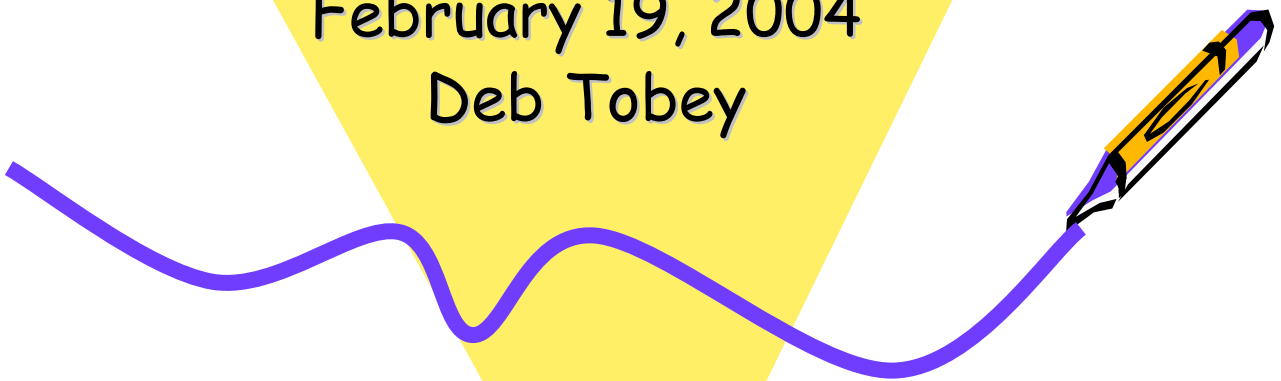


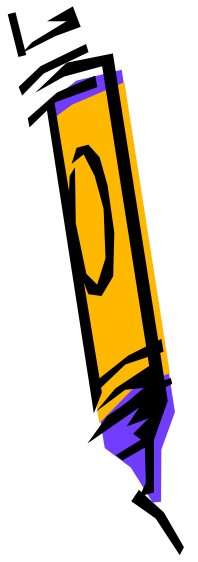
ROI: A "How - To" Approach

ASTD - Middle Tennessee
February 19, 2004
Deb Tobey

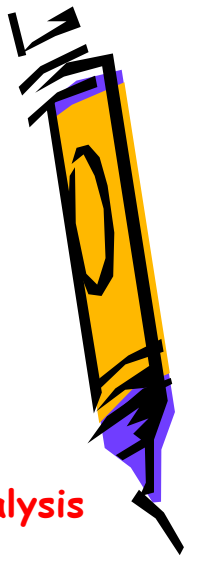


WHY?

- Why evaluate training?
- Why measure Return on Investment (ROI)?



Needs Assessment & Evaluation: It's All Connected



ROI Analysis



Level 4 Evaluation



Level 3 Evaluation



Level 2 Evaluation



Level 1 Evaluation



Business Needs



Performance Needs



Learning Needs



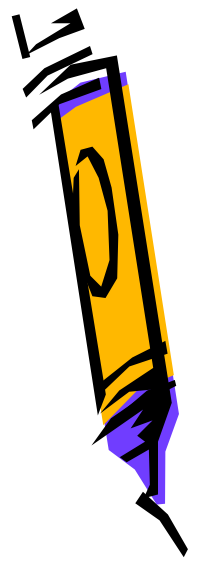
Learner Needs



- Training
- Recs
- - ROI Forecast
- Non-Training
- Recs

- Training Design
- - Training
- Delivery



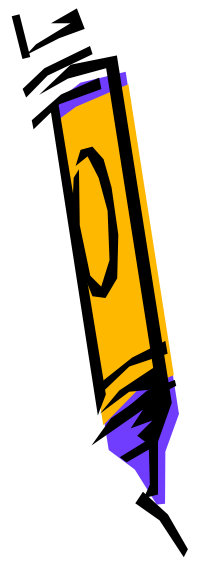


Needs Assessment

- **Business Needs**
 - Solve a business problem
 - Capitalize on a business opportunity
 - Support a business strategy
 - *BUSINESS GOALS*

- **Performance Needs**
 - What do people have to DO (or DO DIFFERENTLY) to support the attainment of desired business measures?
 - *PERFORMANCE GOALS*



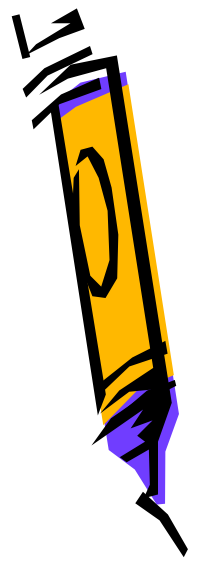


Needs Assessment

- Learning Needs
 - What do learners have to KNOW and DO in the learning environment to support attainment of desired job performance measures?
 - *LEARNING GOALS*

- Learner Needs
 - What strategies and features must be built into the learning environment to support the attainment of desired learning goals?
 - *LEARNER REACTION GOALS*



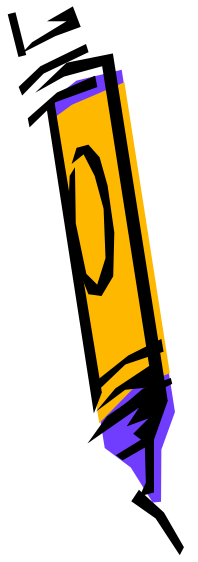


Outcomes of Needs Assessment

- Recommendations to meet goals
 - Training design
 - Training development
 - Training delivery
 - Elimination/reduction of non-training factors that can affect attainment of reaction, learning, performance, or business goals
- ROI Forecast for training
 - An analysis comparing expected net benefits of training (adjusted for non-training issues) with projected costs of training
 - Net expected benefits/Costs X 100 = ____%
 - "Sells" your client on investing in the training



Forecasting the ROI



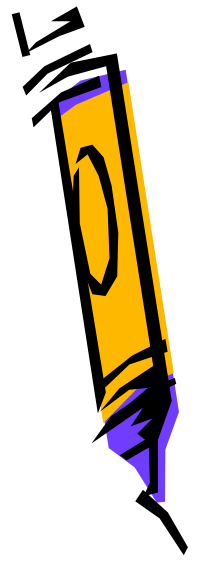
1. Calculate the projected value of the business goal.
 - "Hard" measures

 - "Soft" measures

2. Estimate (in collaboration with your client) a reasonable % effect that training can be expected to have on the desired business outcome.
 - What % of current measures are affected by non-training issues (motivation, rewards & recognition, work processes, work environment, external market, etc.)
 - Identify the value of the EXPECTED BENEFIT



Projecting the ROI



3. Calculate the costs of the training effort.

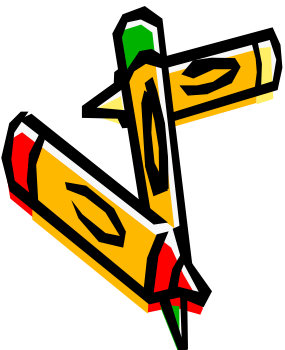
- Needs assessment, design & development, delivery, evaluation
 - Salaries (+ benefits) of needs assessors, designers, developers, facilitators, support staff; contractors' fees; travel and expenses; office supplies, equipment, shipping/ mailing, purchased materials, media, artwork, copyrights, royalties; training facilities

4. Calculate the PROJECTED ROI.

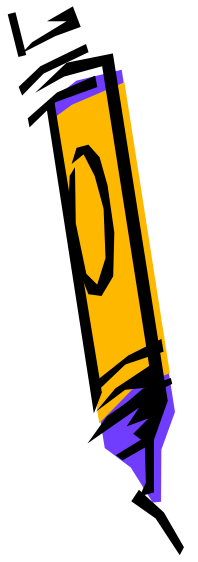
- $(\text{Costs} - \text{Benefits}) / \text{Costs} = \text{Net expected benefits}$
 - $\text{Net expected benefits} / \text{Costs} = \text{forecast ROI (___ \%)}$
 - 100% ROI = "Break even"

5. Get your client's OK.

6. Do it! Design, develop, deliver, and measure your training efforts.



Evaluation

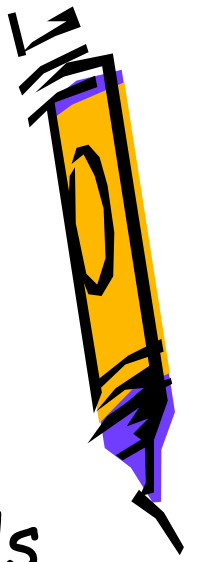


- Were the Learner Needs goals met?
 - *Level 1 measures*
 - *Survey, interview*

- Were the Learning Needs goals met?
 - *Level 2 measures*
 - *Knowledge tests*
 - *Skill assessments*



Evaluation

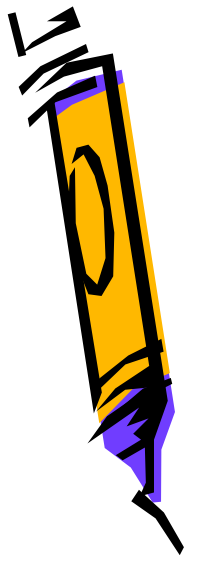


- Were the Performance Needs goals met?
 - *Level 3 measures on-the-job*
 - *Observation, interview, assessment of work products, self-report, report of managers*

- Were the Business Needs goals met?
 - *Level 4 measures*
 - *"Hard" and "soft" business indicators*



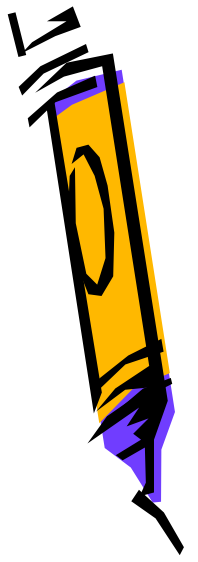
$$\text{ROI} = \text{Net benefits/cost} \\ \times 100 = \underline{\hspace{2cm}}\%$$



- WHY measure the first 4 levels?
- WHY convert Level 4 measures to monetary values?
- WHY calculate ROI?
- Can you measure ROI if you didn't forecast it?



Tips



- If you are not measuring Levels 1-4, re-consider measuring ROI.
- Isolate and agree on effects of training; don't take on the burden of the entire ROI.
- When you forecast the ROI, you had better achieve it!
- Some clients don't need/want ROI measures; they are happy with successful Level 4 measures - or even Level 3 and 1/2!!!
- The RULE is... you and your client make up the rules!

