



A Practical Approach to Measuring the Business Impact



Presentation Content

- Criteria for an effective Measurement & Evaluation Process
- Case Study:
 - Sexual Harassment Prevention Program
 - Performance Measures related to Sexual Harassment
 - Converting outcome data to monetary value
 - Cost Categories
 - Calculating the business impact
- Tangible and Intangible Benefits of conducting an Impact Study
- Influences on the credibility of the Impact Study



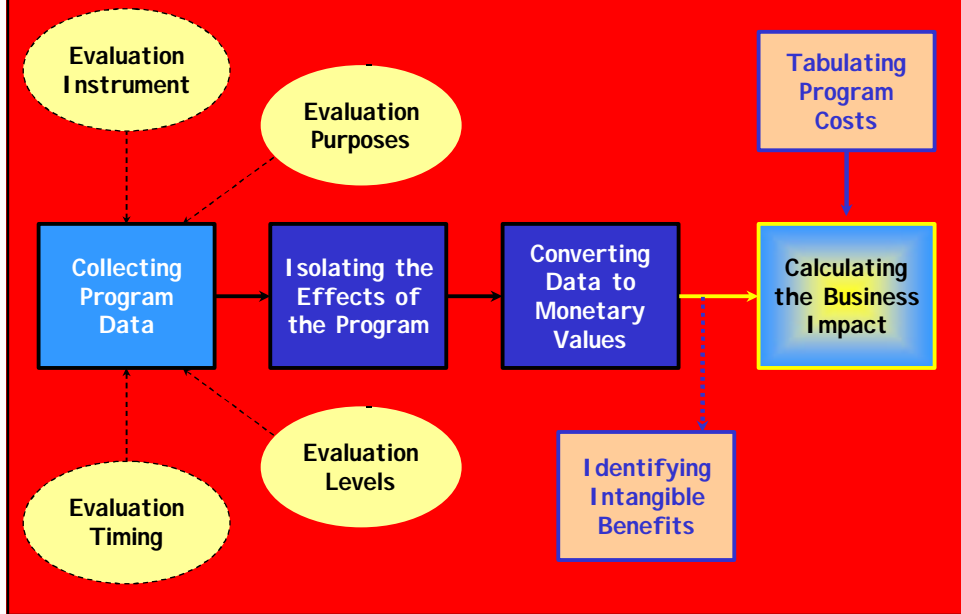
Criteria for an Effective Measurement & Evaluation Process


- Process must be **simple** and **economical**
- Assumptions, methodology & techniques must be **credible**
- Process must be **theoretically sound**
- Process must **account for other factors**
- Process must be appropriate with a **variety of programs**
- Process must have **flexibility**
- Process must be **applicable with all types of data**
- Process must **include the costs** of the program
- Process must have a successful **track record**

Evaluation Levels

<i>Level</i>	<i>Measurement Focus</i>
1. Reaction & Planned action	Measures participant satisfaction with the program and captures planned actions
2. Learning	Measures changes in knowledge, skills, and attitudes
3. Application in the workplace	Measures changes in on-the-job behaviour or actions as the program is applied, implemented, or utilised
4. Business Impact	Measures changes in business impact variables
5. Return on Investment	Compares program benefits to the costs

Impact Study - Process





Calculating the Business Impact = Return on Investment

Benefit/Cost Ratio

$$\frac{\text{Program Benefits}}{\text{Program Costs}}$$

Business Impact

$$\frac{\text{Net Program Benefits}}{\text{Program Costs}}$$



Case Study

Sexual Harassment Prevention Program

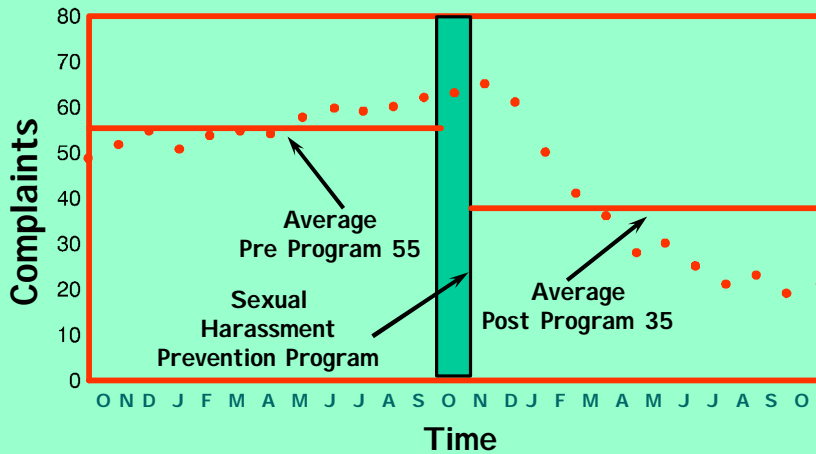
- Healthcare Inc. is the regional provider of a variety of healthcare services through Hospitals, Clinics etc
- In the USA sexual harassment continues to grow
- Senior management request the development and implementation of a SH Prevention Program for first level Managers and Supervisors



Performance Measures Related to Sexual Harassment

Business Performance Measure	One Year Prior to Program	One Year After Program	Factor for Isolating the Effects of the Program
Internal Complaints		55 35	74%
External Charges		24 14	62%
Litigated Complaints		10 6	51%
Legal Fees and Expenses	\$632,000	\$481,000	
Settlement/Losses	\$450,000	\$125,000	
Total Cost of Sexual Harassment Prevention, Investigation & Defence	\$1,655,000	\$852,000	
Turnover (Non-Supervisory) Annualised	24.2%	19.9%	

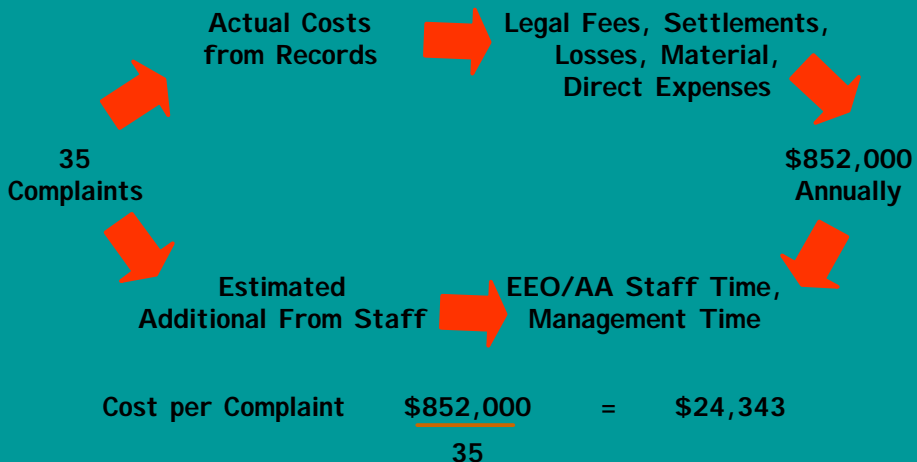
Healthcare, Inc.



Formal Internal Complaints of Sexual Harassment

Example - *Converting Data Using Historical Costs and Expert Input*

The Cost of one Sexual Harassment Complaint





Calculating the Value of an Improvement

Information Needed:

- Unit of Improvement (**D**)
in order to calculate:
- Value of Each Unit (**V**)
- Performance Level Change (**P**)
- Improvement Value (**V** times **P**)



Calculating the Value of an Improvement

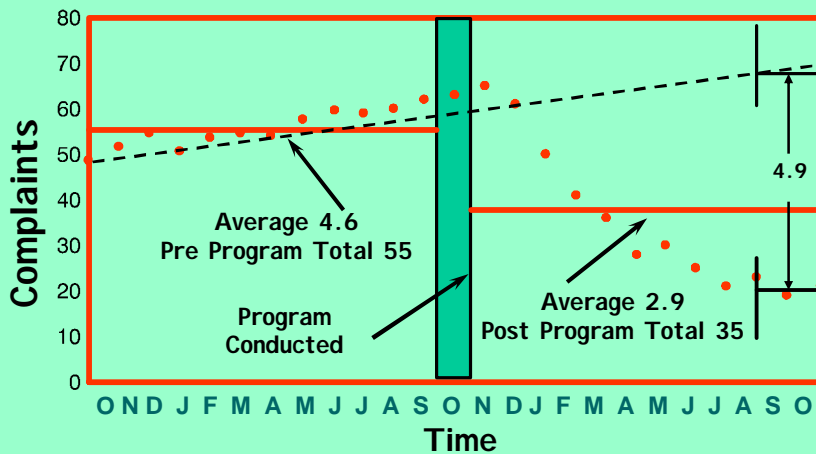
- Unit of Improvement = One Internal Complaint
- Value of Each Unit (V) = \$24,343
- Total Improvement: $55 - 35 = 20$
- Improvement Related to Program: $20 \times 74\% = 14.8$
- Value of Improvement = $14.8 \times \$24,343 = \$360,276$



Monetary Benefits from Turnover Reduction

- Unit of Improvement = One Turnover Statistic
- Turnover Pre-Program = $6,651 \times 24.2\% = 1610$
- Turnover, Pre-Program, Related to Hostile Environment: $1610 \times 11\% = 177$
- Turnover, Post Program: $6,844 \times 19.9\% = 1,362$
- Turnover Post Program Related to Hostile Environment: $1,362 \times 3\% = 41$
- Improvement Related to Program: $177 - 41 = 136$
- Cost of One Turnover: 75% of Annual Salary = $\$27,850 \times .75 = \$20,887$
- Value of Improvement: $136 \times \$20,887 = \$2,840,632$

Healthcare, Inc.



Formal Internal Complaints of Sexual Harassment



Recommended Categories for Costs

- Analysis Costs
- Development / Acquisition Costs
- Implementation Costs
- Operating Costs
- Evaluation Costs



Program Costs

Cost Category	Total Cost
■ Needs Assessment (Estimated Cost of Time)	\$ 9,000
■ Program Development/Acquisition	\$ 15,000
■ Program Coordination/Facilitation Time	\$ 9,600
■ Travel & Accommodation-Facilitation & Coordinators	\$ 1,520
■ Program Materials (655 @ \$12)	\$ 7,860
■ Food/Refreshment (655 @ \$30)	\$ 19,650
■ Facilities (17 @ \$150)	\$ 2,550
■ Participant Salaries & Benefits (\$130,797 x 1.39)	\$181,807
■ Evaluation	\$ 31,000
Total	\$277,987



Return on Investment

$$\begin{aligned} \text{CBR} &= \frac{\text{Benefits}}{\text{Costs}} = \frac{\$360,276 + \$2,840,632}{\$277,987} \\ &= \frac{\$3,200,908}{\$277,987} = 11.51:1 \end{aligned}$$

$$\text{ROI} = \frac{\text{Net Benefits}}{\text{Costs}}$$

$$\text{ROI} = \frac{\$3,200,908 - \$277,987}{\$277,987}$$

1,052%



Potential Intangible Benefits

- Increased Morale
- Increased Job Satisfaction
- Absenteeism Reduction
- Stress Reduction
- Image of the organisation
- Recruitment
- Learning & Development



Credibility of Outcome Data is Influenced by the:

- Reputation of the source of the data
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- Motives of the researchers
- Methodology of the study
- Assumptions made in the analysis
- Realism of the outcome data
- Type of data
- Scope of analysis