Show Them the Money: How the Use of the ROI Methodology can Show the Value of Organisational Improvement

Showing the value of undertaking an organisational improvement programme is inherent in today's business environment where leaders understand that it takes a trained workforce to drive business results in an increasingly competitive, global environment. Executives have increased frustration from the lack of evidence to show that improvement programmes really work. As executives and managers watch budgets grow without appropriate accountability, return-on investment (ROI) calculations and evidence of bottom-line value are now being routinely required from these organisational excellence programmes.

The research undertaken by the ROI Institute (Ref C) suggests that the number one reason for programmes failing is a lack of alignment with the business. It is during the initial analysis that measures must be taken to ensure the programme is necessary. It is imperative in the case of an 'organisational excellence' programme that it is linked and aligned directly with key business 'impact' measures. The ROI Methodology developed by the ROI Institute, is an essential tool for anyone needing to show the value of an organisational improvement programme. It can also be a forecasting tool for use in a business case.

The ROI Approach. The ROI methodology applies design thinking principles to evaluation capability. It provides the necessary steps to ensure business impact success and to ultimately "show them the money". The following 8 steps provide the "value chain" and build on each level, providing continuous improvement data for the overall programme as it progresses.

Any improvement programme's success should be based on eight condensed success factors:

 1. Start with Why: Aligning the Programme with the Business.

2. Make It Feasible: Selecting the Right Solution.

3. Expect Success: Designing for Results with Impact Objectives.

4. Make It Matter: Designing for Input, Reaction, and Learning.

5. Make It Stick: Designing for Application and Impact.

6. Make It Credible: Measuring Business Results and Calculating ROI, if desired.

7. Tell the Story: Communicating Results to Key Stakeholders.

8. Optimize Results: Using Black Box Thinking to Increase Funding.

To show how the methodology works this paper will focus on one ingredient in an improvement programme. This element is the development and deployment of high performing teams focussed on quality improvement. One of the most essential programmes of an improvement strategy is to build the capability into the core staff to undertake process identification and analysis. The individuals need to work together to drive improvement. This is a key capability that when applied to process analysis produces productivity improvement.

Start with Why: Align Programmes with the Business. In this step we apply the design thinking principle of problem solving at a systems level. This is a fundamental start point for any programme. There needs to be a business need that drives the investment of resources. It can be to somehow avoid certain costs such as cost of production or the cost incurred by high attrition. It could be the linking of soft skill areas such as high stress, low morale, high levels of harassment and bullying. It is essential that these issues are linked to a measurable business impact such as attrition, sales, and productivity.

In our example most team-building sessions of a high-performing quality improvement team focus on a specific problem or opportunity within the team. This problem or opportunity is often expressed as a "business need" and the team building intervention is designed to improve business performance, expressed as productivity, quality, cycle time, efficiency, job satisfaction, customer satisfaction, or any specific measure where improvement is needed. This defined business need becomes the business aligned objective.

Make it Feasible: Select the Right Solution. In this step we need to take the design thinking principle of curiosity and inquiry to understand what the core issues of the current problem are. What is not being done today that means the business objective is not being achieved? What is it that needs to be changed in order to achieve our business objective?

In our example the high performing team performance capabilities are dissected in order to determine the current gap between current staff capabilities and those required for high performance. The key outcome is understanding what behaviours are needed to achieve the Business Objective. This could mean there are a range of capabilities need to be developed within the team. An outcome from this stage is the performance objectives of the participants. What do the participants of this programme intervention need to do differently back in the work environment? This means the behaviour changes required will be written as an application objective.

Expect Success: Design for Results. The design thinking principle at this stage is to provide a framework to balance needs and feasibility. Before too much money or resources are put into this programme it is critical to balance the business 'payoff' with the effort needed to ensure the people can deliver it. The 'V Model" (below) is a good tool at this stage to get clarity of the planned initiative across the stakeholders of the programme. One of the first things is to have a clearly defined success definition at the business level. The Business objective developed earlier needs to be well defined and specific around how the measurement will occur. The application objective indicates what the individuals involved in the programme will be doing to make the programme successful. These two critical objectives are then provided to all the designers, developers, and other individuals who are supporting the programme. These two key objectives are

the essential outcomes that must be designed into the capability build initiatives that are being implemented. The ROI methodology has several core planning documents that need to be completed in order to facilitate the delivery of the "value chain". At this stage the following planning documents are completed: the data collection plan, the ROI analysis plan, and the project plan.
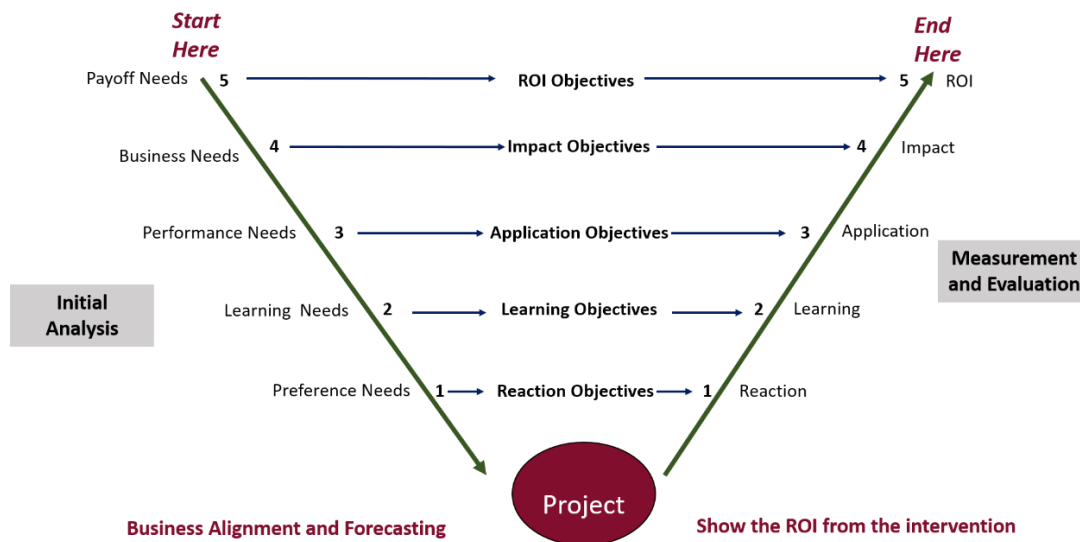
Make it Matter: Design for Input, Reaction, and Learning.   The design thinking principle applied in this stage is to take on design challenges by applying empathy.   Any learning needs to receive a positive reaction from participants in it, and it must critically be seen to be relevant. It is essential for designers to understand and be empathetic with the participants in order to ensure the best learning environment and material are provided.   The participants need to achieve a learning outcome in order to be able to apply that back in the workplace. The design and delivery of the training intervention needs to be attuned closely to the participants.   If you cannot get the participants to agree to the importance of this work, and how the initiative is going to help them achieve the objectives, then you are unlikely to get them to behave the way you want back in the workplace.

Make it Stick: Design for Application and Impact.   In this stage the designers and developers are exploring what works and what doesn't work. This is applying the design thinking principle of exploration and experimentation. It is often that the first approach is not fully meeting the objectives set. The designers and developers will be following a Plan-Do-Check-Act approach to improve the effectiveness of the intervention. They will be putting in place mechanisms to monitor whether the learning is seen to change behaviours in the work environment. This requires a data collection process and built-in tools which enables measurement of the high performing team's capabilities and eventually business results.

Make it Credible: Isolate the Effects of the Programme.   The most overlooked aspect of an evaluation process is how to eliminate other factors that may have had an influence on the business result. The challenge of evaluating programmes is when the programme activity is complete and the results are monitored, it is often difficult to determine how much of the improvement (in our example – the high-performing team's performance) is related to the programme. This issue often labelled "Isolating the Effects of the programme" can be tackled in several ways (see Ref A, Chapter 10). For our example in this paper we will describe a simple but credible way to meet this challenge and develop the business impact.

To get to this stage in the 'Value Chain' we have designed and delivered training interventions to participants (there could have been numerous). The purpose of the interventions was to enable the participants to behave differently in the workplace and thereby deliver the business objective set at the beginning. Monitoring of the business measure has occurred over time, along with a range of other measures. For this example, we are going to assume the results reveal an improvement.

The next stage is to link the team building programme to the specific amount of performance improvement. It is from this information that you can develop the monetary impact of the improvement. This information forms the basis for calculating the actual ROI. It is highly likely that the team members can pinpoint the actual results linked to the team building process and provide data necessary to develop the ROI. This is a credible approach as those close to the work generally have the best appreciation and knowledge of the activities. It is often found that a Focus Group works well at this stage. Focus groups provide the opportunity for group members to share information equally, and taps the input, creativity, and reactions of the entire group.

The data collection that has occurred (detailed in the Data Collection Plan) will show stakeholders the performance characteristics of the business measure. It is important that a process is followed for getting input to what other factors may have had an influence on the result (e.g. the volume of work has changed, a new system has been implemented, or technology has been enhanced). This usually involves input from experts and others who may be knowledgeable about the improvements.

The participants are then asked to review these influencing factors. They are then asked to allocate a percentage estimate of how much the business measure change is directly a result of the high-performing team improvement programme (e.g. 45%). The scale used for this is 0 to 100%.

When making this estimate each participant will have a different view of the factors and the weighting of each. It is because of this that the next stage requires the participants to provide a percentage indicating the level of certainty they have with their estimate (e.g. 80%).

The next step is to multiply both the estimate (percentage of impact) and certainty (percentage). For example, 45% of the improvement to high-performing team building programme multiplied by 80% certain, then 45% x 80% = 36%. This value can now be converted into the business measure and show an actual business improvement number of the 'impact', which is a conservative figure as a result of using the level of certainty factor.

Make It Credible: Convert Data to Monetary Value. The next stage now addresses the challenge of converting the business improvement to a monetary value. This monetary value must be expressed just for the isolated impact of the business measure so it can be compared directly to the cost of the programme (high-performing team building) to generate the ROI.

The focus group can be also used for this phase. There are several ways to undertake this conversion. It will depend on the type of data you are dealing with and what values are used across the business (standard values). For example, cycle time reductions, process improvement measures, and productivity measures may have values already established to reflect the cost savings attributed to the individual measure.

- Note: Any value that can't be converted to monetary value is not omitted, it is listed as an 'Intangible"

Make It Credible: Capture Costs of Programme. This is the fully loaded (conservative) calculation of costs involved in delivering the Programme initiatives. The ROI approach is to review a wide scope of costs so the most conservative value (highest) is robustly supported.

Make It Credible: Calculate the Return on Investment. The return on Investment is calculated using the Programme benefits and costs. It is based on net benefits divided by the programme costs. The net benefits are calculated and the programme benefits minus the programme costs.

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

- Net Programme Benefits = (Programme Benefits – Programme costs)

At this stage of the 'Value Chain" you can Show them the Money.

Tell the Story. Communicating Results to Key Stakeholders is an essential part of the value chain. This evaluation process needs to be transparent. The Stakeholders are involved from sponsoring, through the design phases as well as supporting the evaluation throughout the process. It is important that they see the results, and how the six types of information contribute to the result. You tailor the content and media to the stakeholders.

Optimize Results. The ROI methodology uses the term "Black Box Thinking" to indicate that all the learning that is gained by undertaking this level of evaluation has immense value to the organisation. Even if the ROI is negative the evaluation information will show here in the 'value chain' the problems exist. It enables improvement to be driven into the programme, and highly likely that improvement lessons can be applied to other programmes. The more you can show programmes as investments returning positive monetary value and not just a cost you are highly likely to get more funding approvals in future.

Summary

This paper describes how the application of the ROI Methodology can design success into any organisational improvement programme. The methodology has been consistently and routinely used by thousands of organisations worldwide over the past 25 years. It can bring benefits of alignment with business, validating the value propositions, improving process, and importantly justifying or enhancing budgets. By following the ROI 'value chain" flow of stages and applying the techniques necessary at each stage, then it is highly likely that proving the value of an organisational Improvement programme is achievable.

References:

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About the Author

Wayne Burroughs is a Certified Organizational Excellence Specialist with OES. He has earned a number of degrees (MNZM BCom, DipBus in Finance, MA in Strategic Studies) and is a ROI & Continuous Improvement Specialist

He has three decades' experience in organisational governance, strategy development and deployment and business improvement. Before moving into ROI consulting, he held senior organisational leadership and governance roles in a range of government, local body, and private organisations.

Wayne specialises in strategic change through organisational culture, change management, business improvement, and leadership development. As well as being a meticulous researcher, with expertise in programme design and return on investment, Wayne is a skilled public speaker, presenter, trainer, and facilitator who specialises in delivering organisational change and leadership development.

Wayne has held Prince2, MSP, and Business Evaluation qualifications. He has undertaken Governance training (Institute of Directors) and applied this capability at numerous levels.