

# UNRAVELING THE MYSTERY OF THE VALUE OF ENGAGEMENT

Presented By:

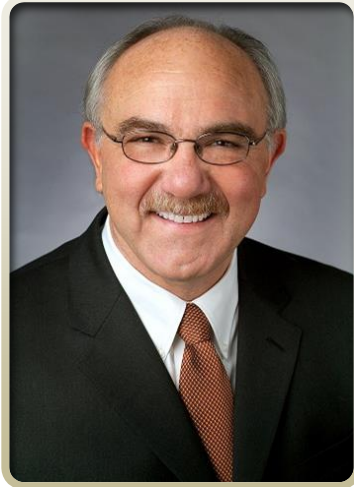
Jack J. Phillips, Ph.D.

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and

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## Jack J. Phillips, Ph.D.

Jack J. Phillips, PhD, is chairman of ROI Institute and a world-renowned expert on measurement and evaluation. Phillips provides consulting services for Fortune 500 companies and workshops for major conference providers worldwide. Former bank president and HR executive, Phillips is also the author or editor of more than 300 articles and 75+ books, including *Measuring the Success of Leadership Development: A Step-by-Step Guide for Measuring Impact and Calculating ROI* (ATD Press). His work has been featured in the *Wall Street Journal*, *Bloomberg Businessweek*, *Fortune*, and on CNN.



## Patti Phillips, Ph.D.

Patti Phillips is president and CEO of the ROI Institute and is the ATD Certification Institute's 2015 CPLP Fellow. Since 1997, she has worked with organizations in more than 60 countries as they demonstrate the value of a variety of programs and projects. Patti serves on the board of the Center for Talent Reporting, as Distinguished Principal Research Fellow for The Conference Board, and as faculty on the UN System Staff College in Turin, Italy.

Patti has written and edited numerous books and articles on the topics of measurement, evaluation, and ROI. Recent publications include *Measuring the Success of Leadership Development*, *Making Human Capital Analytics Work*, *Measuring the Success of Learning Through Technology*, *Measuring the Success of Organization Development*, and *Measuring Leadership Development: Quantify Your Program's Impact and ROI on Organizational Performance*.

# ROI Institute, Inc.

Global Leader in Assessment, Measurement,  
Evaluation, and Analytics

We help individuals in organizations to show the value of what they do by:

1. Teaching them how to do it through workshops and ROI Certification
2. Showing the Impact and ROI for various programs and projects through consulting
3. Documenting the success through publications
4. Disseminating facts and trends through presentations to different groups
5. Measuring progress and best practices through research

# Engagement Defined

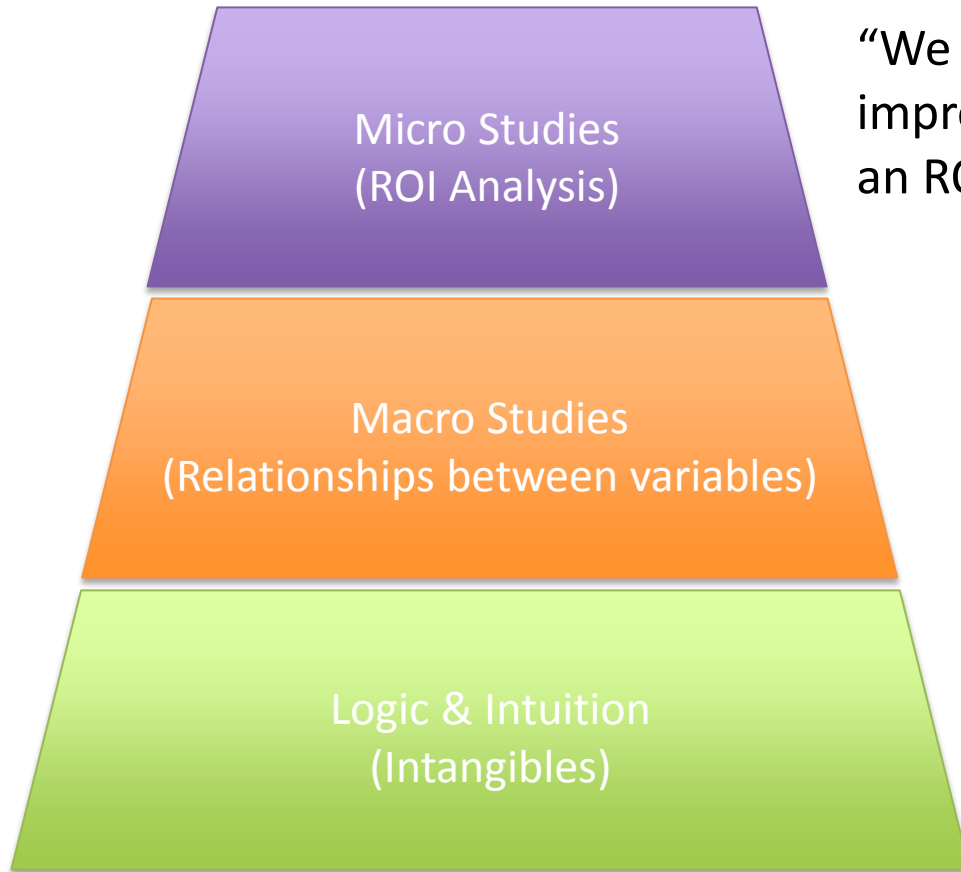
According to The Conference Board, “Employee engagement is a heightened emotional and intellectual connection that an employee has for his/her job, organization, manager, or coworkers that, in turn, influences him/her to apply additional discretionary effort to his/her work.”

# Engagement is a Huge Investment

Various research shows:

- Over 90% have an engagement strategy in place.
- Over 50% have been focused on engagement for more than five years.
- Over 40% administer an annual engagement survey and over 25% administer one biannually, while over 25% survey more frequently
- Over 80% of organizations have recently changed their approach to employee engagement.
- Over 50% work for organizations that link employee performance and results to engagement.

# Three Ways the Value Engagement



“We invested in a program to improve engagement and achieve an ROI of 57%.”

“There is a correlation and causation between engagement and gross productivity.”

“Our survey shows that employees are engaged.”

# Connecting Engagement to Other Measures

- Engagement drives productivity.
- Engagement drives quality.
- Engagement drives sales.
- Engagement drives retention.
- Engagement drives safety.
- Engagement drives customer satisfaction.
- Engagement drives profits.
- Engagement drives ??.



# ROI in a Engagement Initiative

$$\text{ROI} = \frac{\text{Monetary Benefits} - \text{Costs}}{\text{Costs}} \times 100$$

Impact of initiative converted to money

Cost of initiative

The diagram shows the ROI formula with two blue arrows. One arrow points from the text 'Impact of initiative converted to money' to the 'Monetary Benefits' part of the numerator. The other arrow points from the text 'Cost of initiative' to the 'Costs' part of the denominator.

How is this accomplished?



# The ROI Methodology

## Six Categories of Data

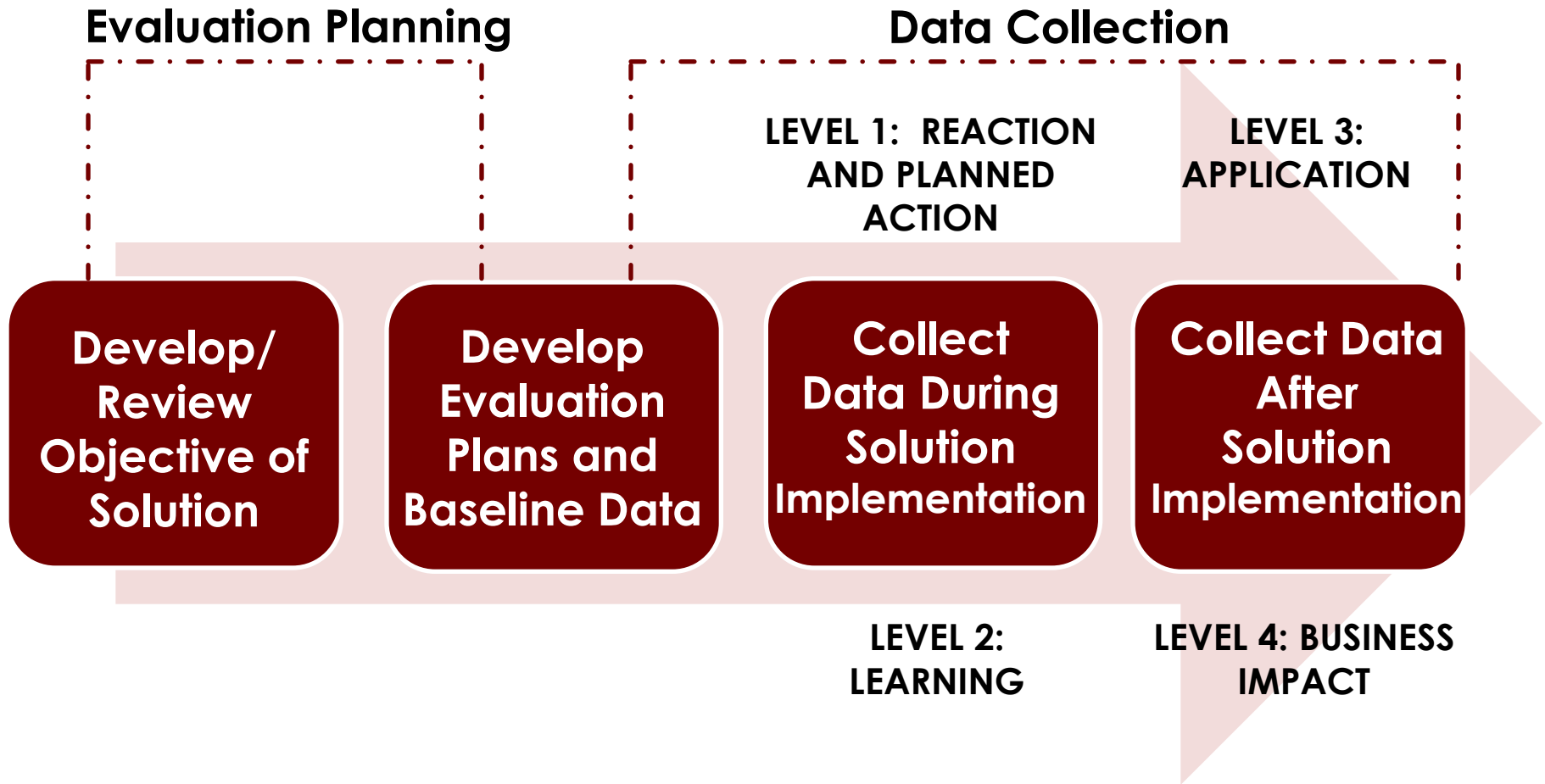
Level	Measurement Focus	Typical Measures
0 - Inputs	Inputs into the employee engagement programs and processes including indicators representing scope, volumes, times, costs, and efficiencies	<ul style="list-style-type: none"> <li>• Types of topics, content</li> <li>• Number of programs</li> <li>• Number of people</li> <li>• Hours of involvement</li> <li>• Costs</li> </ul>
1 - Reaction and Planned Action	Reaction to the engagement programs and processes including their perceived value	<ul style="list-style-type: none"> <li>• Relevance</li> <li>• Importance</li> <li>• Usefulness</li> <li>• Appropriateness</li> <li>• Intent to use</li> <li>• Motivational</li> <li>• Recommended to others</li> </ul>
2 - Learning	Knowledge gained, learning how to develop concepts and how to become engaged at work	<ul style="list-style-type: none"> <li>• Skills</li> <li>• Learning</li> <li>• Knowledge</li> <li>• Capacity</li> <li>• Competencies</li> <li>• Confidences</li> <li>• Contacts</li> </ul>

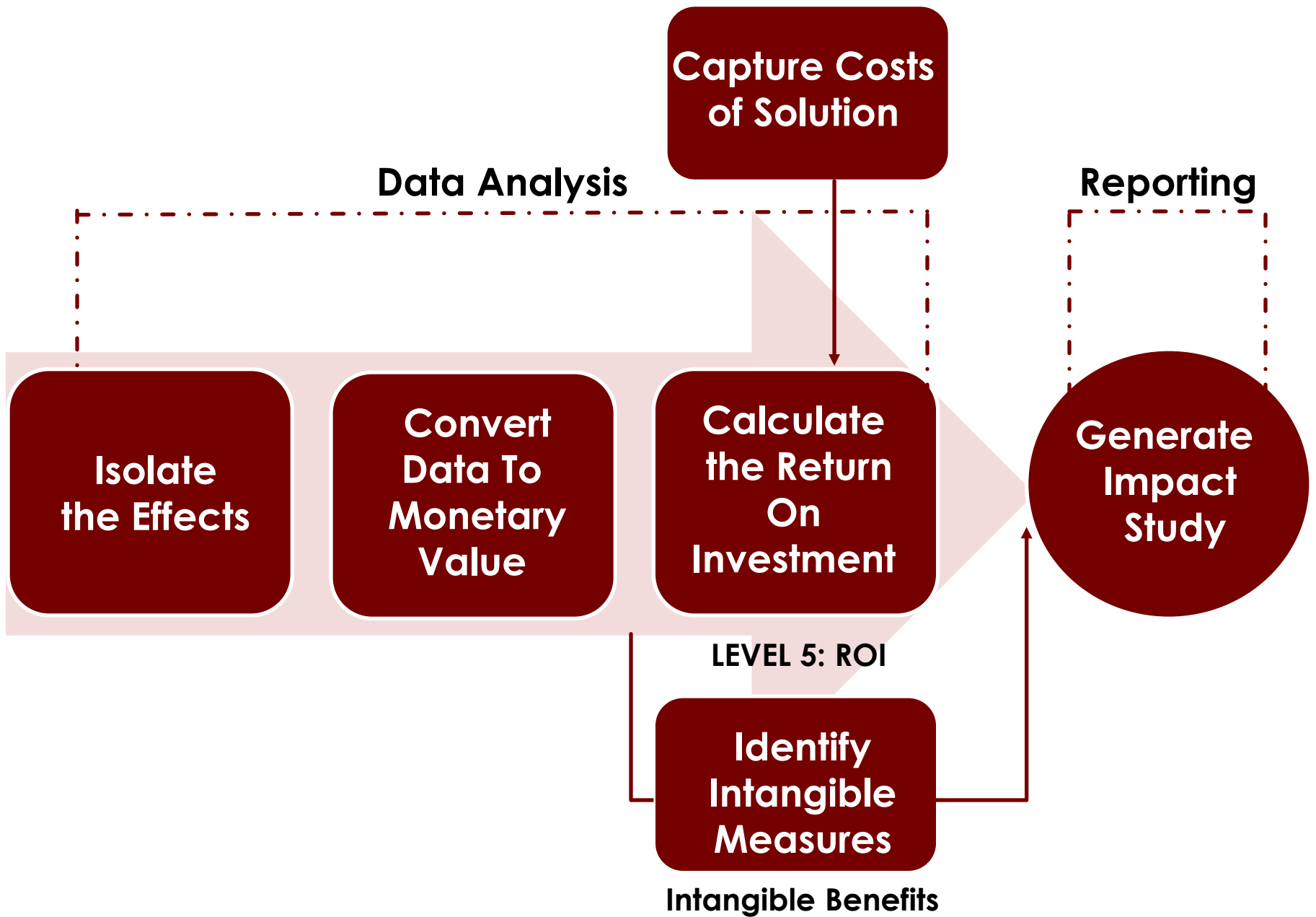
# The ROI Methodology

## Six Categories of Data

Level	Measurement Focus	Typical Measures
3 - Implementation	Application and use of engagement concepts in the work environment, including progress with implementation	<ul style="list-style-type: none"> <li>• Behavior change</li> <li>• Extent of use</li> <li>• Task completion</li> <li>• Frequency of use</li> <li>• Actions completed</li> <li>• Success with use</li> <li>• Barriers to use</li> <li>• Enablers to use</li> </ul>
4 - Impact	The impact of the engagement programs and processes expressed as business impact and effectiveness measures	<ul style="list-style-type: none"> <li>• Productivity</li> <li>• Revenue</li> <li>• Quality</li> <li>• Time</li> <li>• Efficiency</li> <li>• Accidents, incidents</li> <li>• Customer satisfaction</li> <li>• Employee engagement</li> </ul>
5 - ROI	Comparison of monetary benefits from the program with program costs	<ul style="list-style-type: none"> <li>• Benefit-cost ratio (BCR)</li> <li>• ROI (%)</li> <li>• Payback period</li> </ul>

# The ROI Methodology





# Guiding Principles

1. When conducting a higher-level evaluation, collect data at lower levels.
2. When planning a higher level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analyzing data, use only the most credible sources.
4. When analyzing data, select the most conservative alternatives for calculations.
5. Use at least one method to isolate the effects of the program or project.
6. If no improvement data are available for a population or from a specific source, assume that no improvement has occurred.

# Guiding Principles

7. Adjust estimates of improvements for the potential error of the estimates.
8. Avoid use of extreme data items and unsupported claims when calculating ROI calculations.
9. Use only the first year of annual benefits in the ROI analysis of short-term solutions.
10. Fully load all costs of the solution, project, or program when analyzing ROI.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. Communicate the results of the ROI Methodology to all key stakeholders.

# Case Study: Measuring ROI in Employee Engagement with a Broad Focus

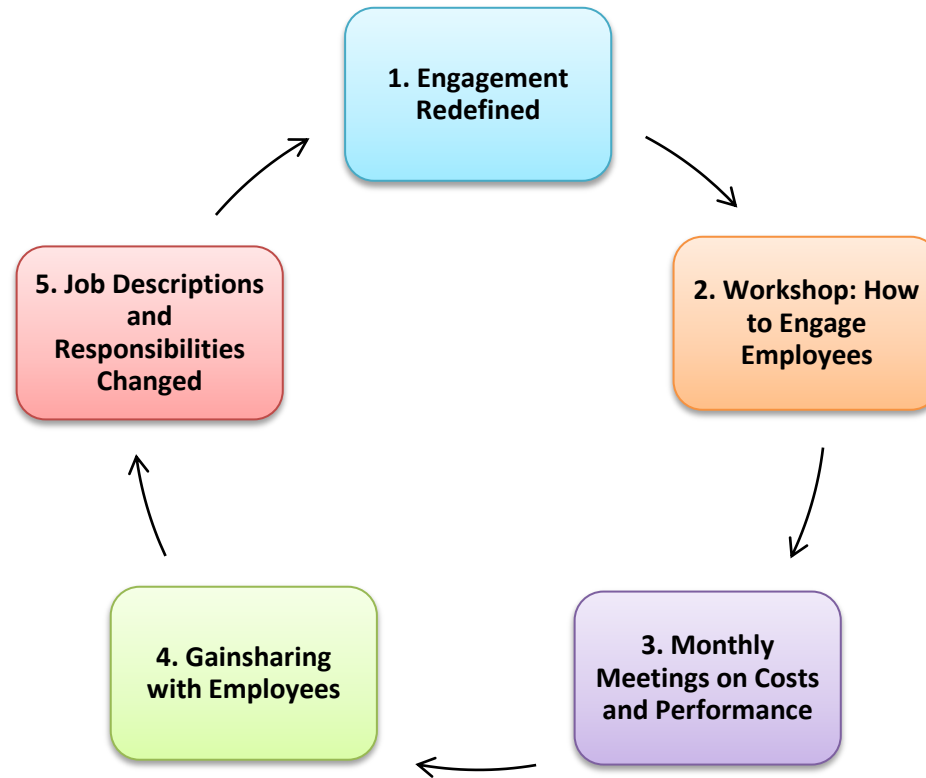
Pushing the Ownership of Engagement to Employees  
Home Furnishing Store Chain



When the total monetary benefits of \$1,386,024 are compared to the total costs of \$446,603, the calculation results in a very impressive ROI of 210%. For every dollar invested in this program, \$2.10 is returned after the dollar is recovered.

# Case Study: Measuring ROI in Employee Engagement with a Bonus

Combining Engagement with a Gainsharing Bonus  
Construction Aggregates Company



The total monetary benefits of this program was \$1,385,336 and the total cost was \$129,886. The ROI was calculated to be 967%, which means that for every dollar invested in this program, another \$9.67 was returned after the dollar is recovered.



# Two Other Case Studies

## **Measuring ROI for Engagement Linked to Retention Improvement**

Improving Engagement to Increase Retention

Regional Banking Group

The total monetary benefits of \$4,131,300 and the total costs of \$1,374,796 combine to calculate the ROI of 201%. For every dollar invested, \$2.01 is returned after the dollar is recovered.

## **Measure ROI of a New Engagement-Based Selection Process**

Selecting New Employees Based on Desired Engagement

International Premium Hotel Group

Monetary benefits for one year were determined to be \$446,400, whereas the cost for one year of the program was \$138,100. The ROI was high, 223%, indicating that for every dollar invested in this program, \$2.23 is returned after the dollar is recovered.

# Measuring the Success of Employee Engagement

A Step-by-Step Guide for Measuring Impact and Calculating ROI



## Measuring the Success of Employee Engagement

### A Step-by-Step Guide for Measuring Impact and Calculating ROI

# Thank you for joining us today!



## Questions?

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