

Professional Development Forum Online

Proving Your Worth

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Let's start with a quick quiz. Look at the following ADDIE model of instructional design, and check your two favorite activities:

- A-nalyze
- D-esign
- D-evelop
- I-mplement
- E-valuate

If you're like many education professionals I know, you didn't check Evaluation. Where's the fun in that? After the course is over, wouldn't you rather just thumb the smile sheets for highlights and let the temp crunch all those numbers?

So here's the bad news: Evaluation is getting serious, which means our jobs may depend on our ability to prove the worth of what we do.

But here's the good news: Smile sheets are out. Return on investment, or ROI, is in, and it's the perfect tool for demonstrating that effective training doesn't cost; it pays.

Proving our worth means that we in professional development must spend more time on analysis and evaluation and less time on development and implementation. But shifting priorities only makes sense. Senior executives want education and training professionals to spend more time linking training to business needs and demonstrating the results of their investment in education. ROI models can help us decide how to do both.

Relating ROI to your professional development programs

Remember Peter Senge's famous book, *The Fifth Discipline: The Art and Practice of the Learning Organization*? Return on investment is often called the fifth level of evaluation because it tacks so nicely onto the model Prof. Don Kirkpatrick developed four decades ago at the University of Wisconsin.

- **Level 1:** Participant reaction
- **Level 2:** Learning
- **Level 3:** Application on the job
- **Level 4:** Results
- **Level 5:** Return on investment

Part of the increasing interest in ROI stems from business leaders' need to discover the payoff for all the money they spend educating their employees. Oh sure, they may realize that training can have an impact on Level 4 results, such as more sales, fewer accidents, and more productivity. But here's the thing: Nobody wants to spend \$1,000 in training money to solve a

\$200 problem, especially when there are dozens of non-training interventions to choose from that could also improve performance.

Because interest is growing, get ready to see more and more companies embed ROI calculators into their products and marketing efforts. Just recently I saw an ad for IBM in *Internet Week* magazine, the headline reading, “ROI--Return on Investment or Really Outstanding Infrastructure?” IBM has developed its own model to help clients see the ROI before they buy. We, as association education professionals, might benefit by helping our participants calculate *their* ROI for attending our programs.

To calculate return on investment, you have lots of ROI models to choose from, though some are very complicated or very specific. Here is an overview of a popular model developed by Jack Phillips. A leader in the field of evaluating human resource development programs, Phillips has developed a certification program around the ROI process and published more than 100 case studies on calculating ROI.

1. **Collect program data.** You can collect both hard data--such as sales, costs, and output--and soft data--such as attitudes and work climate. Collection methods include follow-up questionnaires, action plans, performance contracts, performance monitoring, and program assignments.
2. **Isolate the effects of training.** Let’s say that after attending your program, participants sold 20 percent more widgets across the next six months. But was that increase really because of your program? Or did other factors play a role? Because many factors influence performance data after training, this step is necessary to determine the amount of improvement directly related to your program--and to maintain credibility.
3. **Convert data to monetary value.** Here, Level 4 data are converted to monetary values and compared against program costs. This step is absolutely necessary to determine the program’s monetary benefits. Most of us have a pretty good idea of both our costs and our participants’ costs. The tough part is assigning a dollar value to program outcomes. The reference material goes into depth about some ways to do this.
4. **Calculate the ROI.** In many fields, ROI basically means earnings divided by investment. The formula below calculates the net program benefits divided by total program costs.

5.

$$\text{ROI (\%)} = \frac{\text{Net benefits}}{\text{Program costs}} \times 100$$

Here’s an example of how this works. Let’s say a company sends 10 people through your program. All things considered, this costs the company \$80,000. Your program enabled those 10 people to reduce accidents by 30 percent across the next year, which translates to company savings of \$200,000. Here’s how the calculation would look.

$$\text{ROI} = \frac{\text{TB} - \text{PC} = \text{NB}}{\text{PC}} \times 100$$

Total benefits (TB) = \$200,000

Program costs (PC) = \$80,000

Net benefits (NB) = \$120,000

$$\frac{\$120,000}{\$80,000} \times 100 = 150\%$$

In other words, for every dollar the company spent on your program, it received \$1.50 back.

6. **Identify intangible benefits.** You should try to convert *hard* and *soft* data to monetary values. But when that isn't practical or credible, these data can be listed as intangible, nonmonetary benefits. Sometimes, intangible benefits are so compelling that they can be as important or even more important than the ROI. Intangible benefits include
- improved customer service,
 - better teamwork,
 - reduced complaints, and
 - increased job satisfaction.

Your bottom line: Demonstrated value

Can everything be reduced to dollars? Should it? I don't believe so. Nevertheless, you need an effective tool for gauging the value of your association's offerings--especially ones that are strategic, expensive, have high visibility, are long-term, and involve a lot of participants. Used correctly, ROI can be ideal for proving the tangible value of your professional development programs.

ROI resources

Books

[*Return on Investment in Training and Performance Improvement Programs: A Step-by-Step Manual for Calculating the Financial Return*](#), by Jack J. Phillips (Gulf Professional Publishing Co., 1997)

[*Another Look at Evaluating Training Programs*](#), by Donald L. Kirkpatrick (American Society for Training & Development, 1998 ed.)

[*Skill Wars: Winning the Battle for Productivity and Profit*](#), by Edward E. Gordon (Butterworth-Heinemann, 1999)

[*In Action: Measuring Return on Investment, Vol. 1*](#), Jack J. Phillips, ed. (American Society for Training & Development, 1994)

ROI Web sites

[The ASTD Evaluation & Return on Investment Community](#)

[The American Evaluation Association](#)

[The Franklin Covey Jack Phillips Center for Research](#)

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