



Introduction of ROI Methodology

Paradigm Shift in Programs

Activity Based-Characterized by:

1. No business need for the program
2. No assessment of performance issues
3. No specific measurable objectives
4. No effort to prepare program participants to achieve results
5. No effort to prepare the work environment to support program
6. No efforts to build partnership with key managers
7. **No measurement of results or cost benefit analysis**
8. Reporting on programs is input focused

Results Based-Characterized by:

1. Program linked to specific business needs
2. Assessment of performance effectiveness
3. Specific objectives for application and business impact
4. Results expectations communicated to participants
5. Environment prepared to support program
6. Partnership established with key managers and clients
7. Measurements of results or cost benefit analysis (ROI)
8. Reporting programs is output focused

Definition of Results-Based Programs

- Programs are initiated, developed, and delivered with the end in mind.
- A comprehensive measurement and evaluation system is in place for each program.
- Impact and ROI evaluations are regularly developed.
- Program participants understand their responsibility to obtain results with programs.
- Support groups (management, immediate support, staff support etc.) help to achieve results.

HR Applications

- Learning & Development
- Career Development
- Competency Systems
- Diversity Program
- E Learning
- Executive Coaching
- Gainsharing
- Meeting and Events
- Leadership Development
- Organization Systems
- Recruitment Strategies
- Safety & Health prog.
- Self Based/Knowledge Based Competency
- Technology Implementation
- Quality Programs
- Wellness/Fitness Initiatives

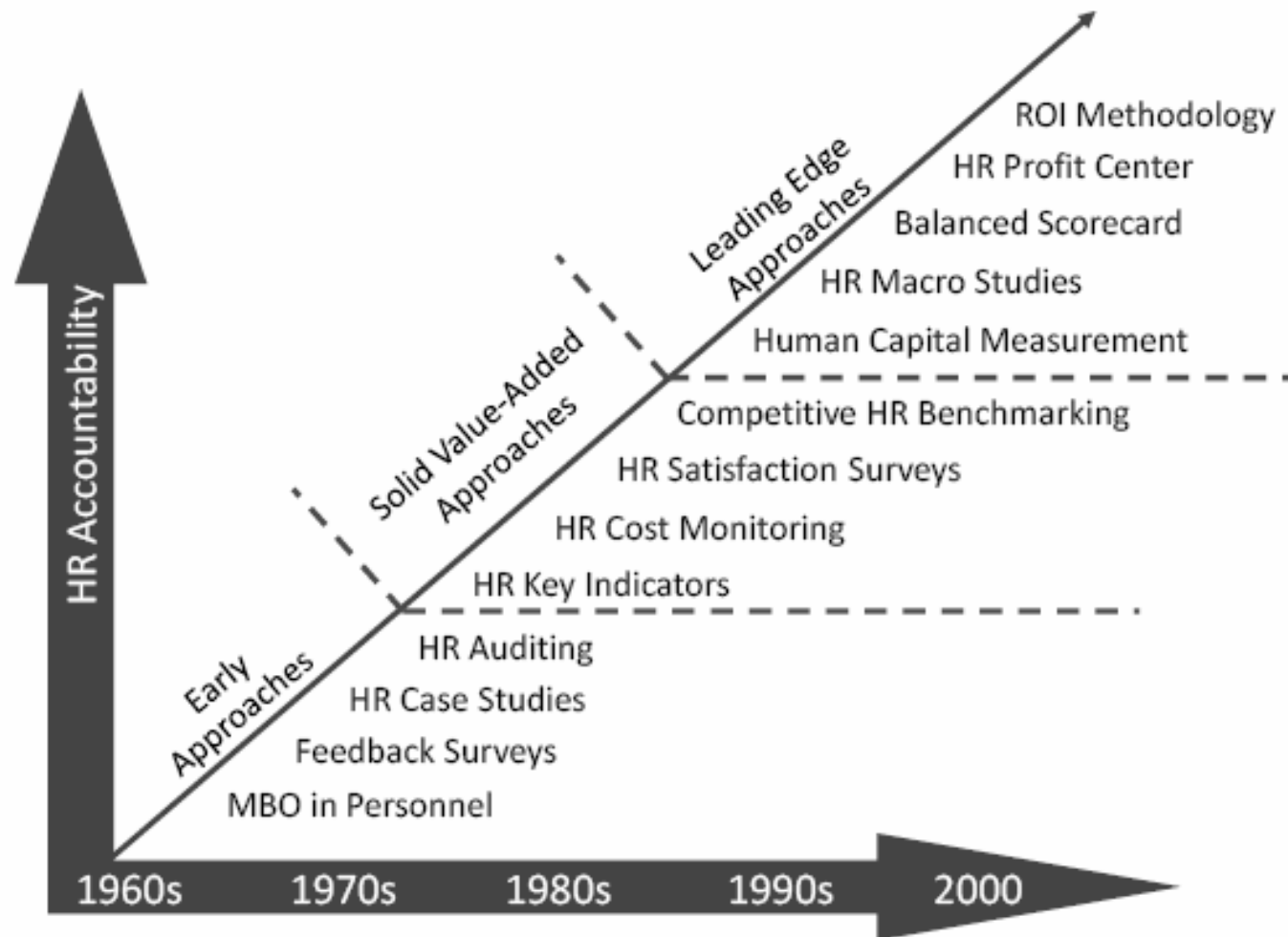
Human Capital Perspectives

Traditional View	Emerging View
1. Human Capital expenses are considered costs.	1. Human Capital expenditures are viewed as a score of value.
2. The HR function is perceived as a support staff.	2. The HR function is perceived as a strategic partner.
3. HR is involved in setting the HR budget.	3. Top executives are increasingly involved in allocating HR budget.
4. Human Capital metrics focus on cost and activities.	4. Human Capital metrics focus on results.
5. Human Capital metrics are created and maintained by HR alone.	5. Top executives are involved in the design and use of metrics.
6. There is little effort to understand the return on investment in human capital.	6. The use of ROI has become an important tool to understand the cause-and-effect relationships.
7. Human Capital measurement focuses on the data at hand.	7. Human Capital measurement focuses on the data needed.
8. Human capital measurement is based on what GE and IBM are measuring.	8. Human capital measurement is based on what is needed in the organization.
9. HR programs are initiated without a business need connected to them.	9. HR programs are linked to specific business needs before implementation.
10. Overall reporting on human capital programs and projects is input-focused.	10. Overall reporting on human capital programs and projects is output-focused.

Increased Interest in the Value of Human Capital is Driven by:

- The increasing cost of human capital
- Consequences of improper or ineffective HR practices
- Linkage of human capital to strategic initiatives
- Increased accountability of all functions
- Top executive requirements for HR contribution, and human capital ROI

HR Accountability Progress



Kirkpatrick's Taxonomy

In 1959 - 1960, Donald Kirkpatrick published four articles outlining the categories of measures of the effectiveness of training outcomes.



Results

Cost reduction; decreased turnover; improved morale

Behavior

Application of learning principles and techniques on the job

Learning

Principles, facts, and techniques understood and absorbed

Reaction

Trainees' satisfaction and attitudes about a training program

Kirkpatrick's taxonomy has dominated the training evaluation discussion since it was first published forty-seven years ago in his PhD dissertation.

And Then There Was Jack

- In the mid-1990's, Jack Phillips added a 5th level, ROI, to the Kirkpatrick 4 level model
- Phillips believes that it's not enough to just measure the business impact, we must also determine if our training investment has returned sufficient value to the organization

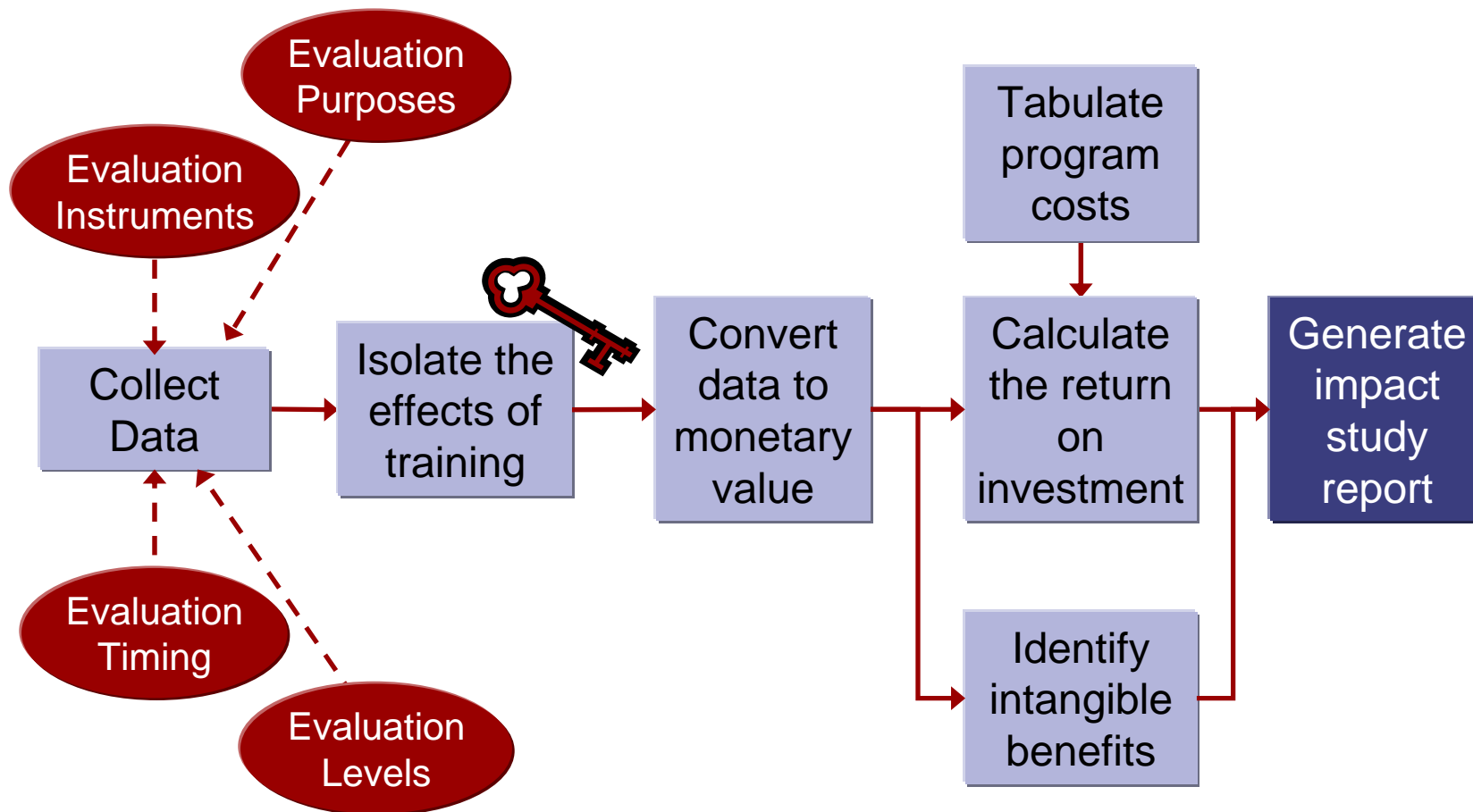


Training Measurement and Evaluation Schemes

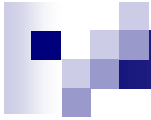
- Benefits Cost Analysis (BCA)
- Kaufman's Five Levels of Evaluation
- CIRO
- CIPP
- Marshall and Schriver's Model of Evaluation Knowledge and Skills
- Indiana University's Business Impact ISD Model
- Success Case Evaluation
- Utility Analysis
- Brown and Reed's Integral Framework
- Balanced Scorecard

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
4. Business Impact ↓	Captures changes in business impact measures
5. ROI	Compares program benefits to the costs

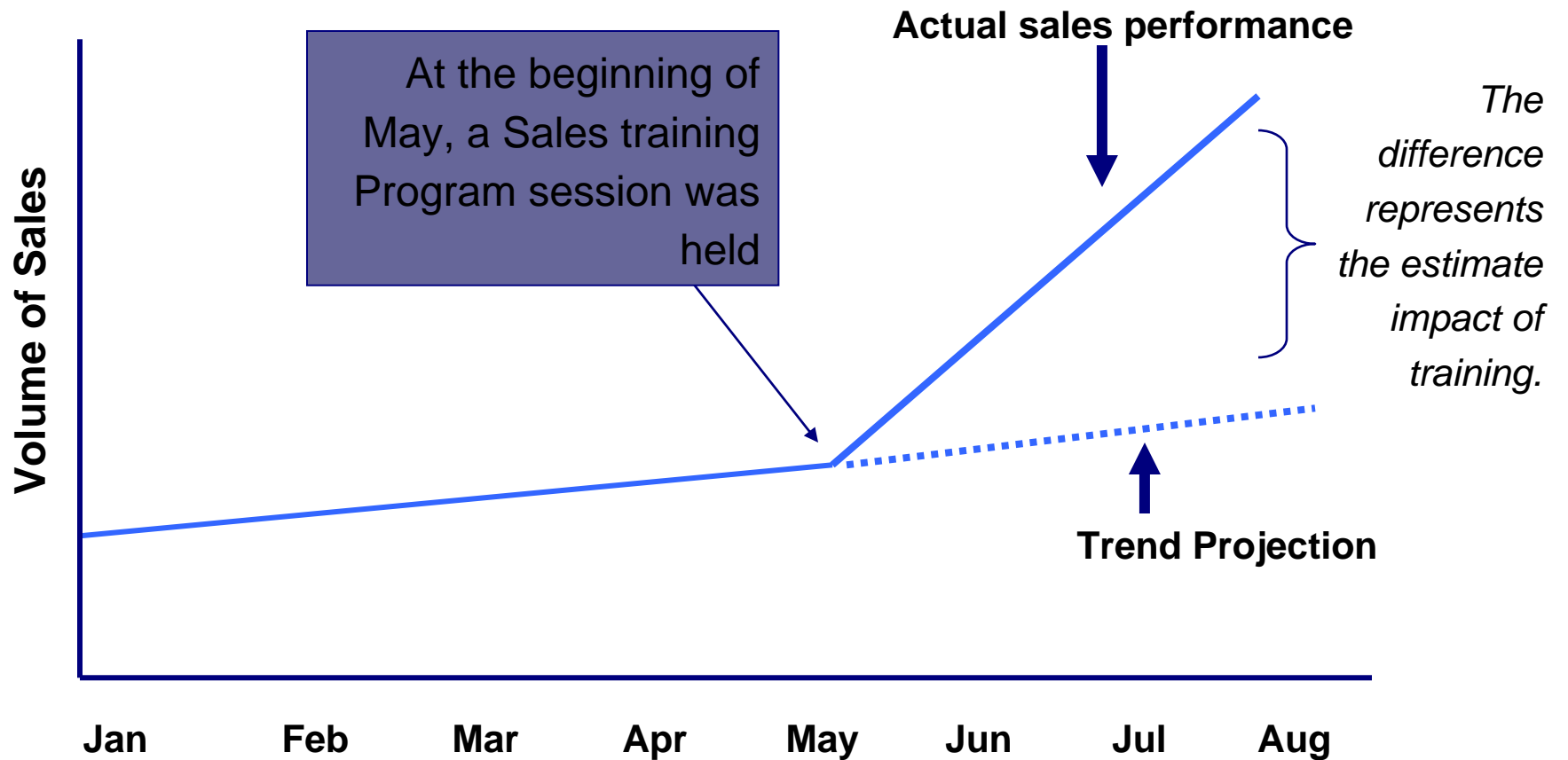
The ROI Process



Source: *Return on Investment in Training and Performance Improvement Programs*, Jack J. Phillips, Gulf Publishing Company, Houston Texas, 1997, p. 25

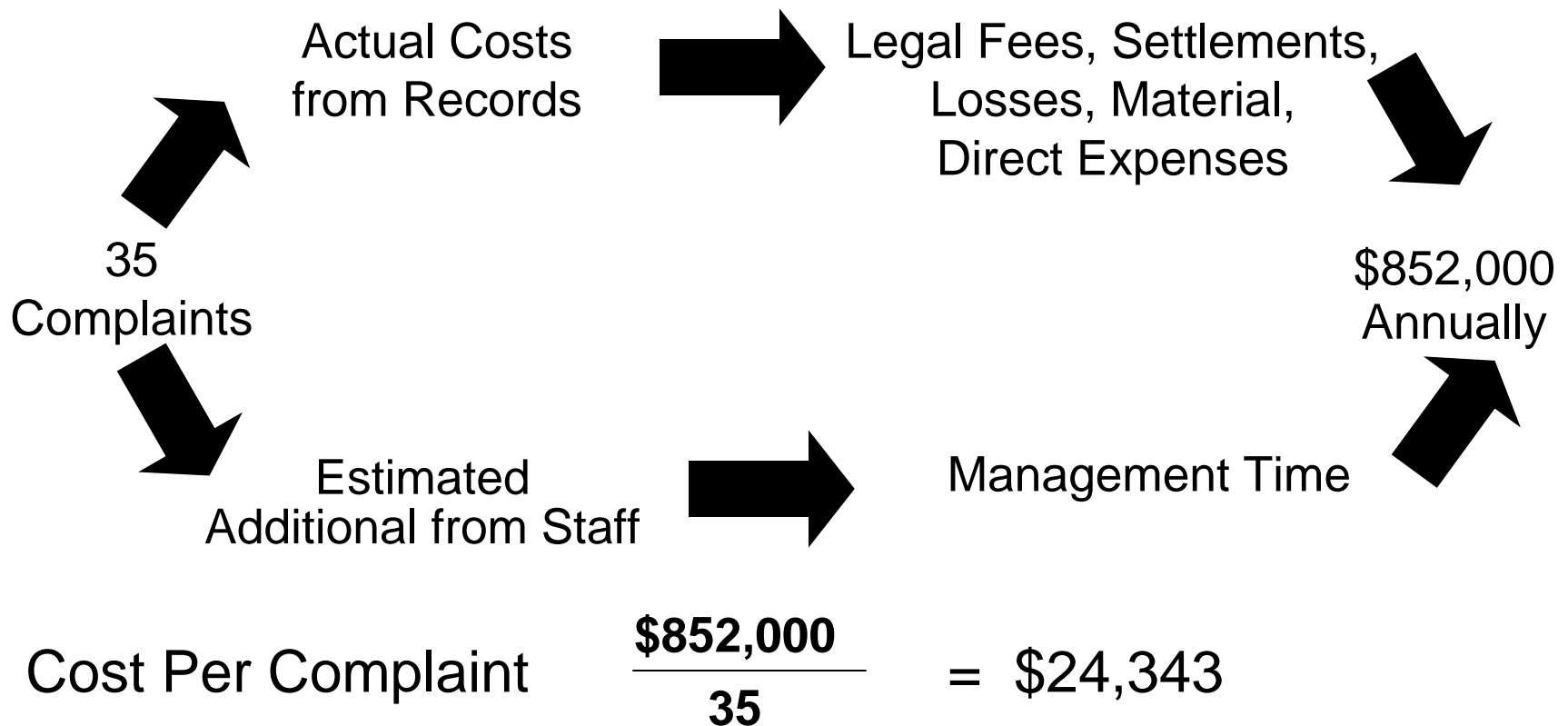


Trend Line Analysis



Converting Data Using Historical Costs & Expert Input

The Cost of a Sexual Harassment Complaint



What it Means?

The ROI calculation shows the efficient use of capital invested in a process. In this case, it shows the actual earnings (benefits minus costs) from the invested human capital (cost of the program). This is the same basic formula used to calculate the investments in plants, equipment, and startup companies.



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THANK YOU

