



Introduction

THE GLOBAL ECONOMIC AND BUSINESS LANDSCAPE

Because of the financial crisis that had been lurking for years and ultimately surfaced in 2008, the business and economic landscape is undergoing transformation on a global scale. Executives will no longer support funding for training that does not make a visible contribution to the goals and strategic direction of the business. Agency directors in government organizations and educational institutions are also feeling the squeeze as they scramble for funding and look for ways to cut costs. Economic order has been replaced by economic disorder. No organization can escape the damage and the rubble as the new landscape continues to take shape. Nobody knows for certain what the landscape will look like in five or ten years, or even next month. One thing is certain: it has changed, and it is not likely to go back to business economics as usual.

Executives are demanding a training partner that knows how to address performance issues with solutions that make a measurable difference. They are demanding a versatile training organization that is resourceful and will shift priorities on short notice—a partner that aligns solutions with the business and sustains results. They demand focused solutions that aim for the end in mind and actually achieve it.

Bringing Measurement and Evaluation into the Conversation

The increased need for information and accountability brings measurement into the conversation. Measurement has always been important in organizations, but the changing landscape is placing a renewed emphasis

on targeting and measuring results. Executives want to know up front what results programs and solutions will achieve. From time to time, they want to see follow-up evidence that business solutions—including training—are contributing to solving problems, serving customers, and improving the business. They want assurance that the organization is learning from its mistakes and making wise use of funds to create improvement initiatives.

This book provides a methodology, Stone's Measurement and ROI Process™, that is devoted to demonstrating how training and HR solutions make a contribution to the organization. The methodology takes training ROI to a new level of credibility by analyzing and reporting the quality of the ROI. While most of the book addresses how to measure results and ROI, the final chapter addresses how to forecast the results and ROI from a training solution. As an added benefit, the principles in this book are an excellent guide to designing training solutions that will achieve results.

Lessons Learned from Crawling out of the Economic Rubble

Like all of us, executives have learned many lessons from the fallout from the financial crisis. One of the most significant lessons has been the realization that relying only on quantitative data, or relying only on a number such as ROI, can lead to a train wreck. That is, we may be witnessing a runaway train, but we don't even know it unless we look under the numbers to see what is driving the train. While ROI continues to be an important measure, it must be viewed in a different way within the new landscape. This book is dedicated to that undertaking as well as to analyzing and reporting other important training success measures, such as business outcomes and execution in the work setting.

THE ROI ADVOCATE MEETS THE ROI CRITIC

ROI has been an evaluation tool for training since the 1980s, when Jack Phillips brought it to the forefront. Since that time, hundreds of vendors and training professionals have created measurement processes and implemented ROI calculations to show the contribution of training. As ROI has been applied through the years, three camps have formed, and they still exist today. Each camp has differing viewpoints regarding the use of ROI as

an evaluation tool for training. In one camp stand the ROI advocates. In another camp stand the ROI critics. Somewhere near the middle stand two uncommitted groups. These are the “curious” and the “wait-and-see” crowd. The curious will eventually become more educated about ROI and will develop into either advocates or critics. Those in the wait-and-see crowd will probably continue their idle stance until some external force moves them to consider joining one of the extreme camps.

Who Are the ROI Advocates, and What Is Their Creed?

The advocates may be executives who are looking for evidence that workplace learning programs make a contribution to the business, or they may be training, HR, or performance professionals who have been trained in ROI and often apply its principles to show the contribution of training. Many advocates subscribe to ROI as the ultimate measure of success and will argue this point endlessly. They believe it is the “end to all ends” and nothing else quite compares to it. Hopefully, they have not been blinded by drinking too much ROI Kool-Aid. To their credit, many advocates are enthusiastic believers with a mission, and they are working hard to improve the practice and benefits of measurement and ROI.

Who Are the ROI Critics, and What Is Their Creed?

The ROI critics are a different breed. Some are executives who want projects to achieve an ROI but are not sold on the process of calculating ROI for training solutions. Other critics are training, HR, or performance professionals who are not sold on the merits of ROI processes and will stand their ground while daring anyone to try to move them. They will cite chapter and verse as to why ROI processes are a road to nowhere, a magician’s concoction, snake oil at its finest. To their credit, they will provide measurement alternatives that they believe are superior to ROI.

How This Book Addresses the Disparity between ROI Advocates and Critics

What road does this book take with regard to the advocates and the critics? Stone’s Measurement and ROI Process was created and has been continu-

ously improved by listening to both critics and advocates. More than 15 years of conducting and directing hundreds of measurement and ROI studies and teaching, certifying, and coaching thousands of practitioners have taught me many lessons. In the past, I have been responsible for measurement practices that would violate my current standards. Some of these past practices were called into question by both ROI critics and ROI advocates.

When executives, clients, and constituents give constructive feedback, it is best to listen and act on it. The processes and tools in this book address the criticism and advice of the ROI critics as well as possible by accounting for their concerns with the principles and guidelines created for this measurement and ROI process. The conviction and passion of ROI advocates has also influenced this measurement and ROI process. Their willingness to stay the course and apply ROI has been of tremendous value to the profession, and I have learned from them. I have incorporated many of the advocates' ideas and addressed their concerns about ROI and measurement as they chose to wear the critic's hat. After all, even an advocate must be a critic.

THE MANY FACES OF ROI: WHAT IT IS AND WHAT IT IS NOT

ROI is a single metric that expresses the financial relationship between an expenditure to create and deliver a solution (training, a change initiative, or something else) and the business benefits that result from that expenditure. ROI answers the question: did the expenditure pay for itself? Standing alone, the ROI calculation informs us of nothing except the relationship of the monetary benefits to the expenditure. ROI is

- Only one way to show business value
- Feedback about what the value is in relation to the cost
- An important metric that should never be allowed to stand alone when communicating results
- An evaluation alternative that should be applied strategically to a small sample of learning programs or solutions

ROI is not “the results.” The results are the business outcomes that are influenced by the solution through the performers as they execute in the

work setting. Business outcomes are positive changes in strategic measures and key performance indicators, such as improvements in quality measures, increases in revenue, higher profit margins, increased market share, increased customer or employee satisfaction, reduction in turnover, shorter cycle times, reduced complaints, cost reductions, improved turnaround time to customers, and countless other business and customer service measures. These results are often assigned a monetary value in order to arrive at the business benefits and calculate the ROI. Some results are intangible in nature. ROI does not replace intangible results. However, the measurement and ROI process does capture and interpret the business contribution of intangibles.

The real truth about the performance results is often concealed and even inflated by ROI calculations. This is strikingly similar to the *Titanic* hitting the iceberg and continuing on its course as though things were okay. For an extended period of time, the crew and passengers were unaware of what was lurking underneath and the dangers it posed. As with the *Titanic*, what appears to be a good ROI (even one that is quite high) may in fact be concealing results that, could we see them, would be unacceptable.

Perhaps no measure is as misunderstood or as inappropriately used and communicated as ROI. Many practitioners, consultants, and even executives are misusing or misapplying the ROI of training and performance solutions. Throughout the upcoming chapters, this book illustrates how this is happening and demonstrates the correct way to calculate, utilize, and communicate the value and ROI of training. Specific chapters address collecting and analyzing credible data to establish a chain of evidence from learning readiness, to execution, to the influence on business outcomes. The process shows how to connect the dots that link learning solutions to execution in the work setting and business outcomes.

QUESTIONING THE QUALITY OF ROI— THE RIGHT THING TO DO

The new business landscape means that ROI as a metric is more important than ever. But it also means that the ROI calculation must be understood and not taken literally as a metric. The quality of any ROI should be questioned

to determine whether the calculation is credible or whether the ROI is deceiving. The factors underneath that are driving the ROI metric must be discovered, analyzed, reported, and discussed. A process and tools are needed that reveal the truth about any ROI calculation. Stone's Measurement and ROI Process answers this call.

PUTTING MEASUREMENT AND ROI TO WORK FOR TRAINING—THE NEW VIEW OF ROI

Every process has its faults. Even with its faults, ROI is a necessary and powerful tool to demonstrate accountability for training expenditures. Stone's ROI quality analysis (RQA) uncovers the flaws in any ROI calculation and reports the true performance results. This new view of ROI is a practical and credible way to address the truth with ROI calculations. As addressed in Chapter 9, RQA is an inherent part of Stone's measurement process.

THE UNIQUE CHALLENGES FOR TRAINING PROFESSIONALS

Training professionals have two unique challenges. One challenge exists on the front side of training solutions, and the other resides on the back side. To tackle the first challenge, training professionals must allocate and expend resources to research and design effective solutions rapidly. In today's environment, there is not enough time for extended needs assessments. Performance situations must be assessed quickly, alternative solution designs created, forecasting applied to assess transfer risk, and delivery expedited.

To tackle the second challenge, from time to time resources must be allocated to analyzing and reporting the performance results that are influenced by training solutions. This is necessary for three reasons. (1) The results from training and performance solutions are not always evident. There are many factors in the work environment that can influence a change in business metrics. (2) The results that come about because of training solutions must rely on someone else (the trainee and others). Changes in performance do not happen simply because people learn. (3) There must be a basis for continuous improvement actions. Measurement

and evaluation is a key contributor to continuous improvement decisions and actions.

To ensure that they meet these challenges successfully, training professionals must partner with clients and sponsors and use every avenue available when applying training and performance processes in order to achieve two goals. The first goal is to use credible processes to rapidly design solutions that have a greater opportunity to make a contribution to the business. Prior to the implementation of each training project, partners should have a high level of confidence that the solution is correctly aimed at the end in mind and that it will meet the objectives and make the appropriate business contribution.

The second goal is to apply credible processes to measure and evaluate performance readiness (including learning), execution in the work setting, business outcomes, and, when appropriate, ROI. Evaluation data should be used to cultivate continuous improvement throughout the training and performance process by learning what does and does not work.

A SNAPSHOT OF WHAT'S INSIDE

It is difficult to address measurement and evaluation without first setting the table regarding performance. Chapter 1, “Talking about Performance Results,” establishes a frame of reference for addressing performance issues. It establishes why it is important to begin measurement up front and provides a performance-centered framework as a context for performance discussions and measurement. A nontraditional view of training design is presented that is applicable to designing and measuring training solutions in the twenty-first century.

Chapter 2, “Stone’s Measurement and ROI Process: A View from Above,” provides an overview of the complete measurement and ROI process and an evaluation framework to help in dealing with different types of performance data. The 12 guiding principles of the process and the ROI formula are presented.

Chapters 3 through 11 provide a detailed breakdown of each step in the measurement process, with examples, case scenarios, tools, and templates. These chapters provide in-depth coverage on planning the postprogram

impact study, collecting and analyzing data, and reporting results and ROI. A progressive multipart case study is used in these chapters to show the application of the methodology all the way through to reporting results.

- Chapter 3, “Begin on the Right Foot: Partner to Create a Measurement Strategy,” is about the initial meeting with the client and how to partner with the client to understand the objectives of the solution that is being evaluated and identify the stakeholders’ expectations. It focuses on defining the purpose of the evaluation project, gaining agreement as to how the evaluation study should be carried out, identifying resource and support requirements, clarifying roles, and dealing with key data collection and reporting issues. The collection of baseline data and the creation of a data collection strategy and plan are covered.
- Chapter 4, “Collect Relevant Performance Data,” addresses the eight methods and 10 typical sources of data collection. Proven tools and templates with examples are provided. The 12 key focus areas recommended for follow-up evaluation are covered in detail.
- Chapter 5, “Analyze Results and Adjust for Causal Influence,” is the first step in analyzing follow-up performance data. The key influences on performance are addressed, along with three credible methods to determine whether the solution being evaluated actually caused any performance change. Tools and templates are provided, including a decision-making tool to help in deciding which method to apply in a given situation.
- Chapter 6, “Analyze Results and Adjust for Sustained Impact,” addresses three important considerations when developing conclusions about whether the performance will be sustained. Performing this analysis is significant to avoiding overstating the results and developing a credible ROI.
- Chapter 7, “Go/No-Go: Assign a Monetary Value to Business Outcome Data,” is about developing monetary values for business outcomes in order to calculate ROI. Three credible methods and variations of each method are presented. Tools and ideas are provided to assist in assigning monetary values to soft data.

- Chapter 8, “Calculate the Fully Loaded Cost of the Solution Design,” emphasizes the importance of using fully loaded costs when calculating ROI and discusses the consequences when you don’t. Guidelines for a credible approach to determining the costs are presented.
- Chapter 9, “Calculating the Return on Investment and Assessing the Quality of ROI,” addresses the actual calculation of ROI and how to ensure its credibility by focusing on the quality of the calculation. The ROI quality analysis tool, a one-of-a-kind tool, is covered in detail, and templates are provided.
- Chapter 10, “Measuring the Contribution of Solutions: Alternatives to ROI,” addresses the intangible results that are present when results are analyzed. Making the most of capturing and reporting intangibles is discussed.
- Chapter 11, “Communicate the Results,” covers the presentation of results and how to tell the complete story. A framework for reporting results is suggested, along with tips that optimize efficient communication and educate stakeholders.

While Chapters 3 through 11 are about postprogram evaluation, Chapter 12, “Opportunity Forecasting: Predicting Performance Improvement and ROI,” presents guidelines and a tool for forecasting performance improvement and ROI. It includes the acid test to determine whether a solution is likely to achieve results and analyzes the risk of transfer to the work setting.

To download many of the tools and templates illustrated in this book, visit my Web site at www.performanceandroi.com.

The reader will learn how to apply a measurement and ROI process that is not perfect, but is very practical for professionals who must believe in it and use it, and is credible to executives in the C-Suite who must depend on it. This process has been tested and improved again and again as hundreds have participated in my workshops and ROI certification, and as I have provided consulting and coaching to hundreds of professionals worldwide to develop and present ROI studies to their executive team. I wish you a successful journey as you learn, enjoy, and put it into practice!