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The ROI Methodology

Dr Elling Hamso

Event ROI Institute

- **How meetings and events create value**

Meetings and events create value to stakeholders by influencing the behaviour of the participants. This is the only way. If the event doesn't make participants do something they would otherwise not have done, there is no value. Never. It is not possible. Thinking and feeling does not count, only physical behaviour. This simple and universal fact is the fundamental principle of the ROI Methodology.

- **Background to ROI Methodology**

The ROI Methodology is a further development of Donald Kirkpatrick's model first published in 1959. His model had four levels; Satisfaction, Learning, Behaviour and Results. Jack Phillips added ROI as the fifth level and made the model operational through practical tools and guiding principles in the 1980's.

More than 35.000 have since been trained and over 3000 certified in the application of the methodology in 54 countries and more than 20 disciplines, including meetings and events. The Methodology is explained in more than 60 books, most of them written by Jack and Patti Phillips and various co-authors (www.roiinstitute.net).

- **Planning and Measurement**

The most important application of the ROI Methodology is for planning meetings and events to deliver the best possible outcome. In principle, every meeting or event has to be planned according to this

model, there is no known alternative. Failing to do so means that the event does not deliver its potential value.

The ROI Methodology was first thought of as an evaluation tool only, but it is easy to understand how it became a planning model at the same time. In order to measure results, there must be clear and measurable objectives, otherwise measurement is meaningless. How do you know if results are good or bad if you don't have objectives?

The rest is just human nature; when we have clear and measurable objectives, we will always do our best to try to achieve them. Most events achieve below their potential because it was not clear what they were trying to achieve.

- **Different stakeholders achieve different values**

Events on their own don't have value. You cannot measure the value of an event without specifying the stakeholder. There is usually a main stakeholder or meeting owner, but this is not the only one. Sponsors and exhibitors are typical stakeholders, as are participants, venues, speakers, and other contributors. In fact, anyone who would say: "It is important to me that this event is successful and meets my objectives" is a stakeholder.

There is usually a main stakeholder or meeting owner, the budget holder, who will be responsible for reconciling the sometimes conflicting objectives of different stakeholders.

- **Six levels of objectives and evaluation**

We set objectives and measure results at six levels, from Level 0 to Level 5. Objectives are first set for Level 5, the desired ROI or profit from the event, its contribution to shareholder value in the business world, or its contribution to the mission of a non profit organisation. From this level, objectives are cascaded downwards to Level 0 which is called Target Audience.

Results are measured in the opposite direction, from Level 0 to Level 5 as shown in the ROI Pyramid below.



ROI Objectives

ROI is another way of expressing the contribution to profit made by an event in the corporate world. The profit is the net value created by the event minus the event costs. ROI is the profit expressed as a percentage of the cost of the event.

ROI, or profit, is the first planning objective, how much do we expect the event to contribute to the bottom line or the mission of our organisation.

For association and government events, profit is usually not an objective, the ultimate value is the mission or political purpose for which the organisation exists, this is the mission that replaces ROI. A medical congress may exist for the purpose of reducing a type of disease, the mission of a professional association may be to develop the skills of its members. Association meetings often have sponsors and exhibitors and for these as stakeholders, ROI may be a relevant measure.

Impact Objectives

The Impact, or Business Impact, is the ultimate value contribution of the event to its stakeholders. The impact is used in the profit and ROI calculations. For a customer event, the Impact is usually sales. For an internal event it is typically organisational effectiveness.

Behaviour Objectives

What do the guests or participants at meetings and events need to do, during and after the event, in order to create value for the stakeholders? The answers may well be different for different categories

of participants. Some actions may be significant (e.g. buy the product) whereas others only make a small contribution to value, maybe increasing the probability of a purchase (e.g. ask for more information, share knowledge with colleagues, investigate alternative solutions, etc.). The behavioural change may involve to stop doing something, doing something differently, or taking some new actions as a result of attending the event.

Learning Objectives

What cognitive change (i.e. learning) is required for the participants to change their behavior? All behavioural change is pre-empted by cognitive change. The cognitive change might be subconscious, but something always has to change in the mind before behaviour changes.

Satisfaction and Learning Environment Objectives

How can we design a learning environment which will make cognitive change most effective? Learning is influenced by the state of mind of the learner as well as ambient factors (e.g. room temperature and air quality), instructional design, speaker quality, etc.

Target Audience Objectives

Finally, how can we ensure that the right people are attending. Do they have opportunities to apply what they learn to the benefit of the stakeholders? Are they learning something new, which will change their behaviour?

This sequence of questions is our model for planning any kind of meeting or event. By setting clear objectives for each step and planning for their achievement, we should get the greatest possible value in return for the investment.

The process of setting objectives described above, starts from the top and cascades down to the first level. The evaluation sequence works in the reverse order, starting at Level 0 and working step by step towards the top.

- **Measuring Level 0 - Target Audience**

The target delegates are those with the greatest learning and behavioural gap in the population of potential participants. There is no need

to ‘speak to the converted’, similarly, there is no need for participants to learn something for which they have no application.

The target audience is therefore defined by a method of deduction from desired behaviour (Level 3) and required learning (Level 2).

The data may be collected from the delegates themselves, for example by questions such as “To what extent is the topic of this session relevant to your job?”, “How much of what was covered in this session did you know already?”

Characteristics of the Target Audience may be translated into demographic data, for example if previous research shows that ‘young physicians in private practice’ lack the knowledge being communicated. This is useful for selection of Target Audiences at a medical congress, but the post event evaluation should determine more precisely whether there was a good match between meeting format and content and the needs of the delegates present.

- **Measuring Level 1 - Delegate Satisfaction and Learning Environment**

At level 1 we measure delegate satisfaction with facilities, logistics, form and content. Was transportation available on time, was climate control in meeting rooms satisfactory, did sessions cover the topics as announced, were speakers communicating effectively, was time allowed for discussion and questions, was networking facilitated in order to be most beneficial?

But participant satisfaction is essentially a proxy variable for the quality of the learning environment, which is what really matters if learning, in one form or other, is what must happen in order to change delegate behaviour and provide value to stakeholders.

The educational quality of session formats, including the ability of speakers to communicate effectively, should preferably be assessed by adult education experts.

- **Measuring Level 2 - Learning**

Just about all meeting or event activities fall under the definition of learning, which includes the learning of information, skills, attitudes and relationship learning.

Traditional information and skills learning is typically evaluated by means of tests, preferably both before and after the learning activity

in order to define the size of the knowledge or skill gap and the extent to which it was filled by the learning exercise.

But tests are rarely practical in the traditional congress setting. We use therefore the second best, and very much quicker and easier method of 'self reporting'. It is not unreasonable (even though not as accurate as a test) to say to the delegate: Tell me how much you know after the session, how much do you remember, on a scale of 0 to 100%. It is also perfectly reasonable and practical to ask the delegate to indicate at the same time on a percentage scale his level of knowledge or skill both before and after the session.

Attitude learning, such as changes in brand perception, is traditionally and scientifically measured by self reporting by the use of so-called Likert statements, where the respondent expresses his degree of agreement or disagreement with an attitude statement. For example, one congress sponsor may know that their target population will average 3,7 on the 5-point Likert scale in response to the statement; "I think of Company X as the technology leader in my field." If this average score increases over the meeting, a change in brand perception has taken place.

Relationship learning refers to the building of affinity between people, getting to know others, trust and liking. All forms of peer learning benefit from the strength of personal relationships, it is the foundation for subsequent information, skills and attitude learning in the peer relationship. Relationship learning may be measured in much the same manner as other forms of learning. At the most detailed level, individual relationships of trust and liking, for example, may be scored on a scale from very low to very high, or more general reports of relationship learning may be collected.

The method of self reporting makes it quick and easy to measure all forms of learning. It may not be as accurate as tests or other methods, but the greater degree of accuracy rarely justifies the extra time and complication of measurement.

- **Measuring Level 3 - Behaviour**

Behaviour is the application of learning, maybe to stop doing something, doing something differently or doing something new, as a result of a cognitive change, some kind of learning experience.

Learning is some times defined by its application, it is the proof of learning having happened.

Learning without application is in most circumstances without value. You may give the participant a certain product experience, but if he or she has no opportunity to apply the newly acquired knowledge or skill, the learning was wasted.

Behaviour is often best measured by observation, such as the use of a ‘mystery shopper’. But this can be time consuming and expensive. Again, self reporting is a quicker and cheaper method, if maybe not as accurate.

If, for example, a delegate at a medical congress learns a new diagnostic procedure, a skill which he claims to understand and remember well enough to put into practice (Learning measured by self reporting), then it should be quite straight forward to ask some time later if he has been using the new procedure in situations where it has been appropriate.

Planned Actions

It is useful to start by measuring intended application immediately after learning. ‘How do you plan to use what you have just learned?’ By suggesting possible actions and asking delegates to consider whether they are likely to happen or not, we are also communicating ideas for application and to some extent, perhaps, strengthening the commitment to apply. We call this the measurement of planned actions.

Planned actions are nearly always best case forecasts of the application which will take place. In the excitement of the occasion, intentions are good. In practice there are barriers to application, such as time or budget constraints, lack of peer or management support, the realisation that the learning of new information or skills was not sufficient for practical application, etc. Whenever measuring application, we will always investigate the presence of barriers. Similarly, when application has been facilitated by circumstances, we record the nature of enablers.

- **Measuring Level 4 - Impact**

The business impact is the very purpose for which the event was designed, and it is the result of what participants do differently because of the event. Customer events will typically have increased sales as a desired business impact, perhaps selling a wider range of products to existing customers, increasing customer penetration by becoming

a dominant or single source supplier, or perhaps the business impact is not to sell more, but to protect existing levels of sales through greater customer loyalty.

Internal events, such as teambuilding, are likely to reduce costs as their business impact. If a group of people work better and more efficiently together as a result of the teambuilding, the same work can be done in less time which is a cost saving for the company (time is money).

The business impact data may be obtained from company records, such as sales or cost accounting. More 'soft' data may be obtained by asking participants to estimate the business impact of certain changes in behaviour. For example, what could be the impact in terms of employee turnover if managers were trained to look better after the needs of employees. The effect could be captured by employee satisfaction surveys and by analysing the reasons for leaving provided in exit interviews.

- **Isolating the effect of the meeting**

Whenever we measure business impact, we must always use at least one method to isolate the effect of the meeting. If sales went up after the customer event, how do you know that it was because of the event and not the advertising campaign which was launched at the same time?

There are several methods for isolating the effect of the meeting and in general it can always be done. The best method is to do a control group experiment, comparing the results from one group which attended the meeting with another group that did not. But for this method to be reliable, the control group which did not attend, must be carefully matched with those that did. If the groups are carefully matched, they will respond in the same way to other influences and the difference in results will be due to the event.

There are many examples of control group experiments, but the method can be difficult and costly, in particular the careful selection of the control group. Furthermore, a control group experiment is often inconvenient, you want to invite all your customers to the event and all your employees to the annual sales kickoff or the teambuilding event. For these reasons, the control group experiment is not the most commonly used method of isolation.

An alternative method is to estimate the effect of the event compared to other other factors. Such estimations are not as accurate, but they are quick and easy to perform.

- **Converting Impacts to monetary values**

Some business impacts are monetary, such as sales, but others need to be converted into money values for the ROI calculation. A team building or management training seminar, for example, may lead to reduced staff turnover or absenteeism, less time spent on resolving conflicts between departments, etc.

Impacts which lead to time savings can be measured by assigning a standard value to an hour of time, it could be an intracompany billing rate, salary cost or a standard or estimated rate reflecting the full cost or opportunity value of staff time. Many other impact values have standard monetary values, such as the cost of staff recruitment saved by reducing staff turnover.

- **Intangible values**

It may not be practical or economical to attempt to convert all business impacts into monetary values. Those which are not converted are referred to as ‘intangibles’. For example, an exhibition may lead to new customer prospects and sales, but at the same time motivate and improve relations between staff. We may follow up leads and eventually apply a sales value to them as this is the most important impact from the exhibition, but we may leave the motivational effect as an intangible which is not converted into money for the ROI calculation.

- **Calculating ROI**

When impact values are expressed in monetary terms and the total costs of the event are deducted, we have a profit or loss for the event. That profit or loss value as a percentage of the same costs is the ROI percentage figure. The Return is the sum of Impact values and the Investment is the total cost.

- **The ROI on ROI**

Irrespective of what ROI you get and how far you go in terms of turning intangibles into money values, the benefits of applying the ROI Methodology will always outweigh the costs. The methodology forces

you to identify the precise event objectives at different levels. Armed with these objectives you set about planning the event, and because your objectives are detailed and clear and measurable, the event programme will be more focused on achieving them. Because you decide to measure, the event gets better.

- **Conclusion**

Meetings and events are one of the last major items of controllable expenditure still avoiding management accountability. Many meeting planners are already finding that procurement and finance take a greater interest in how they spend the money. This is a great opportunity, not a threat, because procurement and finance are familiar with ROI measurements in many other areas of management decision. They will probably be very interested to join your event ROI measurement project.