

# Contents

Acknowledgments from the Editors	xvii
Principles of the ROI Methodology	xix
<b>Chapter 1: The Importance of Converting Data to Monetary Values</b>	<b>1</b>
Why Convert Data to Monetary Values?	2
Value Equals Money	2
Impact Is More Understandable	2
Programs Start Because of Money	3
Converting Data to Money Is Similar to Budgeting	4
Monetary Value Is Vital to Organizational Operations	4
Monetary Values Are Necessary to Understand Problems	5
Hard and Soft Data	5
Converting Data to Monetary Values	7
1. Focus on a Unit of Measure	7
2. Determine the Value of Each Unit	9
3. Calculate the Change in Performance	10
4. Determine the Annual Amount of Change	10
5. Calculate the Total Value of the Improvement	10
Case Example of Converting Data to Monetary Values	11
Final Thoughts	11

<b>Chapter 2: Use Standard Values</b>	<b>13</b>
Converting Output Data to Monetary Values	13
Case Example: A Commercial Bank	14
Case Example: Snapper Lawn Mowers	15
More Examples of Standard Values for Output Measures	16
Converting Quality to Monetary Value	17
Quality Cost Categories	19
Examples of Measures Converted to Quality Cost	21
Converting Employee Time to Monetary Value	22
Case Example: A Technology Company	23
A Word of Caution	24
Why Standard Values Are Developed	25
Standard Values Are Everywhere	26
Final Thoughts	27
<b>Chapter 3: Calculate the Value</b>	<b>31</b>
Using Historical Costs	31
Key Issues in Using Records and Reports	32
Case Study: A Metropolitan Transit Authority	33
Linking with Other Measures	35
Classic Relationships	36
Case Example: A European Postal Service	37
Case Example: Sears, Roebuck and Company	38
Concerns When Using Relationships Between Measures to Assign Monetary Values	40
Final Thoughts	41
<b>Chapter 4: Find the Value</b>	<b>43</b>
Using Internal and External Experts	43
Working with Internal Experts	44
Working with External Experts	45
Case Example: A Manufacturing Plant	45
Case Example: A Health Care Firm	46
Using External Databases	47
Internet Searches	48
Case Example: A Regional Bank	50

Case Example: A Federal Agency	53
Other Sources of Databases	56
Final Thoughts	56
<b>Chapter 5: Estimate the Value</b>	<b>59</b>
Using Estimates from Participants	59
Case Example: A Manufacturing Plant	59
Key Issues in Using Participant Estimates	60
Using Estimates from Supervisors and Managers	61
Using Estimates from Senior Management	62
Using Staff Estimates	63
Final Thoughts	64
<b>Chapter 6: Use of Data Conversion Techniques</b>	<b>65</b>
Selecting the Appropriate Technique	65
Ensuring the Accuracy and Credibility of Data	67
Credibility: The Key Issue	67
How the Credibility of Data Is Influenced	69
Rules for Determining Credibility	72
Reputation of the Source of the Data	73
Reputation of the Source of the Study	73
Motives of the Evaluators	73
Audience Bias	73
Methodology of the Study	74
Assumptions Made During the Analysis	74
Realism of the Outcome Data	74
Type of Data	74
Scope of Analysis	75
How to Address the Issue of Credibility	75
Use the Most Credible and Reliable Sources for Estimates	75
Remain Unbiased and Objective	75
Prepare for Potential Audience Bias	77
Fully Explain Your Methodology at Each Step in the Process	77
Define Assumptions Made During the Analysis	77
Prepare for an Unrealistic Value	77

xvi Contents

Use Hard Data Whenever Possible	78
Keep the Scope of Analysis Narrow	79
Making Adjustments	79
Consider the Possibility of Management Adjustment	79
Consider the Issue of Short-Term Versus Long-Term Programs	80
Consider an Adjustment for the Time Value of Money	81
Converting Data to Money: Matching Exercise	81
Final Thoughts	86
<b>Chapter 7: Intangible Measures</b>	<b>87</b>
Why Intangibles Are Important	88
Intangibles Are the Invisible Advantage	89
We Are Entering the Intangible Economy	89
Intangibles Are Being Converted to Tangibles	90
Intangibles Drive Programs	90
Measuring Intangibles	90
Converting Intangibles to Monetary Values	93
Identifying and Collecting Intangibles	96
Analyzing Intangibles	97
Confronting Intangibles	98
Example 1: Customer Service	98
Example 2: Innovation and Creativity	102
Innovation	102
Creativity	105
Example 3: Employee Attitudes	107
Employee Satisfaction	107
Organizational Commitment	108
Employee Engagement	108
Example 4: Leadership	109
360° Feedback	110
Leadership Inventories	110
Leadership Perception	111
Business Impact	111
Final Thoughts	112
Index	115
About the Authors	121