



***ROI Methodology and Process***  
*Executive Summary*

Next Gen *pa*<sup>TM</sup>

## Overview

Return on Investment (ROI) is one of the most critical aspects of executive investment decision-making. Managing a business through tough times does not mean that companies should stop spending money. It means that they need to spend money in ways that have maximum impact on improving productivity and financial results. In short, they need to realize the “biggest bang for the buck”. SBL Co has developed an ROI methodology and modeling structure to help our clients optimize capital—both human and financial—with detailed data that demonstrates the financial impact of virtually any key business decision. *Simply stated this enables executives to make better decisions.*

## The ROI Methodology

The ROI methodology incorporates using actual corporate financial and human capital performance data along with Next Gen *pa*<sup>™</sup> formulations to determine current and future state models. The methodology uses a disciplined approach to determine current state analysis, including people, policy, technology and process. Each of these components is measured as appropriate to cost, time, quality, quantity and/or human reaction. A performance baseline is created which is used to measure the value proposition of future state improvements. Industry benchmarks, when applicable, can also be used to help determine what is achievable in the future state.

Rules-based models are used to quantify the differences between current and future state in hard dollars expressed as *cost elimination, cost avoidance and productivity gains*. The investment in achieving the future state is determined, including the cost of consulting, over a five-year period. The cost benefit or ROI of the future state investment is measured against the cost and productivity gains of the future state over the same period.

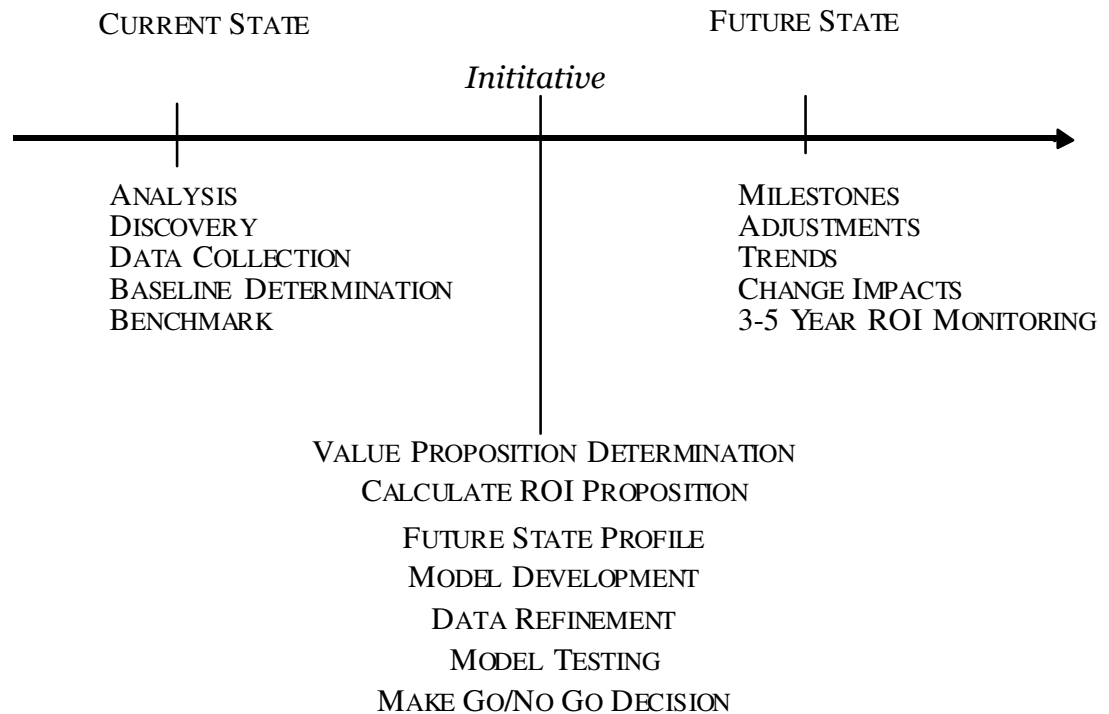
## Client Applications

The ROI methodology may be used in:

- Acquiring budget for an initiative, e.g. training investment, reducing employee turnover, succession planning, etc.
- Creating ROI business cases including M & A

- Making bottom line impact decisions
- Analyzing ROI of technology solutions
- Analyzing process change
- Analyzing cost-cutting impacts
- Determining ROI of HR interventions/initiatives/policy changes

## ROI Methodology



## ROI Process

SBL Co has developed and successfully used an approach to help customers measure and monitor the overall impact of human performance in terms of productivity and profitability—the ultimate bottom line. Our Next Gen *pa*<sup>™</sup> metrics profiles allow for analysis of other areas to determine cause/result relationships of human investment and their impact on profitability.

Our proprietary approach encompasses several steps to measuring the results of training and other initiatives. Management is interviewed to determine the following:

- A. What are the issues, functions, and activities that the company is trying to address and improve?
- B. Identify, distinguish, and link project objectives to measurable business objectives and financial outcomes.
- C. What is the current level of performance (*baseline*) for the function or activity? (**current state**)
- D. What is the *expected* level of performance? What difference should it make to the company? (**future state**)
- E. Decision: go/no go.
- F. Measure results.

Then, once the baseline and expectation levels are set, and an appropriate set of decision models are created, movement from current state can be measured and monitored along the way. Results can be displayed in terms of percent of improvement, up to and through productivity and profitability impacts.

For example, if considering a training program initiative, additional questions to help in the analysis could include:

- What are your training programs now? What are the major categories?
- What are the objectives of each program?
- What are the delivery methods and costs of the programs?

- How will behavior change if the training program attains its objectives?
- What things will employees do differently? What do we expect to improve?
- What does management expect from the T & D department?

*Value Proposition*

Executives will be able to measure the impact of most any initiative using a comprehensive ROI modeling tool and methodology that incorporates actual financial and performance benchmarking data and quantify it in hard dollars.