

The Organizational Context for ROI Assessment

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Premise

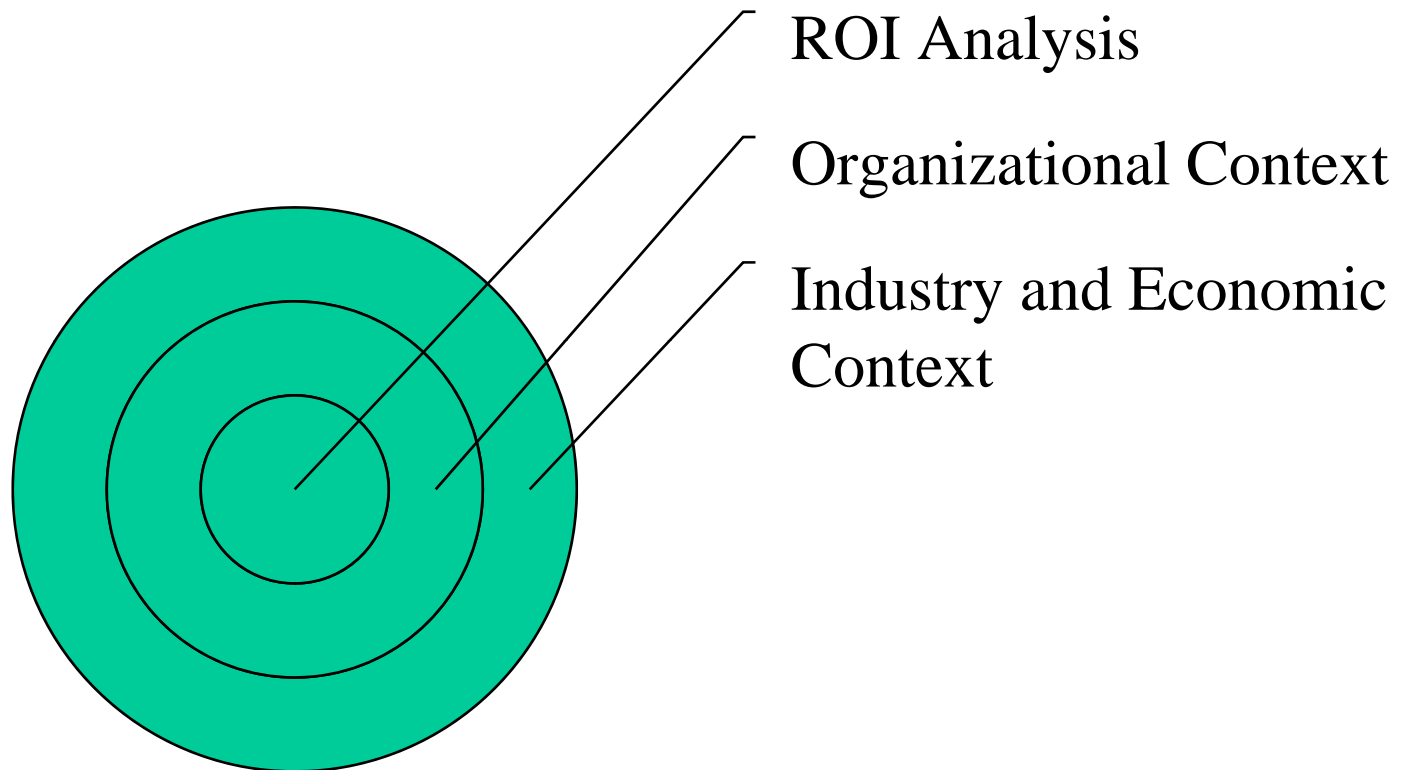
- We will spend most of our time at this meeting discussing the technical elements of ROI analysis
- Good to start with a reminder that this operates within an organizational context
 - Strategic, cultural, structural, political
- Will influence emphasis on ROI



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ROI in Context



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Sponsorship

- The power and prestige of the sponsor will influence the amount of pressure for demonstrating a return
- If the CEO believes it is worthwhile, no further questions may be asked
- But power and prestige of program *opponents* also matters



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Goal of the Program

- A clearly valuable strategic goal may substitute for financial return calculation
 - E.g. Motorola program
 - Programs to build bench strength in general
 - Benefits can be calculated, but generally are not



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Is the Program Institutionalized?

- Institutionalization refers to a situation where something is valued beyond its functional or monetary value
- Some executive development efforts fit this description
- Do you have programs like this?



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Senior Management Involvement

- More involvement tends to diminish pressure for demonstrating return
 - Feeling of ownership?



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Client's Financial Sophistication

- Return can be calculated using everything from simple payback to net present value (NPV)
- Choosing approaches that show either too little or too much sophistication can be a mistake



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Finally, culture matters

- Objective and fact-based vs. holistic and intuitive (belief in intangibles)
- Accountability vs. face-saving
 - Tests for senior executives?
- Trust in participant reactions vs. insistence on hard evidence



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Conclusion

- Organizational context has a major influence on evaluation of programs
- Understanding the client organization(s) can help you to better anticipate the amount and type of assessment clients will require



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