

Session Number: M316
June 4, 2007
4:00 p.m. – 5:30 p.m.

Measuring ROI: Progress, Trends, and Outlook

Learning Objectives

- Review/discuss status and trends of ROI use
- Use the key steps and principles in the ROI methodology to improve your organization's measures
- Apply elements of a successful implementation to your own initiatives

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The Many Applications of the ROI Methodology

Communications	Policies/Procedures
Consulting/OD	Procurement/Supply Chain
Educational Systems	Public Policy Programs
Human Resources/Human Capital	Public Relations / Public Affairs
Leadership and Coaching	Quality / Six Sigma
Learning and Development	Research and Development
Marketing/Advertising	Social Programs
Meetings and Events	Technology / Systems

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

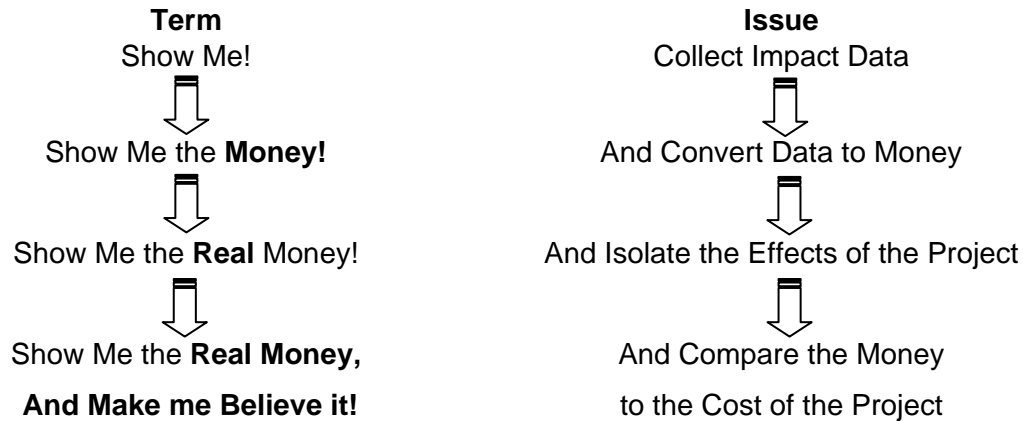
Can you add to the list?

The Changing Face of Value

Old	New
Activity cost center	Results profit center
Expense control	Maximize Value
Human Resources as expenses	Human capital as investment
Rule centered	Client centered
We value what IBM and GE value	Our value systems are unique
Tolerate overhead	Outsource or automate overhead
Add value with small pieces	Add value with integrated applications
Most of us are in a support role	All of us are in a sales role
Our measures are based on benchmarking	Our measures are based on what we need
We view value from one perspective	We view value from everyone’s perspective
Just another days work in the cubicle	We do something of value
A job	A performance
Treat old ideas as new ideas	Treat old ideas as old ideas

Can you cite and example?

The "Show Me" Evolution



Have you experienced this? Explain

The Results*

Consider your most important project or program (i.e., a strategic, expensive, high-profile project that attracts management attention). You conduct an impact study to measure the success of the program. You discover that four months after the program was completed, the participants:

- reacted very positively to the program and found it to be very relevant to their work;
- learned new skills and gained new insights about themselves;
- utilized the skills and insights routinely with their teams, although they had some difficulty in a few areas;
- improved several important work unit measures, with some measures improving as much as 28%;
- achieved an impressive 105% return on investment; and
- reported an increase in job satisfaction in the work unit.

Questions for discussion:

1. What are your concerns and issues about the data?

2. What would these results mean for the program?

3. If the above items were negative, what would it mean for the program?

4. How should the results be used?

Key Issues with This Level of Analysis

- Objectives?
- Credibility of data?
- Source of data?
- Consistent methodology?
- Scope?
- Standards?
- Use of data?
- Cost of process?
- Fear of data?

Project or Program Value Chain

Level	Measurement Focus
0. Input ↓	Measures input such as volume and efficiencies
1. Reaction & Planned Action ↓	Measures participant reaction to the program and captures planned actions
2. Learning ↓	Measures changes in knowledge, skills, and attitudes
3. Application ↓	Measures changes in on-the-job behavior or actions and progress with actions
4. Business Impact ↓	Captures changes in business impact measures
5. ROI	Compares program benefits to the costs

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
- Increased focus is driven by clients and sponsors
- ROI is the fastest growing metric
- 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

*Based on benchmarking with over 200+ organizations using a comprehensive measurement and evaluation process.

Shifting Paradigms

Activity Based	Results Based
<ul style="list-style-type: none">• No business need for the program• No assessment of performance issues• No specific measurable objectives• No effort to prepare program participants to achieve results• 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 are input focused	<ul style="list-style-type: none">• Program linked to specific business• Assessment of performance effectiveness• Specific objectives for behavior and business impact• Results expectations communicated to participants• Environment prepared to support application• Partnerships established with key managers and clients• Measurement of results and ROI analysis• Planning and reporting are outcome focused

The ROI Process Collects Six Types of Data

1. Reaction and Planned Action
2. Learning and Confidence
3. Application and Implementation
4. Business Impact
5. Return on investment
6. Intangible benefits

. . . 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 on ROI use
- More than 20,000 have attended a two day ROI workshop
- More than 4,000 individuals certified to implement the ROI Process
- More than 20 books developed to support the process
- ROI Process adopted by hundreds of organizations in manufacturing, service, non-profit, and government settings in 44 countries

Why Use Impact and ROI Analysis?

Reactive

- Show contributions of selected programs
- Justify/defend budgets
- Identify inefficient programs that need to be redesigned or eliminated

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"

Why are you pursuing this?

ROI Quiz

True or False? Please choose the answer you feel is most correct

- | | T | F |
|---|--------------------------|--------------------------|
| 1. The ROI Methodology generates just one data item, expressed as a percentage. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. A program with monetary benefits of \$200,000 and costs of \$100,000 translates into a 200% ROI. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. The ROI Methodology is a tool to strengthen and improve the projects, programs, and processes. | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. After reviewing a detailed ROI impact study, senior executives will usually require ROI studies on all programs. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. ROI studies should be conducted very selectively, usually involving 5-10% of programs. | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. While it may be a rough estimate, it is always possible to isolate the effects of a program on impact data | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. A program costing \$100 per participant, designed to teach basic skills with job related software, is an ideal program for an ROI impact study. | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. Data can always be converted to monetary value, credibly. | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. The ROI Methodology contains too many complicated formulas. | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. The ROI Methodology can be implemented for about 3-5% of my HR learning/development budget. | <input type="checkbox"/> | <input type="checkbox"/> |
| 11. ROI is not future oriented; it only reflects past performance. | <input type="checkbox"/> | <input type="checkbox"/> |
| 12. ROI is not possible for soft skills programs. | <input type="checkbox"/> | <input type="checkbox"/> |
| 13. If an ROI impact study, conducted on an existing program, shows a negative ROI, the client is usually already aware of the program's lack of results. | <input type="checkbox"/> | <input type="checkbox"/> |
| 14. The best time to consider an ROI evaluation is three months after the program is completed. | <input type="checkbox"/> | <input type="checkbox"/> |
| 15. In the early stages of implementation, the ROI Methodology is a process improvement tool and not a performance evaluation tool for the HR learning/development staff. | <input type="checkbox"/> | <input type="checkbox"/> |
| 16. If senior executives are not asking for ROI, there is no need to pursue the ROI Methodology. | <input type="checkbox"/> | <input type="checkbox"/> |

So, how did you do?

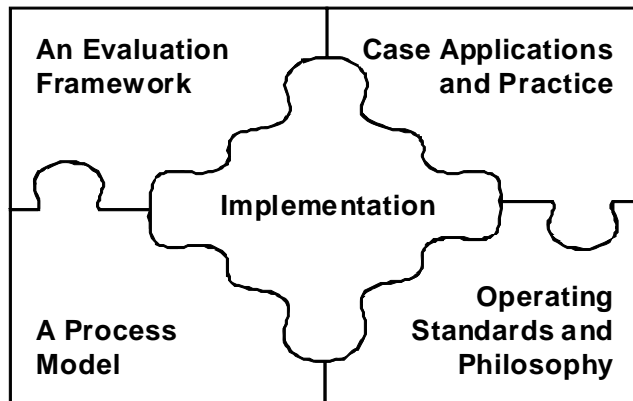
Now that the answers to the quiz have been explained, see how you fared. Tally your scores. Based on the interpretations below, what is your ROI acumen?

No. of Correct
Responses

Interpretation

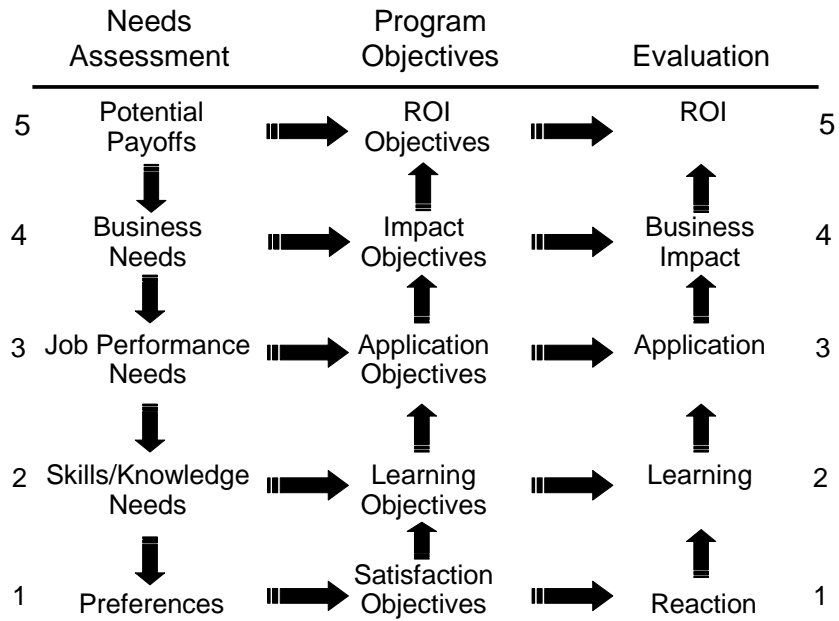
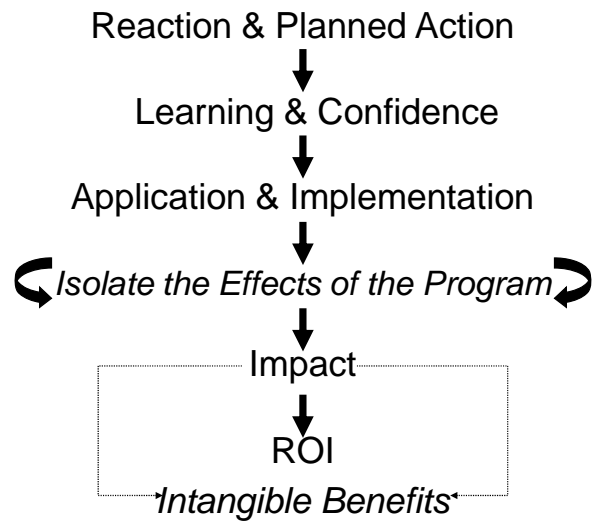
14-16	You could be an ROI consultant
10-13	You could be a speaker at the next ROI Conference
7-9	You need a copy of a thick ROI book
4-6	You need to attend a two-day ROI workshop
1-3	You need to attend the ROI certification

Basic Elements



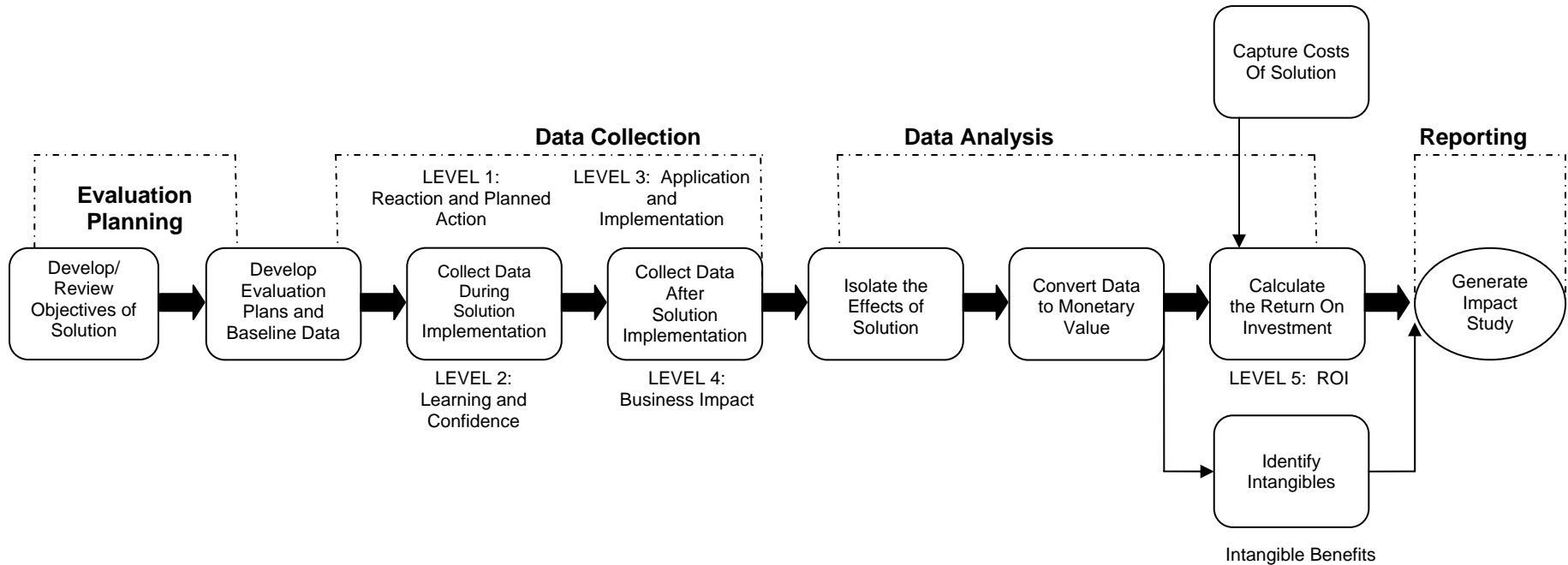
How many of these elements do you have in place?

Chain of Impact



How often does this alignment exist?

The ROI Methodology



ROI Calculation

$$\text{ROI} = \frac{\text{Net Project Benefits}}{\text{Project Costs}}$$

Cost of project \$230,000
Benefits of project (1st year) \$430,000

$$\text{ROI} = \frac{\$430,000 - \$230,000}{\$230,000} = 0.87 \times 100 = 87\%$$

Evaluation Framework

Level	Measurement Focus
1. Reaction & Planned Action	Measure participant satisfaction with the project/project and captures planned action.
2. Learning & Confidence	Measures changes in knowledge, skills, and attitude.
3. Application & Implementation	Measures implementation and changes in behavior in the performance setting.
4. Business Impact	Measures changes in business impact variables.
5. Return on Investment	Compares benefits to the costs.

12 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 little or 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.

The ROI Process

A comprehensive measurement and evaluation process that generates six types of measures:

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

This balanced approach to measurement includes a technique to isolate the effect of the program or solution.

Results-based Solutions

- Performance solutions/projects are initiated, developed and delivered with the end in mind.
- Participants understand their responsibility to obtain results with programs/solutions.
- Support groups (management, supervisors, co-workers, etc.) help to achieve results from performance solutions.
- A comprehensive measurement and evaluation system is in place for each program/project.
- Variety of approaches utilized to measure contribution, representing a balanced viewpoint.
- Follow-up evaluations (Application, Impact, and ROI) are developed for targeted solutions/projects and results are reported to a variety of stakeholders.

Collecting Follow-UP Data

Method	Type of Data	
	Level 3	Level 4
Surveys/Questionnaires	✓	✓
Observation on the Job	✓	
Interviews	✓	
Follow-Up Focus Group	✓	
Action Planning	✓	✓
Performance Contracting	✓	✓
Performance Monitoring		✓

Isolating the Effects of the Program

Method ¹	Best Practice Use ²
1. Comparison Group Analysis	35%
2. Trend/Forecasting Analysis	20%
3. Expert Estimation	50%
4. Other	20%

¹ Listed in order of credibility

² Percentages exceed 100%

Converting Data to Money

	Credibility	Resources Needed
Standard values	High	Low
Records / Reports analysis	High	High
Databases	Moderate	Moderate
Expert estimation	Low	Low

Tabulating Program Costs

<u>Direct</u>	<u>Indirect</u>
<ul style="list-style-type: none"> • Program Materials • Facilitator Costs • Facilities • Travel 	<ul style="list-style-type: none"> • Needs Assessment • Program Development • Participant Time • Administrative Overhead • Evaluation

Intangible Benefits

<ul style="list-style-type: none"> • Complaints • Conflicts • Teamwork • Customer service 	<ul style="list-style-type: none"> • Commitment • Stress • Job satisfaction • Engagement
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Defining the Return on Investment

The ROI is calculated the same as the financial ROI for a building.

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

$$\text{ROI (\%)} = \frac{\text{Net Monetary Benefits}}{\text{Program Costs}} \times 100$$

Example

A great ROI? Depends on the target.

Costs for project (25 participants) \$80,000

Benefits from program (1st year) \$240,000

BCR = _____

ROI = _____ x 100 = _____%

ROI Target Options

1. Set the value at the same level as other investments – 15%
2. Set slightly above other investments – 25%
3. Set at break even – 0%
4. Set at client expectations

Private sector organizations usually go with option #2; public sector organizations prefer #3.

ROI Best Practices

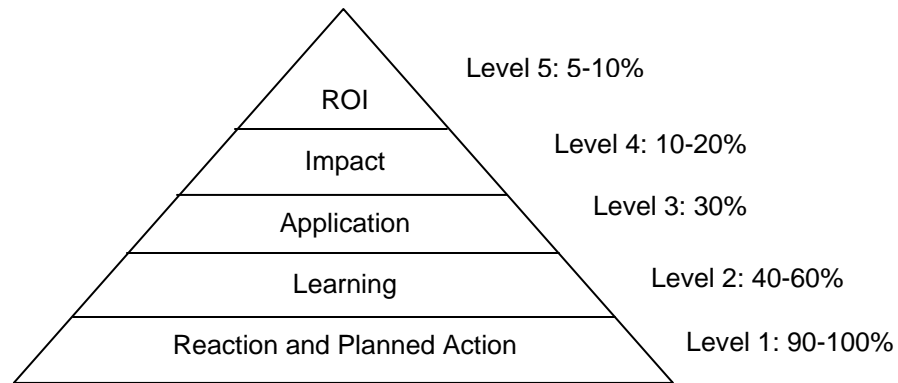
1. The ROI methodology is implemented as a process improvement tool and not a performance evaluation tool for the staff.
2. ROI impact studies are conducted very selectively, usually involving 5-10% of projects and programs.
3. A variety of data collection methods are used in ROI analysis.
4. For a specific ROI evaluation, the effects of the program are isolated from other influences.
5. Business impact data are converted to monetary values.
6. ROI evaluation targets are developed, showing the percent of programs evaluated at each level.
7. The ROI methodology generates a micro level scorecard.
8. ROI methodology data are being integrated to create a macro scorecard for the learning/development function
9. The ROI methodology is being implemented for about 3-5% of the budget.
10. ROI forecasting is being implemented routinely.
11. The ROI methodology is used as a tool to strengthen/improve the programs and processes.

*Based on benchmarking with over 200 organizations using ROI routinely

Cost-Saving Approaches to ROI

- Plan for evaluation early in the process
- Build evaluation into the process
- Share the responsibilities for evaluation
- Require participants to conduct major steps
- Use short-cut methods for major steps
- Use sampling to select the most appropriate programs for ROI analysis
- Use estimates in the collection and analysis of data
- Develop internal capability to implement the ROI process
- Streamline the reporting process
- Utilize web-based software to reduce time

Evaluation Targets



Criteria for Selecting Programs – Level 4 & 5 Evaluation

- Expected life cycle of the program
- The importance of the program in meeting organization's goals
- The 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

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

Impact/ROI Standards*

1. When a higher-level evaluation is conducted, data must be collected at lower levels.
2. When an evaluation is planned for a higher level, the previous level of evaluation does not have to be comprehensive.
3. When collecting and analyzing data, use only the most credible source.
4. When analyzing data, choose the most conservative among the alternatives.
5. At least one method must be used to isolate the effects of the solution.
6. If no improvement data are available for a population or from a specific source, it is assumed that little or no improvement has occurred.
7. Estimates of improvements should be adjusted for the potential error of the estimate.
8. Extreme data items and unsupported claims should not be used in ROI calculations.
9. Only the first year of monetary benefits should be used in the ROI analysis for short-term solutions.
10. Costs of the solution should be fully loaded for ROI analysis.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. The results from the ROI methodology must be communicated to all key stakeholders.

* Developed by the ROI Institute with input from users. The standards are used by more than 2,000 organizations in 41 countries.

Southeast Corridor Bank

Program Title: Managing Retention

Target Group: Bank Tellers

Solution: Skills Based Pay System to Reduce Employee Turnover

RESULTS

Level 1: Reaction	Level 2: Learning	Level 3: Application	Level 4: Impact	Level 5: ROI	Intangible Benefits
Composite Rating: 4.2 out of 5	Positive self assessment on program understanding Positive self assessment on each course with few exceptions (only two failed to be promoted because of performance in training)	95% participation rate 86 requests for training compared to 46 the year before 138 review situations 257 promotions compared to 139 the year before	Turnover reduced from 71% to 35% Staffing level reduced by 4%	BCR: 3.58 ROI: 258%	Customer Satisfaction Job Satisfaction Product Sales Cross Selling

Technique to Isolate Effects of Program: Estimates from branch managers and branch staff, adjusted for error

Technique to Convert Data to Monetary Value: External studies at similar institutions and standard values (for staffing)

Fully-loaded Program Costs: \$857,196 First year; \$433,200 Second year

Sprint/Nextel

Program Title: Diversity

Target Group: Managers and Employees

Solution: All-Inclusive Workforce Program (AIW)

RESULTS

Level 1: Reaction	Level 2: Learning	Level 3: Application	Level 4: Impact	Level 5: ROI	Intangible Benefits
Composite Rating: 4.39 out of 5 (for six items)	Averaged 4.28 out of 5 (for learning on six objectives)	Managers: Supports AIW (87%) Addresses Problems (81%) Encourages Staff (78%)	Attrition Rate Improvement = 9.77%	BCR: 2.6 ROI: 163%	Employee Satisfaction Communication Cooperation Diversity Mix Teamwork
		Employees: Supports AIW (65%) Identifies Differences (63%) Encourages Staff (60%)			
		91% of Managers successful completed action plans			

Technique to Isolate Effects of Program: Manager's estimate, adjusted for error

Technique to Convert Data to Monetary Value: Standard cost item (\$89,000 per Turnover)

Fully-loaded Program Costs: \$1,216,836

Healthcare, Inc.

Program Title: Preventing Sexual Harassment

Target Group: Primary First and Second Level Managers (655)

Secondary: All employees through group meetings (6,844)

Solution: Workshops and meetings on company policy and sexual harassment regulations

RESULTS

Level 1: Reaction	Level 2: Learning	Level 3: Application	Level 4: Impact	Level 5: ROI	Intangible Benefits
Overall rating 4.11 out of 5 93% provided action items	65% increase post-test versus pre-test Skill practice demonstration	96% conducted meetings and completed meeting record 4.1 out of 5 on behavior change survey 68% report all action items complete 92% report some action items complete	Turnover reduction: \$2,840,632 Complaint reduction: \$360,276 Total improvement: \$3,200,908	1,051%	Job Satisfaction Absenteeism Stress Reduction Better Recruiting

Technique to Isolate Effects of Program: Trendline analysis; participant estimation

Technique to Convert Data to Monetary Value: Historical costs; internal experts

Fully-loaded Program Costs: \$277,987

Sample of Published ROI Studies

Case Study Name	Measuring the ROI:	Key Impact Measures:	ROI
Cracker Box	Performance Management (Restaurant Chain)	A variety of measures, such as productivity, quality, time, costs, turnover, and absenteeism	298% ¹
Federal Information Agency	Internal Graduate Degree Program (Federal Agency)	Retention, individual graduate projects	153% ⁴
Healthcare, Inc.	Sexual Harassment Prevention (Health Care Chain)	Complaints, turnover, absenteeism, job satisfaction	1052% ²
Imperial National Bank	Executive Leadership Development (Financial)	Team projects, individual projects, retention	62% ²
International Car Rental	First Level Leadership Development (Auto Rental Company)	Various measures – at least two per manager	105% ⁷
MetroTransit	Absenteeism Control/Reduction Program (Major City)	Absenteeism, customer satisfaction	882% ²
Midwest Electric	Stress Management Program (Electric Utility)	Medical costs, turnover, absenteeism	320% ²
National Crushed Stone	Skill-Based Pay (Construction Materials Firm)	Labor costs, turnover, absenteeism	805% ²
National Steel	Safety Incentive Plan (Steel Company)	Accident frequency rate, accident severity rates	379% ²
Nations Hotel	Executive Coaching (Hotel Chain)	Cost reduction, sales growth, operating efficiency, retention, and customer satisfaction	221% ⁵
Nextel Communications	Diversity (Communications Company)	Retention, employee satisfaction	163% ⁶
Southeast Corridor Bank	Retention Improvement (Financial Services)	Turnover, staffing levels, employee satisfaction	258% ³
United Petroleum	E-Learning (Petroleum)	Sales	206% ²
VA Sunshine Healthcare Network	Competency Development (Veteran's Health Administration)	Time savings, work quality, faster response	159% ⁴

References for Published Studies

1. *In Action: Measuring Return on Investment*, Volume 3. Patricia P. Phillips, Editor; Jack J. Phillips, Series Editor. American Society for Training and Development, Alexandria, VA, 2001.
2. *The Human Resources Scorecard: Measuring the Return on Investment*. Jack Phillips, Ron D. Stone, Patricia P. Phillips. Butterworth-Heinemann, Woburn, MA, 2001.
3. *In Action: Retaining Your Best Employees*. Patricia P. Phillips, Editor; Jack J. Phillips, Series Editor. American Society for Training and Development and the Society for Human Resource Management, Alexandria, VA, 2002.
4. *In Action: Measuring ROI in the Public Sector*. Patricia P. Phillips, Editor. American Society for Training and Development, Alexandria, VA, 2002.
5. *ROI at Work: Best Practice Case Studies from the Real World*. Jack J. Phillips and Patti P. Phillips, Editors. American Society for Training and Development, Alexandria, VA, 2005.
6. *In Action: Implementing Training Scorecards*. Lynn Schmidt, Editor; Jack J. Phillips, Series Editor. American Society for Training and Development, Alexandria, VA, 2003.
7. *The Leadership Scorecard*, Jack J. Phillips and Lynn Schmidt, Butterworth-Heinemann, Woburn, MA, 2004.

Additional Reading

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- The Bottomline On ROI*. Patricia P. Phillips, Center for Effective Performance, 2002.
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- In Action: Coaching for Extraordinary Results*. Darelyn J. Mitch, Editor; Jack J. Phillips, Series Editor. American Society for Training and Development, Alexandria, VA, 2002.

Jack J. Phillips, Ph.D.

As a world-renowned expert on accountability, measurement and evaluation, Dr. Phillips provides consulting services for Fortune 500 companies and major global organizations. The author or editor of more than 50 books, Phillips provides workshops and conference presentations throughout the world.

His expertise in measurement and evaluation is based on more than twenty-seven years of corporate experience in five industries (aerospace, textiles, metals, construction materials, and banking). Phillips has served as training and development manager at two Fortune 500 firms, senior HR officer at two firms, president of a regional bank, and management professor at a major state university.

His background led Phillips to develop the ROI Methodology—a revolutionary process that provides bottom-line figures and accountability for all types of learning, performance improvement, human resources, technology, and public policy programs.

Phillips regularly consults with clients in manufacturing, service, and government organizations in 44 countries in North and South America, Europe, Africa, Australia, and Asia

Books most recently authored by Phillips include *Investing in Your Company's Human Capital: Strategies to Avoid Spending Too Much or Too Little*, Amacom 2005; *Proving the Value of HR: How and Why to Measure ROI*, SHRM 2005; *The Leadership Scorecard*, Elsevier Butterworth-Heinemann 2004; *The Human Resources Scorecard: Measuring the Return on Investment*, Elsevier Butterworth-Heinemann 2001; *Building a Successful Consulting Practice*, ASTD 2002; *The Consultant's Scorecard*, McGraw-Hill 2000; *Managing Employee Retention*, Elsevier Butterworth-Heinemann, 2003; *Return on Investment in Training and Performance Improvement Projects, 2nd Edition* Elsevier Butterworth-Heinemann 2003; *The Project Management Scorecard*, Elsevier Butterworth-Heinemann 2002; *How to Measure Training Results*, McGraw-Hill 2002; and *Performance Analysis and Consulting*, ASTD 2000. Phillips served as series editor for ASTD's In Action casebook series, one of ASTD's more ambitious publishing projects with 30 titles. Now, he serves as series editor for Elsevier Butterworth-Heinemann's Improving Human Performance series and Pfeiffer's new series on Measurement and Evaluation.

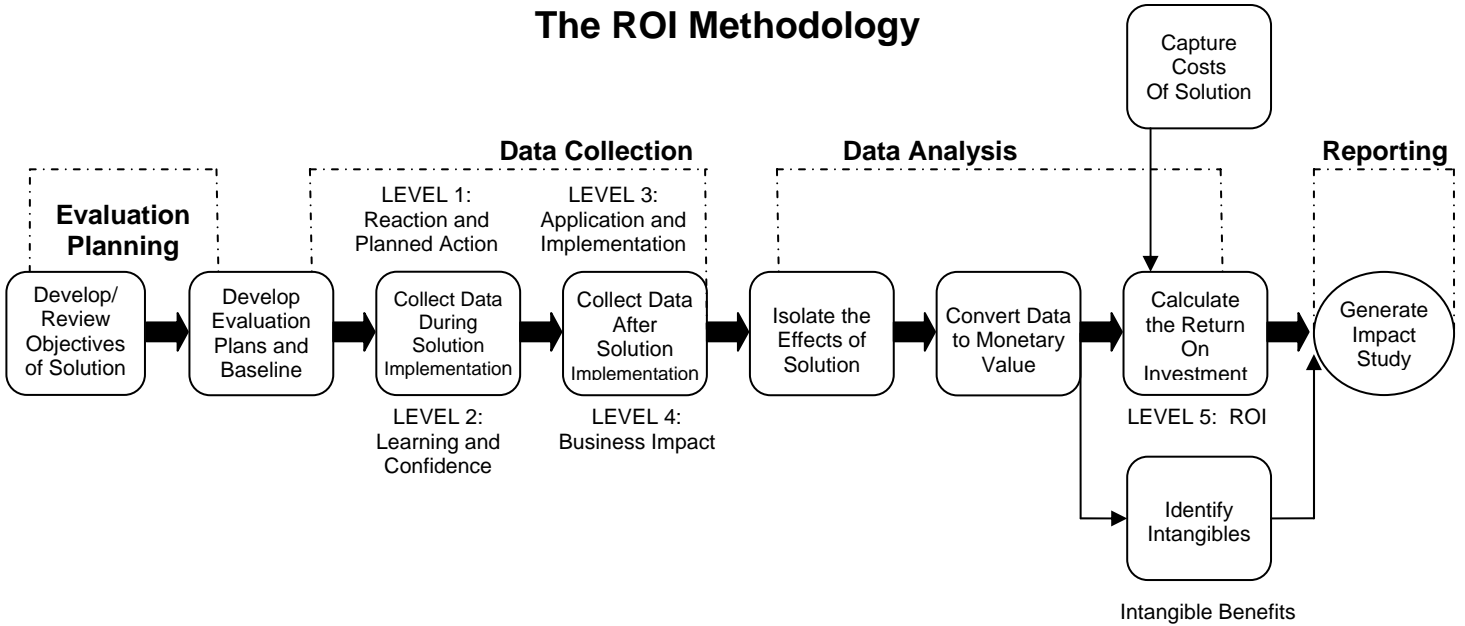
Phillips has received several awards for his books and his work. The Society for Human Resource Management gave him its highest creative award for an ROI study and an award for one of his books. The American Society for Training and Development gave him its highest award, Distinguished Contribution to Workplace Learning and Development. *Meeting News* named Phillips one of the 25 most influential people in the Meetings and Events industry, based on his work on ROI for the industry.

Phillips has undergraduate degrees in electrical engineering, physics, and mathematics; a master's degree in decision sciences from Georgia State University; and a Ph.D. in human resource management from the University of Alabama.

Jack Phillips has served on several boards of private businesses – including two NASDAQ companies – and several non-profits and associations, including the American Society for Training and Development. He is Chairman, ROI Institute, Inc. and can be reached at (205) 678-8101, or by e-mail at jack@roiinstitute.net.

Job Aid

The ROI Methodology



ROI Calculation

$$\text{ROI} = \frac{\text{Net Project Benefits}}{\text{Project Costs}}$$

Cost of project \$230,000

Benefits of project (1st year) \$430,000

$$\text{ROI} = \frac{\$430,000 - \$230,000}{\$230,000} = 0.87 \times 100 = 87\%$$

The ROI Process

A comprehensive measurement and evaluation process that generates six types of measures:

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

This balanced approach to measurement includes a technique to isolate the effect of the program or solution.

12 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.
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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.