



# Discussion Paper

## USING RETURN ON INVESTMENT CALCULATION TO MAKE BETTER WORKPLACE DECISIONS

*Angela Nuñez, TMGov ROI in Human Capital Management Community of Practice Manager*

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## **USING RETURN ON INVESTMENT CALCULATION TO MAKE BETTER WORKPLACE DECISIONS**

The era of endless spending is over. We no longer live in a booming economy with a government surplus. With a looming deficit and tightened budgets, government organizations are under increasing scrutiny and are held accountable for not only reporting but also justifying costs. Some agencies aware of the accountability trend are ahead of the game by having a calculation method in place. Agencies currently without a methodology for reporting or determining costs should consider an approach that is being used worldwide in about 44 countries known as the Return on Investment (ROI) calculation. Developed by Dr. Phillips of the ROI institute, and used extensively by multiple experts and authors, the ROI calculation ensures that the benefit of a particular investment exceeds its costs. The ROI calculation is a simple formula that can be used for complex decisions. Some organizations that have adopted the ROI calculation and have saved millions of dollars include the U.S. Air Force, the Department of Defense, and many corporations, including Apple. ROI calculation helps agencies justify costs and make a compelling case for continuing funding. The calculation can be implemented in an array of investments from educational programs to training programs. Due to sequestration, agencies will likely have to learn how to effectively spend and invest. Agencies that learn how to effectively cut back on their programs and other expenses may be able to save their most important aspect—their people. The time for agencies to report costs and hold themselves accountable is upon us.

One area in which ROI calculation can be of great value is in evaluating complex and difficult to measure investments in human capital—particularly in training. Many in both the private and public sectors are concerned about reports that fault organizations for excessive spending on “training” conferences and incentive travel programs, for example. Yet the intention of such conferences and incentives is usually sincere—training and investing in employees is an integral part of good human capital management. In some cases, spending on events and incentives is unquestionably lavish; in other circumstances, funds might be misspent due to a lack of thorough analysis of data. When the amount of money being spent on an event is significant, the event may warrant an ROI analysis, either before (ROI forecast) or after the event, or both. When organizations and agencies do an ROI analysis for training events, they often find areas they can improve on in order to increase the ROI, save money, and gather evidence to justify their spending decisions.

Looking back on an event and criticizing it is easy to do, but it is also important to look forward and find solutions to avoid mistakes made in the past. Using ROI analysis is an ideal way to look at data and discover opportunities to improve the way funds are spent. Calculating ROI before a big event is a useful way to see if the event is worth executing and to make adjustments before a budget is committed; using ROI after an event helps bring to light areas that could be better next time. There are always intangibles that are tricky to quantify; however, ROI

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analysis is a straightforward process that any agency can master. It is also the only tool that allows agencies to assign some value to intangibles, which usually turn out to be pretty valuable, indeed.

### The ROI of Recognition and Rewards

Burnout is running rampant among U.S. workers according to a recently released ComPsych survey. Stress from the uncertainty of the economy, pay freezes, sequestration, the public's negative perception of the government, and scandals have all taken their toll on the minds and wellbeing of workers. Although the survey seems to have focused on private sector workers, there is no doubt that the public sector is feeling just as beaten down, if not more. When a person experiences "burnout," engagement is next to impossible. Simply showing up to work feels like an accomplishment—forget being engaged and productive! One of the scariest results from the survey is that 63% of respondents said they have "high levels of stress at work, with extreme fatigue and feeling out of control." Some of the feeling of a lack of control may result from frustration with pay. Stress, fatigue, and chaos make for a perfect storm resulting in burnout. According to the 2012 Federal Employee Viewpoint Survey, employee responses were down two percentage points when recommending their organization as a good place to work (67 percent) and down three percentage points with their satisfaction with their job (68 percent) and organization (59 percent). The Survey also showed that satisfaction with pay decreased by four percentage points, down to 59 percent. This is pay satisfaction's lowest level since the 2004 survey administration. Lastly, only two out of 10 employees feel pay raises are related to their job performance.

Managers, as leaders in their organization, must think of ways to rejuvenate this understandably frustrated workforce. Organizations with such a significant portion of disengaged workers are almost guaranteed to fail. Government workers must find revitalization if this country's most pressing, complex issues are to be solved. Managers need to dig deep and set an example of optimism and engagement even through these trying times. Using incentives could prove to be helpful in getting workers more engaged in their work. These incentives need not be monetary—even recognition and praise for good work, especially in the presence of one's peers, is often enough to bring new life to the team. Taking an employee out to lunch after he or she accomplishes a challenging task is another great way to encourage engagement among a burned out workforce.

Although unnecessary, monetary incentives are likely to have a positive ROI, encouraging employees to strive to do their best. Organizations must not skimp on investing in their employees, especially in light of how many workers feel demoralized. Now more than ever, focusing efforts on rejuvenating the workforce is imperative. Engaged workers creating innovative solutions will carry us through our current difficulties; burned out workers may do more harm than good, draining the team more than contributing to it. Showing genuine concern for

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workers' challenges during these difficult times and providing incentives for great work will help bring new life to any disengaged workforce.

Innovation and creativity are key to solving today's most challenging, complex issues—many of which the government is responsible for tackling. These two traits, though, fail to flourish in an environment with strict policies meant to police the workforce. People need freedom in order to reap the benefits of creative thinking. Yes, some of this freedom means employees may spend some time on social networking sites not related to work, but if the overall culture of an organization emphasizes freedom and personal responsibility, innovation is much more likely to grow. Accountability is key to allowing this kind of freedom; employees must feel comfortable taking risks, but they also must know that they will be held accountable for their productivity or lack thereof.

When the focus shifts to results and goals instead of time spent working, the outcome is likely to be greater productivity and higher levels of innovation and creativity. With today's technology, it is not wise to try to ban all non-work online sites completely—the task is next to impossible, anyway. Agencies will likely experience a greater ROI with policies that allow for some flexibility and put trust in their employees, which is also likely to lead to greater employee engagement. Policies like this can weed out poor performers while rewarding high performers. It is a good idea to consider measuring Return on Investment (ROI) for employee engagement programs. Although it can be daunting, when done correctly, it can provide valuable insights and data. Benefits include the ability to provide management with information necessary to make informed decisions about future investment, anticipated outcomes and how employee engagement can be used to align behaviors to support organizational goals.

### **The ROI of Telecommuting and Flexible Work Schedules**

Another concerning distraction is that of things going on outside the workplace. How many employees have found themselves distracted at work because of something going on at home? While it is important to leave personal issues out of the workplace, it is not always possible. Those with children may find themselves disengaged with their work if they are missing a child's game, recital, or play. Rigid work schedules make it difficult for parents to attend some of the events they would like to in order to support their children. As a new generation enters the workforce, employees' demands for flexible work schedules and multiple work options, such as the ability to work remotely, are becoming more common. The desire for a more balanced work-home life hardly means employees care less about their work; in fact, offering employees more flexibility can help them become more engaged in their work. Compromising in order to allow employees to spend more time with their

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families can help employees feel valued by their company or organization. If an employee feels valued by her organization, she will be more willing to be fully present and engaged in her work.

Employers may fear that being more flexible will mean a decrease in productivity; however, an increase is more likely to occur because employees will be focused on work when they are at work and not be distracted by what they are missing at home. Many potentially great employees are unwilling to sacrifice time with family for work, so employers will be missing out if they fail to accommodate those who desire a balanced life. In terms of ROI, employees are happier and more loyal where they have flexible work options and the ability to telecommute. According to data from the Families and Work Institute, or FWI, employees in flexible workplaces are more likely to have greater engagement in their jobs, higher levels of job satisfaction, and stronger intentions to remain with their employers. Organizations, including those in the public sector, that evolve with the times and allow employees to have flexible work arrangements will be the ones who benefit the most and enjoy the highest ROI on their human capital.