td>5 Impact</td>
<td>10 – 20%</td>
<td>14.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Return on Investment</td>
<td>5 – 10%</td>
<td>4.3%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*2007 Survey of Users, N = 235*
When Selecting Programs for Level 4 and 5 Evaluation, Consider the Following:

Benchmarking*

- Life cycle of the program 14%
- Linkage of program to operational goals and issues 29%
- Importance of program to strategic objectives 50%
- Executive interest in the evaluation 48%
- Cost of the program 52%
- Visibility of the program 45%
- Size of target audience 6%
- Investment of time required 7%

Top 3 Criteria

*2007 Survey of Users, N = 235
Levels of Measurement - Examples

Level 0 Input and Indicators

- Number of projects
- Audiences
- Web site hits
- Request
- Attendance
- Costs
- Time to Deliver

Level 1 Reaction and Planned Action

- Relevance
- Importance
- Usefulness
- Appeal
- Emotion
- Brevity
- Uniqueness
- Concreteness
- New Information
- Motivation
- Appropriateness
- Intent to Use
Levels of Measurement - Examples

Level 2 Learning and Confidence

- Information
- Knowledge
- Understanding
- Capability
- Contacts
- Confidence
- Perceptions
- Skills

Level 3 Application and Implementation

- Use of Information
- Use of Knowledge
- Use of Skill
- Completion of Actions
- Completion of Tasks
- Implementation of Ideas
- Following the Policy
- Use of Procedure
- Use of Regulation
- Success with Application
- Barriers
- Enablers
<table>
<thead>
<tr>
<th>Levels of Measurement - Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level 4 Business Impact</strong></td>
</tr>
<tr>
<td>• Productivity</td>
</tr>
<tr>
<td>• Quality</td>
</tr>
<tr>
<td>• Incidents</td>
</tr>
<tr>
<td>• Efficiency</td>
</tr>
<tr>
<td>• Compliance Discrepancies</td>
</tr>
<tr>
<td>• Costs</td>
</tr>
<tr>
<td>• Employee Engagement</td>
</tr>
<tr>
<td>• Employee Retention</td>
</tr>
<tr>
<td>• Intangible Measures</td>
</tr>
<tr>
<td>… includes a technique to isolate the effects of the communication project.</td>
</tr>
<tr>
<td><strong>Level 5 Return on Investment</strong></td>
</tr>
<tr>
<td>• ROI (%)</td>
</tr>
<tr>
<td>• Benefit Cost Ratio</td>
</tr>
<tr>
<td>• Payback Period</td>
</tr>
</tbody>
</table>
Levels of Measurement - Examples

0: Input
1: React
2: Learn
3: Apply
4: Impact
5: ROI
Shifting Paradigms

Activity Based

- No business need for the program
- No assessment of performance issues
- No specific measurable objectives
- No effort to prepare program participants to achieve results

Results Based

- Program linked to specific business
- Assessment of performance effectiveness
- Specific objectives for application & business impact
- Results expectations communicated to participants

... and
Shifting Paradigms

Activity Based

- No effort to prepare the work environment to support application
- No efforts to build partnerships with key managers
- No measurement of results or ROI analysis
- Planning and reporting is input focused

Results Based

- Environment prepared to support application
- Partnerships established with key managers and clients
- Measurement of results and ROI analysis
- Planning and reporting is outcome focused
The ROI Process Collects Six Types of Results:

- Reaction and Planned Actions
- Learning and Confidence
- Application and Implementation
- Business Impact
- Return on Investment
- Intangible Measures

....and includes a technique to isolate the effects of the program or solution.
The use of the ROI Process is Impressive:

- Process refined over a 25-year period
- Thousands of impact studies conducted each year
- More than 200 case studies published
- More than 20,000 have attended a two-day ROI workshop
- More than 4,000 individuals attended the ROI Certification workshop
- More than 20 books developed to support the process
- ROI Process adopted by hundreds of organizations in more than 44 countries

- See ROI Fact Sheet -
The Benefits of ROI Institute/UNSSC Partnership

Reactive

- Show contributions of selected programs
- Justify/defend budgets
- Identify inefficient programs that need to be redesigned or eliminated
The Payoff: Why Use Impact and ROI Analysis?

Proactive

• Aligns learning to business needs
• Earn respect of senior management / administrators
• Improve support for projects
• Enhance design and implementation processes
• Identify successful programs that can be implemented in other areas
• Earn a “seat at the table”
Public Sector Organizations using ROI Include:

- US Department of Defense
- US Department of Navy
- US Department of Labor
- US National Security Agency
- Central Intelligence Agency
- US Department of Veteran’s Affairs
- NASA
- State of Texas
- State of New York
- Government of New Zealand
- Government of Singapore
- Government of Poland
- Government of Australia
- Government of Canada

More than 200 Public Sector Organizations
Basic Elements

An Evaluation Framework

A Process Model

Implementation

Case Applications and Practice

Operating Standards and Philosophy
Applications

- Learning and Development
- Career Development
- Competency Systems
- Diversity Programs
- E-Learning
- Executive Coaching
- Gainsharing
- Meetings and Events
- Leadership Development

- Organization Development
- Orientation Systems
- Recruiting Strategies
- Safety & Health Programs
- Self-Directed Teams
- Skill-Based/Knowledge-Based Compensation
- Technology Implementation
- Quality Management
- Wellness/Fitness Initiatives
Drivers for Increased Public Sector Accountability

- Regulations are requiring more accountability
- Increased cost of programs
- Budget shortfalls
- Taxpayer pressure
- Consistent lack of results
- New breed of government managers
Public Sector Issues (Real or Imagined)

• No profits – no ROI?
• Lack of business alignment
• Absence of hard data?
• Too much politics
• Programs are necessary
• Multiple ROI perspectives
The Money Issue in the Public Sector

- No profits
- Payoff in cost savings or cost reduction
  OR
- Payoff in cost avoidance
- Costs of program are fully loaded
- Impact on budget?
The Alignment Process

Start Here

Payoff Needs

Business Needs

Job Performance Needs

Initial Analysis

Learning Needs

Preference Needs

Project

ROI Objectives

Impact Objectives

Application Objectives

Learning Objectives

Reaction Objectives

Measurement and Evaluation

Reaction

Application

Impact

ROI

Business Alignment and Forecasting

The ROI Process Model
THE ROI METHODOLOGY

Evaluation Planning

- Develop Objectives of Solution(s)
- Develop Evaluation Plans and Baseline Data
- Collect Data During Solution Implementation
- Collect Data After Solution Implementation

Data Collection

- Level 1: Reaction and Planned Actions
- Level 3: Application and Implementation
- Level 2: Learning and Confidence
- Level 4: Business Impact
Tabulate Costs of Solution

Isolate the Effects

Convert Data to Monetary Value

Calculate the Return on Investment

Generate Impact Study

Level 5: ROI

Identify Intangible Measures

Intangible Measures

Data Analysis

Reporting
## Collecting Follow-up Data

<table>
<thead>
<tr>
<th>Method</th>
<th>Type of Data</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 3</td>
</tr>
<tr>
<td>Surveys/Questionnaires</td>
<td>✓</td>
</tr>
<tr>
<td>Observation On the Job</td>
<td>✓</td>
</tr>
<tr>
<td>Interviews</td>
<td>✓</td>
</tr>
<tr>
<td>Follow-Up Focus Groups</td>
<td>✓</td>
</tr>
<tr>
<td>Action Planning</td>
<td>✓</td>
</tr>
<tr>
<td>Performance Contracting</td>
<td>✓</td>
</tr>
<tr>
<td>Performance Monitoring</td>
<td></td>
</tr>
</tbody>
</table>
Isolation Techniques Used in Studies

1. Control Groups
2. Trend Line Analysis
3. Forecasting Methods
4. Participant Estimates
5. Manager Estimates
6. Sr. Management
7. Expert Input
8. Customer Input

*2007 Survey of Users, N = 235
## Converting Data to Money

<table>
<thead>
<tr>
<th></th>
<th>Credibility</th>
<th>Resources Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard values</td>
<td>High</td>
<td>Low</td>
</tr>
<tr>
<td>Records/Reports analysis</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Databases</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Expert Estimation</td>
<td>Moderate</td>
<td>Low</td>
</tr>
</tbody>
</table>
Tabulating Program Costs

Direct
- Program Materials
- Coaching Fees
- Facilities
- Travel

Indirect
- Needs Assessment
- Program Development
- Participant Time
- Administrative Overhead
- Evaluation
Intangible Benefits

- Adaptability
- Awards
- Brand awareness
- Career minded
- Caring
- Collaboration
- Communication
- Conflicts
- Cooperation
- Corporate social responsibility
- Creativity

- Culture
- Decisiveness
- Employee complaints
- Engagement
- Execution
- Image
- Innovation
- Job Satisfaction
- Leadership

- Networking
- Organizational climate
- Organizational commitment
- Partnering
- Reputation
- Resilience
- Stress
- Talent
- Teamwork
Defining the Return on Investment

Benefits-Cost Ratio = \frac{\text{Monetary Benefits}}{\text{Program Costs}}

\text{ROI} = \frac{\text{Net Monetary Benefits}}{\text{Program Costs}} \times 100
ROI Example

BCR = \[
\frac{\$240,000}{\$80,000} = 3.00
\]

ROI = \[
\frac{\$240,000 - \$80,000}{\$80,000} \times 100 = 200\%
\]
ROI Objective Options

- Set the value as with other investments – 15%
- Set slightly above other investments – 25%
- Set at break even – 0%
- Set at client expectations

Private sector organizations usually go with option #2; public sector organizations prefer #3.
ROI is Credible for Public Sector

- Common categories of data
- Systematic, step-by-step process
- Conservative standards
- Results-based approach
- High level of use
- Client focused
- Satisfies all stakeholders
ROI is Feasible for Public Sector

- Not very expensive
- Many shortcut methods
- Time requirement can be managed
- Fits all types of programs
- Technology helps with costs/time
- Implementation is planned/systematic
Have No Fear

- ROI is a process improvement tool – designed to improve projects and programs
- ROI is not designed for performance review for individuals
- Every study reveals opportunities for changes
- Negative results represent the best opportunity to learn
- Negative results have a positive story
- Don’t wait for a sponsor to ask for ROI
Implementation Strategies in the Public Sector

- Brief, train, educate
- Involve the staff – early and often
- Emphasize process improvement
- Explain why – routinely
- Build it into programs – not add it on
- Provide resources
- Use the results appropriately
- Celebrate and recognize
1. Implemented as a process improvement tool not a performance evaluation tool
2. Impact studies are conducted involving 5-10% of the projects and programs
3. A variety of data collection methods is used
4. The effects of the program are isolated
5. Business impact data are converted
6. ROI evaluation targets are developed
7. The ROI methodology generates a micro level scorecard
8. Data are being integrated to create a macro scorecard
9. Implemented for about 3-5% of the budget
10. Routine ROI forecasting
11. Used as a tool to strengthen/improve
Status of ROI Use*

*2007 Survey of Users, N = 235
Is your leadership and/or clients asking about ROI?

1. Yes
2. No
Does your company have a measurement/evaluation strategy?

1. Yes
2. No and no plans for it in the near future
3. No, but is it in process of being developed
Does your company have a measurement or evaluation function?

1. Yes
2. No and no plans for it in the near future
3. No, but being developed
How many ROI studies has your company completed to date?

1. 1
2. 2 - 3
3. 4 – 8
4. 9 – 15
5. 16 or more
Evaluation Targets

Level 1: 90-100%
Level 2: 40-60%
Level 3: 30%
Level 4: 10-20%
Level 5: 5-10%

Reaction & Planned Action
Learning
Application
Impact
ROI
Criteria for Selecting Programs for Levels 4 & 5

- Expected life cycle of the program
- The importance of the program in meeting the organization’s goals
- Cost of the program
- Visibility of the program
- The size of the target audience
- Extent of management interest
What Happens If We Maintain a Status Quo?

- Budget?
- Influence?
- Support?
- Other Issues?
ROI Reality

- Information is desired by clients/executives
- The process provides a balanced, credible approach with six types of data
- All types of organizations are routinely using Impact/ROI
- The process can be implemented without draining resources
- The process is a long-term goal for many organizations
ROI Institute/UNSSC Partnership

- Capability Building
- Policies / Procedures Update
- Tools / Templates
- Coaching / Consulting
- Networking / Sharing
- Benchmarking
- Publishing
- Conferences