



Show me the money!

Demonstrating the ROI in Training Programs

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ROI INSTITUTE®

YOU WILL LEARN



- ▶ Calculate the ROI for training interventions
- ▶ Identify common pitfalls in calculating ROI and how to avoid them
- ▶ Best practices for isolating program effects and converting measures to money

What is ROI?

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

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

Try it!

Program Benefits = \$750,000

Costs = \$425,000

What is the BCR?

What is the ROI?



TRY IT!

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

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

TRY IT!

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

$$\text{ROI} = \frac{\$750,000 - \$425,000}{\$425,000} \times 100 = 76\%$$

SOMETIMES THIS HAPPENS

BCR =



100,000
- 25,000

$.76 \times 100 = 176\%$

TRY IT!

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

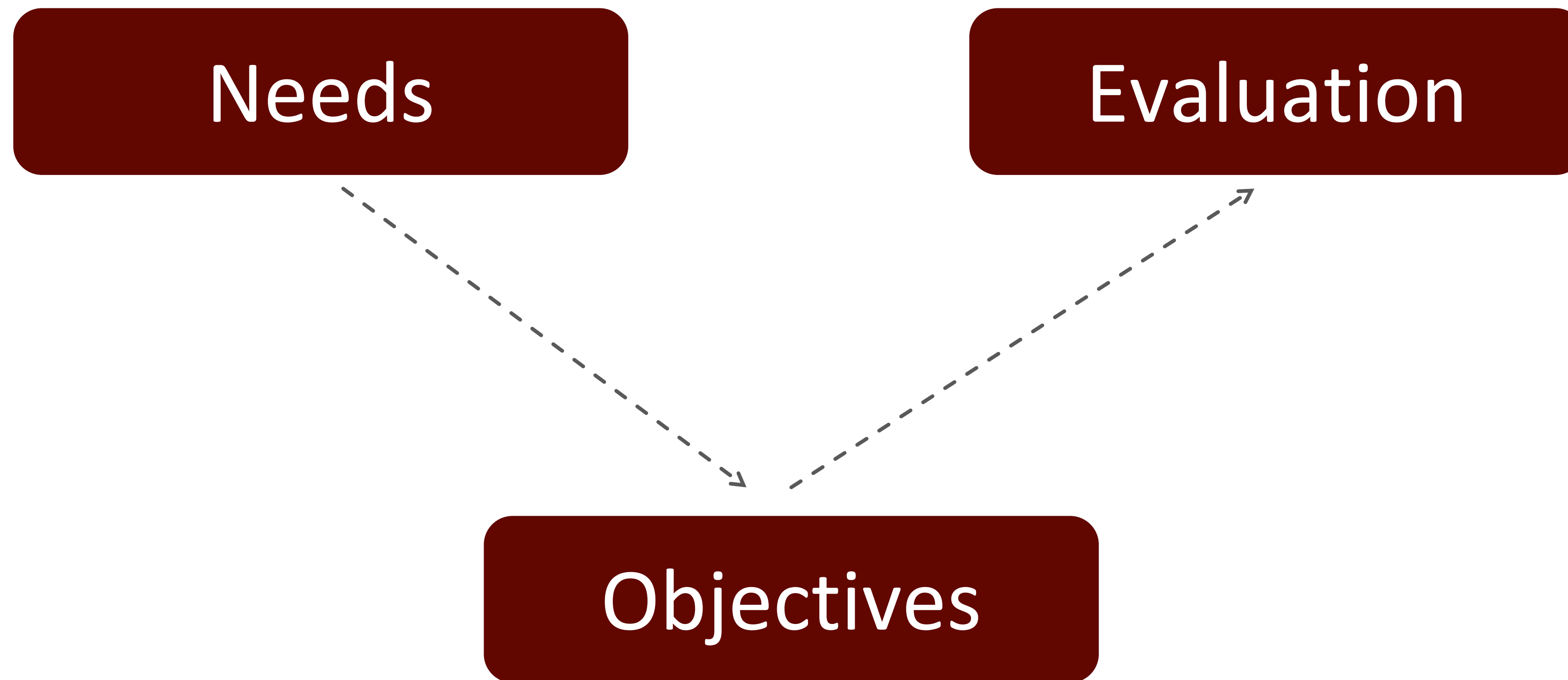
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Levels of Evaluation	Measurement Focus	Typical Measures
<div>0 Inputs</div> <div></div>	The input into the project in terms of scope, volume, efficiencies, costs	Participants, Hours, Costs, Timing
<div>1 Reaction</div> <div></div>	Reaction to the project or program, including the perceived value	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to take action
<div>2 Learning</div> <div></div>	Learning to use the content and materials, including the confidence to use what was learned	Skills, Knowledge, Capacity, Competencies, Confidence, Contacts
<div>3 Application</div> <div></div>	Use of content and materials in the work environment, including progress with actual items and implementation	Extent of use, Task completion, Frequency of use, Actions completed, Success with use, Barriers to use, Enablers to use
<div>4 Impact</div> <div></div>	The consequences of the use of the content and materials expressed as business impact measures	Productivity, Revenue, Quality, Time, Efficiency, Customer Satisfaction, Employee Engagement
<div>5 ROI</div> <div></div>	Comparison of monetary benefits from program to program costs	Benefit-Cost Ratio (BCR), ROI%, Payback Period

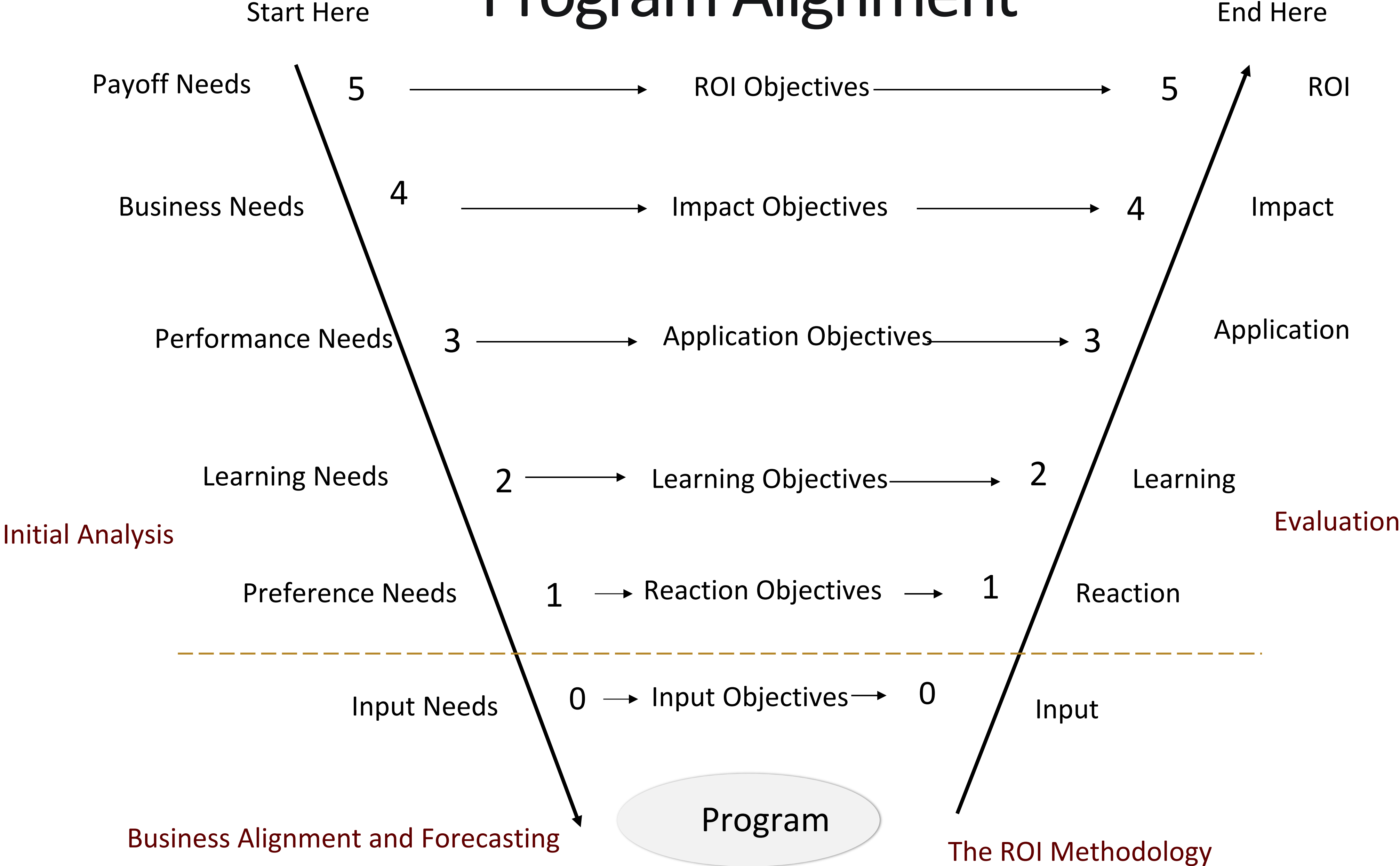
POLL QUESTION:
WHAT LEVEL IS THE HIGHEST TO
WHICH YOU HAVE EVALUATED YOUR
PROGRAMS?

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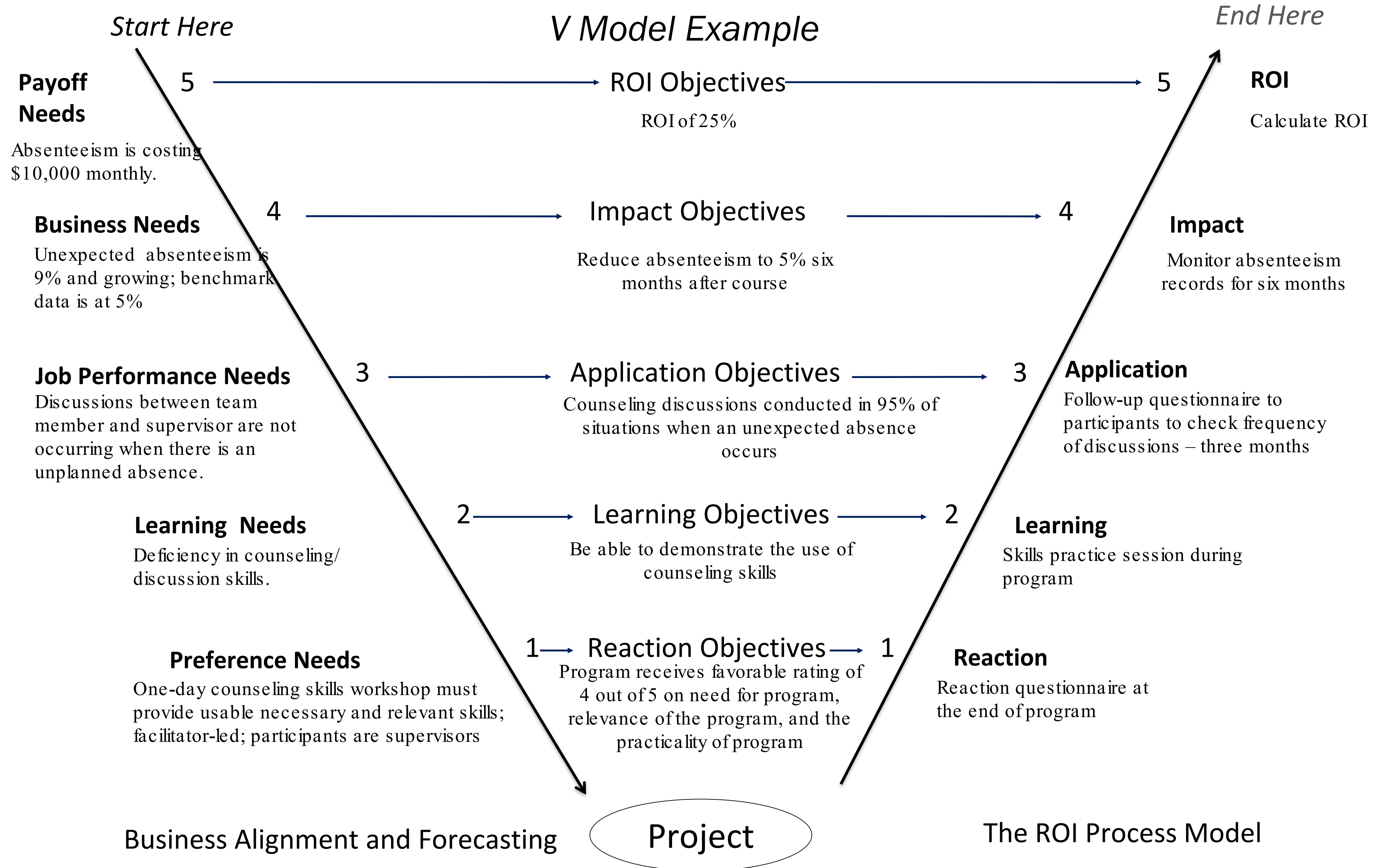
The Framework Serves Three Purposes



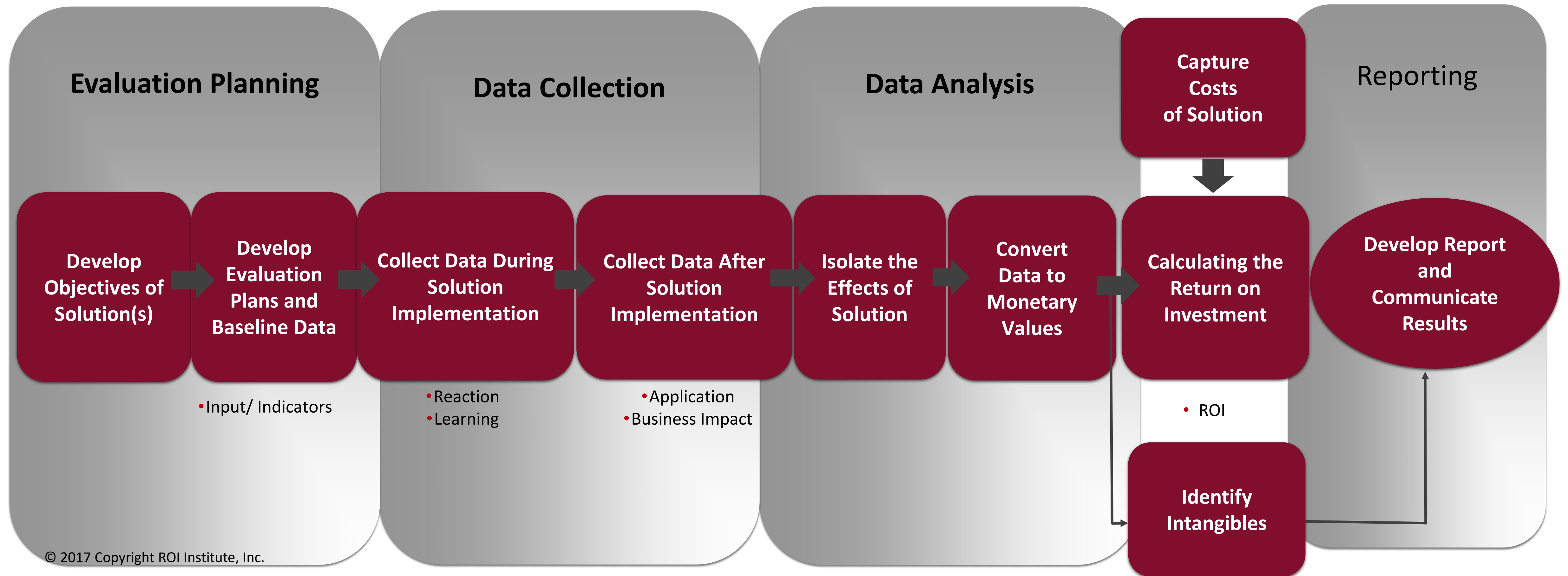
Program Alignment



Program Alignment



ROI METHODOLOGY PROCESS MODEL

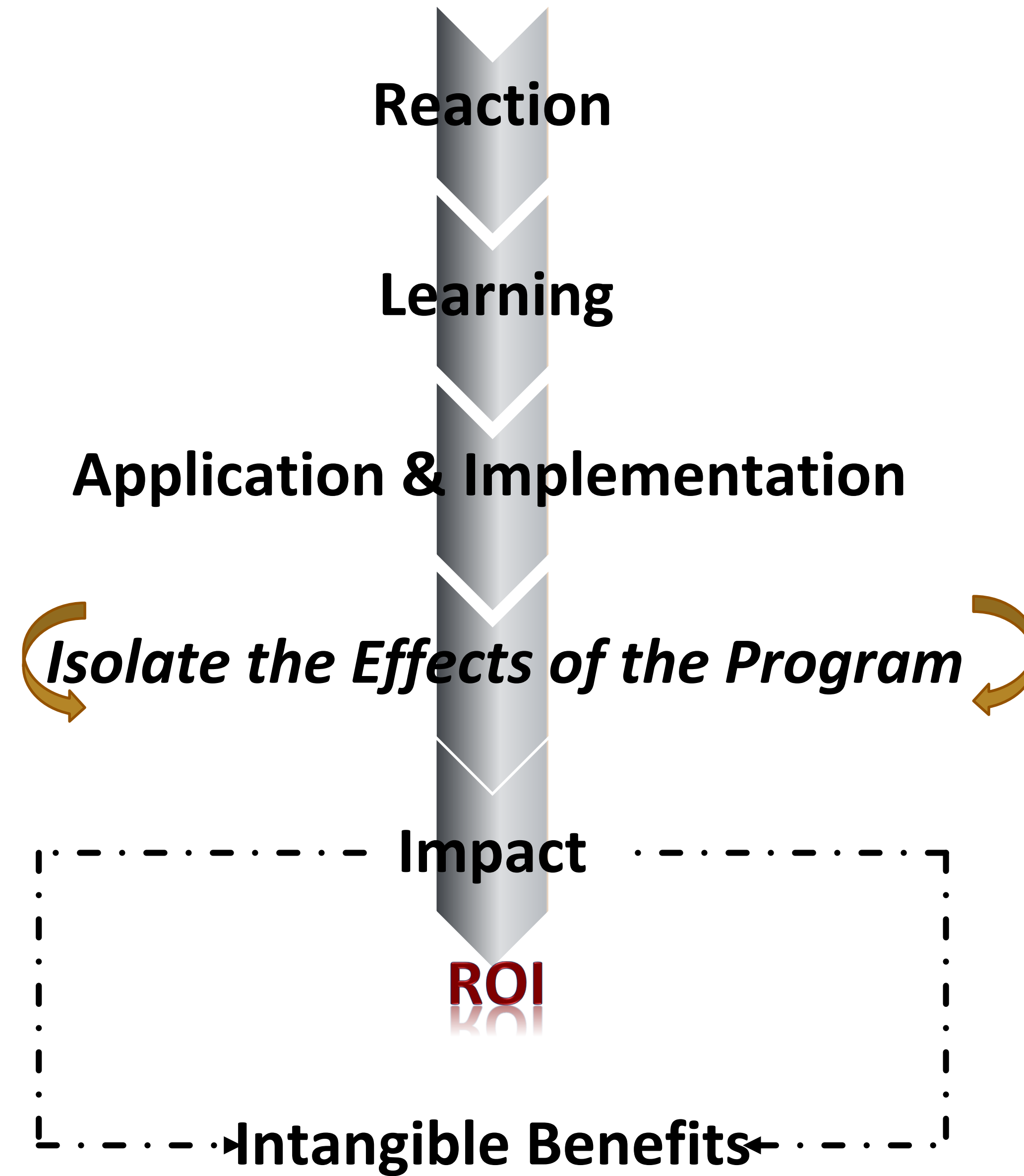


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GUIDING PRINCIPLES

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

Chain of Impact



Data Collection

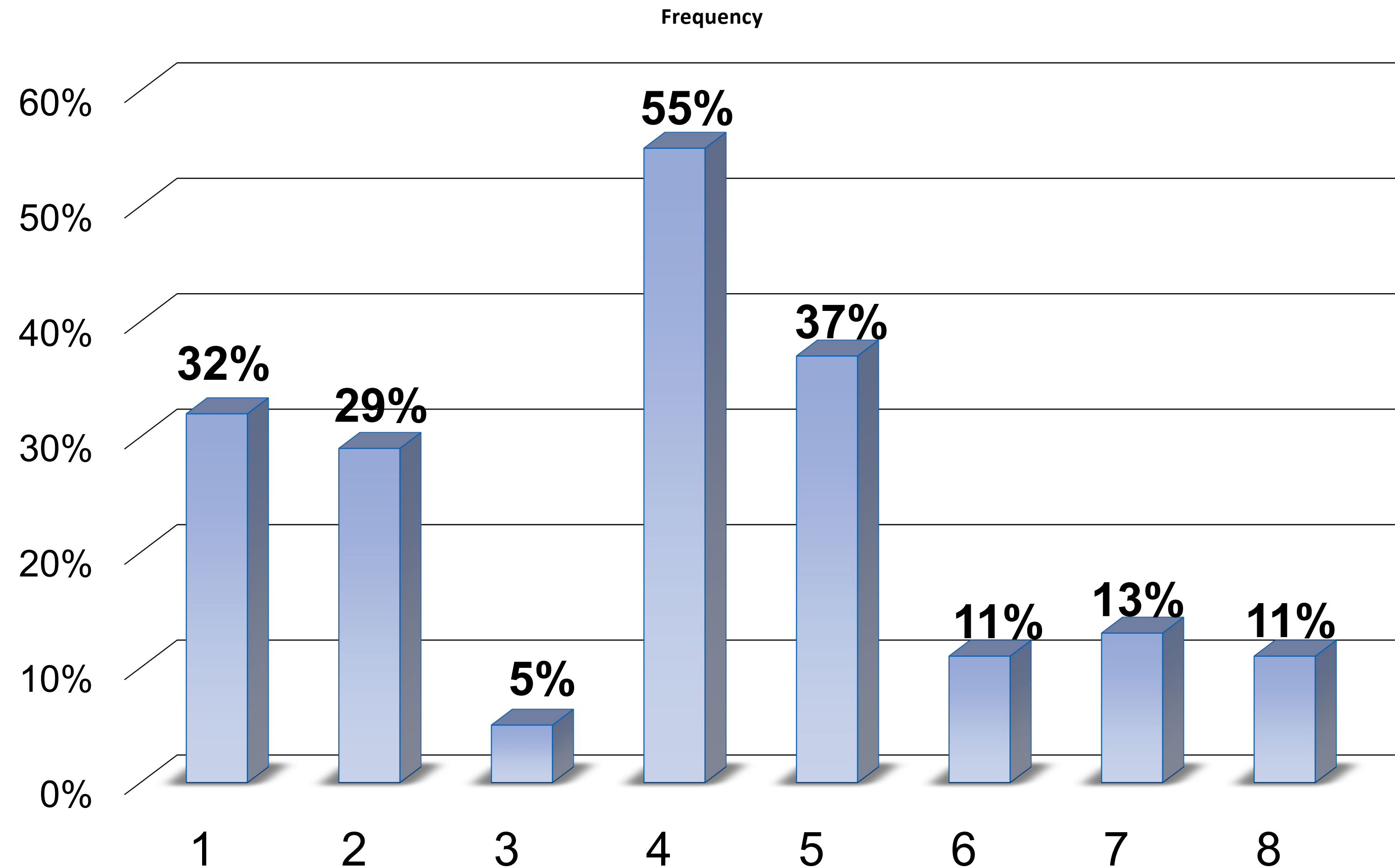
Method	Level			
	1	2	3	4
Surveys	✓	✓	✓	
Questionnaires	✓	✓	✓	✓
Observation	✓	✓	✓	
Interviews	✓	✓	✓	
Focus Groups	✓	✓	✓	
Tests/Quizzes		✓		
Demonstrations		✓		
Simulations		✓		
Action planning/improvement plans			✓	✓
Performance contracting			✓	✓
Performance monitoring				✓

Techniques to Isolate Program Effects

Method

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

* Survey of Users, N = 235



What is ROI?

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

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

FIVE STEPS TO THE MONEY

5

1. Unit of Measure: 1 First Aid Treatment
2. $V = \$300$ standard value
3. $\Delta = 6$ 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

5

1. Unit of Measure: 1 Grievance
2. $V = \$6,500$ Director Labor Relations
3. Δ = 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

5

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

WHAT IS ROI?

$$\text{BCR} = \frac{\$546,000}{\text{Program Cost}} =$$

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

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?

$$\text{BCR} = \frac{\$546,000}{\$375,000} = 1.46$$

$$\text{ROI} = \frac{\$546,000 - \$375,000}{\$375,000} \times 100 = 46\%$$

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, hazmat violations, property damage, OSHA citations, first aid

Isolation: Estimates; Data conversion: Standard values, expert input, estimates

Benefits: \$538,939; Costs: \$128,057

ROI = 321%

Safety Incentive

Accident frequency rate, annual disabling accidents

Isolation: Estimates; Data conversion: Expert input

Benefits: \$345,898; Costs: \$72,172

ROI = 379%



SAMPLE OPERATIONS REPORT FOR L&D

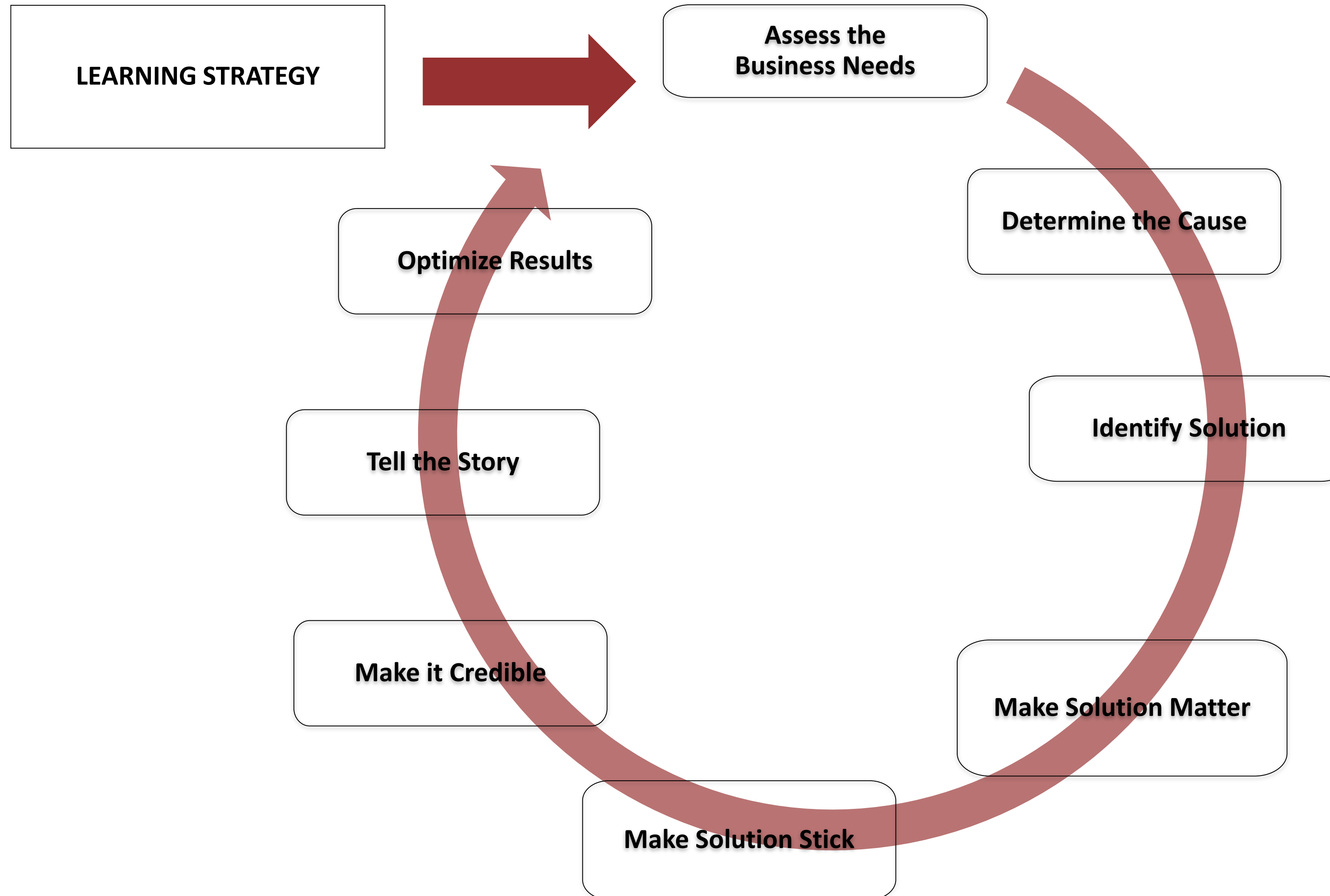
<u>Effectiveness Measures</u>	<u>Unit of Measure</u>	<u>2015 Actual</u>	For 2016				
			<u>Plan</u>	<u>Jun YTD</u>	<u>Comparison to Plan</u>	<u>Forecast</u>	<u>Comparison to Plan</u>
Level 1: Participant Feedback (All programs)							
Quality of content	% favorable	76%	80%	79%	1% below	79%	1% below
Quality of instructor	% favorable	80%	85%	86%	1% above	85%	on plan
Relevance	% favorable	72%	78%	73%	5% below	75%	3% below
Alignment to goals	% favorable	68%	75%	69%	6% below	71%	4% below
Total for Level 1	Average of measures	74%	80%	77%	3% below	78%	2% below
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)							
Intent to apply (from survey at end of course)	% 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)							
Estimate by participants (end of course)	% contribution to goal	20%	25%	15%	10% below	20%	5% below
Level 5 (Select programs)							
Net benefits	Thousands \$	\$546	\$800	\$250	31%	\$650	81%
ROI	%	29%	35%	25%	10% below	30%	5% below

SAMPLE OPERATIONS REPORT FOR L&D

(CONTINUED)

<u>Efficiency Measures</u>	<u>Unit of Measure</u>	<u>2015 Actual</u>	<u>For 2016</u>				<u>Comparison to Plan</u>
			<u>Plan</u>	<u>Jun YTD</u>	<u>Forecast</u>	<u>to Plan</u>	
Total Participants	Number	109,618	147,500	67,357		46%	145,000 98%
Total Unique Participants	Number	40,729	45,313	36,998		82%	44,000 97%
Courses Taken by Type of Learning							
ILT only	% of total	56%	25%	40%		15% below	33% 8% below
vILT only	% of total	3%	12%	9%		3% below	10% 2% below
E-learning only	% of total	35%	48%	39%		9% below	42% 6% below
Blended only	% of total	<u>6%</u>	<u>15%</u>	<u>12%</u>		3% below	<u>15%</u> on plan
Total courses	% of total	100%	100%	100%			100%
Utilization of E-learning Courses							
Available	Number	60	74	65		88%	70 95%
Taken by more than 20	Number	50	70	19		27%	55 79%
% taken by more than 20	%	83%	95%	29%		66% below	79% 16% below
Reach							
% of employee reached by L&D	%	85%	88%	72%		16% below	88% on plan
% of employees with development plans	%	82%	85%	84%		1% below	90% 5% above
Course Management							
Total Developed	Number	22	36	18		50%	36 100%
Number Meeting Deadline	Number	16	33	12		36%	28 85%
% Meeting Deadline	%	73%	92%	67%		25% below	78% 14% below
Total Delivered	Number	143	178	99		56%	180 101%

Seamless Integration



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

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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.....

ROI

INSTITUTE®

All Roads Lead to ROI



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