



HOW TO
SHOW
THE VALUE
OF YOUR
HR
PROJECTS?

**The ROI Methodology, a simple
and proven way to do it**

LETTER FROM THE AUTHOR

Hello fellow HR professional,

Did you know that Canadian organizations invest over \$13 billion in learning and development activities every year?*. That's a lot of money! But how are these investments justified? How to choose one program over another? How to know which ones are truly profitable for your organization? You have heard those questions before, I assume. I know I have.



THERE IS A GREAT NEED TO PROVE THE VALUE OF HR PROJECTS.

Surveys answered by participants just don't cut it anymore. The importance of demonstrating the value of HR initiatives has never been so critical, especially in the current cost-cutting environment. I think that HR professionals must now develop a language and use an approach that allows them to answer the question most executives ask:

WHAT WILL BE THE RETURN ON MY HR INVESTMENT?

Used by HR professionals and learning & development experts in hundreds of organizations around the world, the ROI Methodology is now a proven process to measure the ROI of most HR projects. This approach is new in Canada, as we are the first Canadian firm to be Certified ROI Professional (CRP).

But as we all very know, we can interpret numbers as we wish. A rigorous process is therefore essential. Otherwise, the results of such a study are as useless as the input itself. The following case study should give you a pretty good idea of this methodology. I hope you enjoy it and learn something in the process.

All my best!

Claude MacDonald
President and CEO
TALENTUUM Inc.

* Source: ASTD

CASE STUDY: ABC COMMUNICATIONS INC**Description of the HR Project**

ABC Communications is a wireless communications provider that sells its solutions to organizations of all sizes. In business for 15 years, the company employs 142 people. The business development team (58 professionals) is divided into two groups: SMB and Enterprise. Each team is given yearly objectives and team members are recognised on individual and group results.

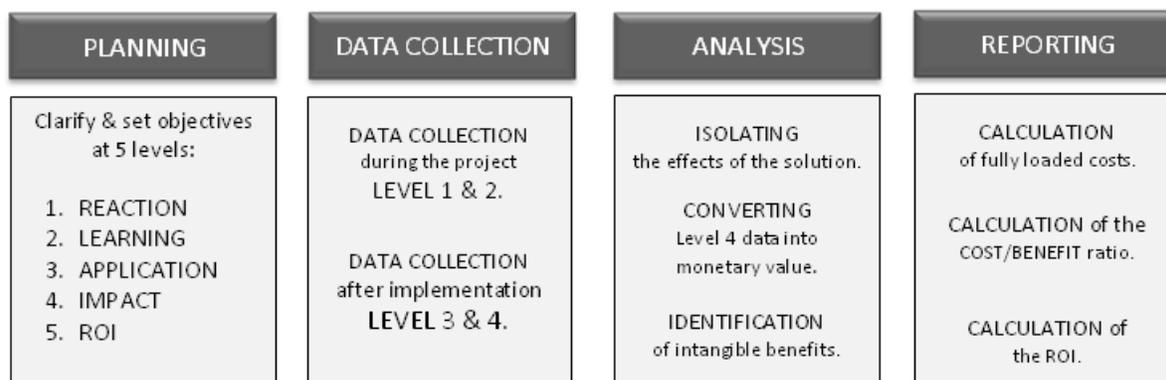
In March of 2009, a two-day business development program was delivered for the entire sales force. Given the scope of the project and its direct impact on strategic goals, a ROI study was conducted.

This training initiative addressed key elements in the consultative business development process namely:

- The importance of attitude and personal accountability
- Relationship selling – the #1 selling method
- Recognizing and adapting to different styles
- Prospecting – leveraging existing customers and how to generate referrals
- The 1st meeting – how to set the stage and control the introductory meeting
- Designing and presenting solutions
- Anticipating, handling and controlling objections
- The top 10 closing methods

The two-day programs were delivered to class sizes of approximately 8-10 participants. Each seminar was conducted to ensure a dynamic and high energy facilitation style, with maximum interaction with participants. Real-world challenges specific to selling ABC products and services were brought forward and dealt with using the collaborative input of teammates, as well as the collective experience and wisdom of the group.

ABC Communications would be satisfied and renew its training program if the ROI was over 25%. So Talentum conducted the following ROI study comprised of these four key steps:



Step 1 – Planning

Whatever is not measured is very difficult to improve. Therefore business alignment is one of the cornerstones of the ROI methodology. This initial step allowed us to identify the various objectives indicated in the left-hand column of the following tables.

Step 2 – Data Collection

a. LEVEL 1 - Reaction Data

Table 1

Objectives (80%)	Results
Subject information	95.8%
Course objectives clearly defined	96.4%
Objectives met	96.7%
Rate of presentation	96.6%

b. LEVEL 2 - Learning Data

Table 2

Objectives	Results
Referral technique	Average of 8.2/10 based on evaluation grid
Objection handling technique	Average of 7.6/10 based on evaluation grid
Closing techniques	Average of 8.6/10 based on evaluation grid

c. LEVEL 3 - Application Data

Table 3

Objectives	Results
Increase the use of the behaviour style approach to adapt to the customer (at least 50% of the participants)	61% - Multiple times a week 36% - A few times a month
Increase the number of referrals obtained (at least 70% of the participants)	90% obtained between 1 to 10 referrals
Improve the objection handling approach used by participants (at least 40% of the participants)	48% used the new method multiple times a week
Get a good level of confidence in the methods taught (at least 90% of the participants)	48% - A lot of confidence 50% - Some confidence
Get very good support from managers, having them take reinforcement initiatives - meetings, coaching, referral blitzes, etc. (at least 80% of the participants)	34% - Strongly agreed 64% - Agreed

d. LEVEL 4 - Business Impact

Table 4

Objectives	Results
Identify elements of the training that have had the greatest impact on participants' performance in the past two months	21% - The frequent use of benefits statement 21% - The adaptation to the customer's behaviour style in the selling process 21% - The use of the objective handling method 15% - The use of the reference request technique made to customers
Get a positive impact on participants' performance (80%)	35% - Very positive 64% - Positive
Increase sales resulting from referrals (at least 50% of the participants sold using referrals)	60% - 1 to 3 sales 20% - 4 to 7 5% - 7 to 9 15% - More than 10
Increase sales using methods that participants have been trained on (at least 25% of participants obtained up to 7 sales more)	38% - 1 to 3 sales 20% - 4 to 7 7% - 7 to 9 35% - More than 10

Step 3 – Analysis

**AN EFFECTIVE AND PROVEN WAY TO ISOLATE THE EFFECTS OF THE PROGRAM
IS TO USE ESTIMATES FROM PARTICIPANTS.**

a. Isolating the Effects of the Program

In the survey, people were asked to estimate the impact the program had on their sales results. A second question was asked on the level of confidence they had in that estimate. The average contribution of the program, based on the 56 questionnaires compiled was 33.6%.

b. Isolating the Effects of the Program

The intangible benefits from this program were significant:

- Employees motivation and satisfaction
- Level of engagement of the sales force
- Adoption of new presentation templates
- Sales process improvements
- Closer partnership between sales manager and sales representatives.

Step 4 – Reporting

a. Total Program Costs

Table 5

Delivery Costs	SMB	Enterprise
Salaries and employee benefits	5 832 \$	18 792 \$
Program materials and supplies	378 \$	406 \$
Facilitator costs	8 640 \$	9 280 \$
Facilities rental	779 \$	2 538 \$
Total Delivery Cost	15 629 \$	31 016 \$
Evaluation Costs (Prorated between SMB and Enterprise)	814 \$	874 \$
Total Program Cost	16 443 \$	31 890 \$

b. Revenues Generated by Program

According to participants, these techniques generated sales of about 290 units or \$243,600.

Table 6

Sales vs Training Program - actual results					
Units sold	1	4	7	10	
Occurrences	21	11	5	19	
Total units sold	21	44	35	190	290
1 YR Revenues	17 640 \$	36 960 \$	29 400 \$	159 600 \$	243 600 \$

In order to reflect the contribution of the program on sales results, the forecasted revenues were adjusted by multiplying the total forecasted revenue by 33.6% (average contribution of the program based on participants' evaluation).

Table 7

Revenues	SMB	Enterprise
Sales vs Training Program	117,450 \$	126,150 \$
Contribution of program	33.57%	33.57%
Forecasted revenues	39,428 \$	42,349 \$

c. Calculating the ROIs

ROI Calculation – SMB

$$\text{ROI} = \frac{\$39,428 - \$16,443}{\$16,443} = 140\%$$

ROI Calculation – Enterprise

$$\text{ROI} = \frac{\$42,349 - \$31,890}{\$31,890} = 33\%$$

Conclusion: Both ROIs were well above the 25% initial objective.

CREDIBILITY OF THE DATA

ENSURING ALL THE DATA COLLECTED AND ANALYZED IS RELIABLE AND CREDIBLE IS ESSENTIAL.

In this study, credibility of the data was based on six key elements:

1. The quantity of questionnaires received and completed (56 over 58 participants) was sufficient to get representative and credible results for this ROI study.
2. The information for the analysis was provided directly from the participants. The sales representatives had no reason to be biased.
3. The principle — no data, no improvement — was ultra-conservative in the data collection.
5. The data was adjusted to account for the potential error of the estimate.
6. All direct and indirect costs were considered in the training costs.

8 BENEFITS OF THE ROI METHODOLOGY

1. Align programs to business needs
2. Show contributions of selected programs
3. Build staff morale
4. Justify/defend budgets
5. Improve support for programs (starting with senior management)
6. Enhance design and implementation processes
7. Identify inefficient programs that need to be redesigned or eliminated
8. Identify successful programs that can be implemented in other areas

THE ROI STUDY PROVED THE RELEVANCE OF THIS TRAINING PROGRAM. IT ALSO PROVIDED ABC WITH A STRONG FRAMEWORK TO EVALUATE THE EFFECTIVENESS OF OTHER TRAINING PROGRAMS.

8 COMMON PITFALLS TO AVOID

BY AVOIDING NUMEROUS PITFALLS, YOU ENSURE THE ROI STUDY RESULTS ARE JUST THAT MUCH MORE ACCURATE AND USEFUL.

Measuring the true ROI of any project is delicate. Even more so with HR projects. The most common pitfalls are:

1. Not getting your CEO's buy-in on the principle of measuring the value of projects.
2. Not having the CFO involved in the ROI planning process.
3. Not having a few ROI Champions within the organization before you initiate a study.
4. Skipping the business alignment phase in order to save time.
5. Not having any baseline data to compare with.
6. Poor planning of the methods that will be used to isolate the effects of the solution.
7. Not capturing the data at the appropriate time.
8. Trying to conduct ROI studies on every project.
Only 10 to 15% of projects should be considered for level 5 study.

A FEW WORDS ABOUT TALENTUUM

Talentuum's mission is to transform human performance into measurable business results. Talentuum offers solutions to:

- **ALIGN** people and projects on measurable objectives
- **DEVELOP** strong teams, sales managers & sales people
- **MEASURE** and show the value of projects

Talentuum is the ROI Institute's Canadian partner. Our certified ROI professionals can make you benefit from the methodology in three ways:



ROI Clinics

ROI workshops help you familiarize yourself with this methodology and allow you to assess how this approach can be implemented.



ROI Studies

Our certified practitioners are able to produce reliable and credible ROI studies to demonstrate the value of the majority of your projects.



ROI Certification

Your organization may certify its own ROI practitioners and thus develop a culture based on results and accountability.

TALENTUUM is the only Canadian firm to have received the CRP (Certified ROI Professional) recognition from the ROI Institute.

AUTHORS INFORMATION

Mr. Claude MacDonald is President and founder of Talentuum. Over the last 20 years, he has trained over 15,000 managers, professionals and employees from various prominent organizations in Canada. He has held management positions in both training and business development.

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- Visit our Web Site at: www.talentuum.com
- Continue the conversation at: <http://methodologieroi.wordpress.com/>
- Or better yet, pick up the phone and let's discuss the value of this approach for one of your projects.

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