



Tips for Innovative Meetings and Events (T.I.M.E.)

Topic: Return on Investment (ROI)

Date: October 2002

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U. S. Library of Congress ISSN: 1539-1833

Welcome

I tackle the issue of Return on Investment in this issue of Tips for Innovative Meetings and Events. I believe that accountability is good but don't necessarily believe that relying on the accounting principle of Return on Investment (ROI) is the best nor the only way.

If you have your own ideas or thoughts, please send them my way. In the meantime, read on for the challenges of ROI and a process for creating the all-important justification for meetings and events.

Sue

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The Origins of ROI

In the beginning of time, Return on Investment (ROI) was a term used to evaluate individual investments. How is one stock performing versus another stock? How is a bond performing versus a stock? ROI was an answer-- it provided a single number expressed as a percentage. It was a concrete, definitive mathematical answer!

Over time, many disciplines have come to use Return on Investment as a decision making tool. Information technology projects and capital expenditure planning are two that instantly come to mind. Although, I recently saw an article addressing the ROI of a Masters in Business Administration degree. The possibilities are endless!

To help understand how ROI calculations could be of assistance in making decisions, consider this example. You have a dollar to spend (invest) and you have two choices of how to spend it, both cost one dollar. Which should you invest in? What is the return?

Suppose that for your \$1 investment in Option 1 you will gain \$0.30, while you gain \$0.60 from Option 2. Most people would be inclined to view Option 2 more favorably, since it offers a greater ROI (60% vs 30%).

Again, the focus is on a Go/No Go decision. Should we make this investment? Put another way, what is the best way to allocate our capital/money? ROI is an upfront (before the money is spent) analysis.

ROI Challenges

What are the challenges we have using ROI as a tool for meetings and events? Here are some of my thoughts:

Challenge #1: Focus is on ROI after a "Go" decision

Unlike the earlier example, it often seems that the need to create the ROI is deemed important after an event or meeting is scheduled and budgeted. Now that we have allocated this sum of money, what will be our return?

We would all be better served by defining the scope and budget of a meeting in conjunction with an expectation of the desired return. In that way, we can adjust the scope and budget to be in line with the desired outcomes and return.

In this way, ROI is not used as a decision tool to decide between two alternatives. Rather, we can use it as an upfront tool to insure that the expectations are in line with the costs. It is far better to

make adjustments to the length, venue, and details of an event up front rather than be confronted with the need to manufacture "returns" on the back end after the investment has been made.

Challenge #2: Measurement is Difficult

The world of information technology can also be a slippery slope to use ROI. Like the world of meetings, it can be difficult to measure people for Productivity Gains, Cost Savings, Improved Skills, Ease of Use, etc.

In a white paper on calculating ROI for intranet projects George McGrath and Anthony Schneider state, "One finds that calculating intranet ROI is more art than science and more guesstimate than calculation."

Measurement is made more difficult because meetings have a strong emotional component. We all know there is intrinsic value in face-to-face meetings. We are social animals. There is a comfort level that comes from developing rapport and a relationship with someone on a personal level.

Intangibles like trust, motivation, emotional attachments do impact job satisfaction; ultimately they do impact turnover rates and employee retention. Measurement, however, remains a challenge.

Challenge #3: Once is Not Enough

Advertisers know this. Teachers know this. One single exposure to an idea, a concept, a message is not enough. Messages need to be repeated, reinforced, summarized and applied.

Meetings fit into a context, into a big picture. They do not stand alone. The business objective of a meeting is re-emphasized (or de-emphasized) by the culture, management styles, management approaches, systems, compensation and a myriad of other factors within the organization.

Challenge #4: Cost of Doing Business

Some meetings are simply necessary in order to do business. If a factory needed a new roof, would it be appropriate to justify that expenditure on a ROI basis? No, without a roof, a factory could not operate (winter is coming). A roof is a cost of doing business.

Scenario: A new strategic direction for a company or organization. Management must tell the employees what's going on, what is expected of people, and what the organization must do in order to be successful.

Is it appropriate to measure ROI on this type of management communicate? If people don't know what is going on, will the organization be successful? Will the organization still exist?

Management retreats, employee briefings, new employee orientation all have elements that suggest they are a cost of doing business. Should we be asked to justify these type of meetings?

While it is not easy to provide accountability or justification, don't despair. The next section offers ideas on how to effectively meet these challenges.

Facing the Challenges

So is ROI useless? No, not necessarily. I believe the cry for a meeting's ROI is simply a request for accountability. ROI is the term bantered about because it is familiar to senior management who are evaluated by the language of accounting and the stock market. ROI has been used in other disciplines (like budgeting for capital expenditures, information technology) and so someone thought

to apply it to meetings. Our challenge is to guide our stakeholders through a discussion of determining the best way to provide that accountability.

And situations may arise where we have to say – because of the challenges identified above – there is no way to *completely* and *accurately* measure the benefits of a meeting. Additionally, some of the steps below will provide the basis for a discussion about alternatives, reaching the "Big Picture" return and what is realistically measurable.

So let me offer a process that creates accountability, shared vision and value to the meeting:

1. Start with the Business Objectives Whether it's weight loss, improving your golf swing, or a meeting, if you don't have a goal (an objective) then not only won't you have a guidepost to direct your efforts, you will not also know when you have achieved success.

2. Use ROI as a Decision Tool Borrow from other disciplines and use ROI to evaluate the alternatives to achieving the objective. Ask whether a meeting is the best use of your resources and explore other avenues for achieving the same business objectives. What is the best "investment" to achieve your desired outcomes? For those of us who make our living planning a meeting, this is scary. But what you are doing in the process is showing yourself to be

- Consultative
- Strategic
- and a Business Partner

So, if we need to do a product launch and educate our sales force the question isn't only what is the ROI on the meeting but what are the other options available to us and then, therefore, which option makes the most sense. What delivers the most value for the money?

We get so focused on measuring ROI that we don't always use it in a larger context. ROI measures are often used as a decision tool to determine the best way to employ capital. In other words, ROI is used to evaluate choices. It helps make a decision.

3. Don't be Put in a Vacuum The results of a meeting are dependent upon thousands of other things beyond the meeting. For example, new revenue from a product launch is dependent upon educating the sales force (done in a meeting). New revenue is also dependent upon the economy, the speedy distribution of the product, how well it is engineered, the sales people's compensation – they don't sell things they are not paid to sell, how much market demand there is for the product, other management initiatives, the individual sales person's motivation, etc., etc., etc., etc.

Yes, the stakeholder is interested in getting their return from a meeting – making sure that it is a good investment. But they should see the meeting as one tool to arrive at the final destination – additional revenue. They are interested in the overall return.

Don't plan meetings in a vacuum. Remember in legal contracts, each party's liability is limited to things they can control. Focus on the things you can control.

4. Decide on Measurements Through the process of identifying alternatives, you should naturally arrive at the metrics -- "the things you will measure to evaluate your success" or your return.

5. Decide Jointly Metrics should be jointly created with the meeting stakeholder (the person who control the business objectives) and the person responsible for executing the meeting. In many cases these are not the same person.

6. Metrics should be Audit-able Whatever you measure, you must be able to track and measure. Don't create metrics that you cannot find, are difficult to obtain, or don't exist! (Political turf is important here too. If the statistics come from another part of the organization, check up front that you will be able to gain access to those statistics.)

7. Make them Important Metrics should include "things" that the organization (read "Senior Management") cares about.

8. Use a two-prong approach to arriving at metrics. Prepare a 40,000 feet view (Big Picture: business strategies, competitive advantage, measurements that affect your company's stock price) and prepare the 40 feet view (day to day business results, department or division results, more detailed success measures). I liked an analogy that I read: Prepare for the Elephant *and* the Termite.

9. ROI is only one tool ROI may not be the correct measurement tool. You will be more successful if you measure what is important to your organization. (Tip # 7). Furthermore, you may be more successful if you use another measurement paradigm, like Return on Expectations (ROE), Return on Objectives (ROO), Return on Knowledge (ROK). See my newsletter issue from May 2002 for a review of these models or click here [May 2002](#). Or write for our Freebie this month.

Measuring Up

Generally, ROI is measured in 4 buckets:

1. Revenue Gained
2. Costs Saved or Eliminated
3. Opportunity Cost (lost opportunities)
4. Intangibles

This is a partial list of potential metrics:

Hard Measures:

Sales
Revenue
Time to Market
Costs
Market Share
Customer Referrals/Sales Leads
Leads Generated
New Contacts
Employee Turnover
Employees Recruitment
Employee Retention
Employee Absenteeism
Training Hours
Improving/Developing Skills
Number of Surveys Collected
Number of Appointments Scheduled and Held
Number of Interviews Schedule and Held
Productivity Gains
Elimination of Waste
Decreasing Rejection Rates
Reduction in Headcount
Indirect Costs (costs associated with poor resource management)Reduction in assets/expenses (cutting inventory, eliminating equipment, administrative expenses)

Number of Key Messages Communicated
Speed of Processing
Opportunity Costs (lost opportunities because organization could not handle/respond)
New Markets Penetrated

Soft Measures:

Brand Development
Improving Morale
Delivering organization's strategic direction or other message
Motivation
Public Awareness/Public Relations
Improving Customer Service
Standardizing Business Processes
Increasing Quality
Loyalty

Measurement Tools

Counting -- Simply counting/tracking specific measurements)
Pre-event survey -- Surveys of attitudes, self-assessment of skills, etc.
Post-event surveys -- Follow-up surveys of attitudes, self-assessment of skills, etc.
Combination pre- and post-event surveys
Focus Groups
Environmental Audits -- Before and after evaluation of the organization to assess productivity, skills, efficiency, processes and overall effectiveness
Mystery shopper evaluations -- Useful in retail environments to assess customer service, wait time, sales skills, etc.

You've Got Challenges

Here's another group that are challenged about demonstrating ROI --- the not-for profit segment. They have the need to create a measure tool because often the true impact of their work is undervalued. In order to create the measure of value for those within and outside the group, they have turned to the ROI metric to track, calculate and attribute value creation to the philanthropic and public "investments" financing of their efforts. They have coined the termed Social Return on Investment (SROI) to measure their results.

As a potential supporter of the organization what do I care about? Frankly, I am less focused on their SROI and rather, I am concerned with the percentage of my donation that goes to the "good cause" versus the administration of the not-for-profit.

Question: Are we measuring what our stakeholders care about?

Measurement In Action

From a 2000 study of what planners track to prove ROI comes these statistics:

94% Overall satisfaction of attendees/sponsors
92% Satisfaction with hotel, food and beverage, etc.

70% Whether the meeting met business objectives
64% Whether attendees learned in targeted areas
56% Key messages effectively communicated

30% Motivation of audience

27% Effect of meeting on key metrics
22% Impact on team effectiveness
19% Behavior modification/reinforcement

The overall satisfaction of attendees is typically gauged through surveys also known as Smile Sheets. These surveys track how well the participants liked a meeting. Evaluation of participants' reactions consists of measuring their feelings. This is the simplest level of evaluation – Tracking Reaction.

Moving into areas that are more important to our stakeholders (business objectives, learning, retention of key messages) requires that we move into a more sophisticated level of evaluation. For more information on evaluations, see my October 2000 issue of Tips for Innovative Meetings and Events. In that issue, I write about the 4 levels of evaluation used in Kirkpatrick's model. [Evaluations October 2000](#)

If you want to move your organization to a better method of evaluating meetings, please contact me. I would be happy to get involved and offer assistance.

Twists & Freebies

I truly believe that we will all be doing the concept of ROI a service and adding more value to our services, if we use first evaluate whether a meeting is the best alternative to meet our objectives.

Consider the alternatives and judge what types of costs and returns they offer. In addition, here's another twist to consider --how soon will you realize the benefits? The term is payback period. How long will it take for you to realize the payback of your investment?

Consider that you need to train your sales representatives on a new product. A meeting can get information out quickly, consistently, and at the same time. Or you could opt for a self-paced, instructional manual, which may be less costly. The self-paced instructional manual may offer a greater ROI on the surface

However, you should also be interested in when you would receive the benefits. If it takes 6 months for all the sales reps to realistically go through the manual (with lots of management prodding and reminding), you might conclude that this option takes too long and decide to go with the Meeting Option.

Summary: Payback Period

Another way at looking at ROI, is to calculate how many months it will take before the benefits match the costs and the meeting pays for itself. The formula is: $\text{payback period} = \text{costs} / \text{monthly benefits}$.

Payback period is a powerful measure. If the figure is relatively low -- perhaps only a few months -- then management will be that much more encouraged to make the investment.

FREEBIE If you would like more information on Balanced Scorecard, another tool (borrowed from the advertising world) for measuring return, e-mail me for details. Just send a blank e-mail to Stinnish@ameritech.net with the words Balanced Scorecard in the subject line.

[E-mail Sue Now](#)

Speaking Up

October was a month full of seminars and presentations for me. I had the opportunity to speak to the Tennessee MPI Chapter in Nashville. I was treated to some real Southern Hospitality and delivered

a presentation entitled, Lights, Sound. Color and Action: Reaching a Jaded Audience. Thanks to Vicky Garner for coordinating all the details.

I also had the pleasure of making my first trip to Winnipeg Canada to speak on 180+ Ways to Transform your Meetings. The group chose an unusual venue of an IMAX movie theater; it was a fabulous choice to compliment a presentation offering insight on adding pizzazz to a meeting. Of course, the taste and smell of the popcorn helped too! In addition to speaking on one of my favorite topics, I was given a delightful tour of the city and tasted some of their wonderful ethnic cuisine. My hosts were Shirley Tillett and Terri Okurley.

If you would like me to speak to your group or organization, send an e-mail and let's make it happen! I love traveling, speaking, and working with wonderful folks. It all starts with your e-mail, and you can contact me at: Stinnish@ameritech.net or 847-394-9857.

[Contact Sue](#)

Future T.I.M.E.

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I will be traveling to the American Society of Travel Agents' World Congress to speak on Trade Show Marketing on November 3 in Honolulu, Hawaii. [ASTA Details](#)

I am also pleased to announce that I will be making my first appearance at the Meeting Professionals Institutes addressing the topic of Setting and Designing Meeting Objectives at Institute I in Hollywood, Florida on November 4. I will also be leading a teambuilding/icebreaker activity during the Opening Session. [MPI Institutes](#)

Later in November, I am also traveling to Austin, Texas to deliver a 3-hour version of 180+ Ways to Transform Your Meeting.

I'd love to work with you on creating more interaction for your meeting or event. Please contact me: Sue Tinnish, SEAL Inc., Telephone: 847.394.9857, E-mail: stinnish@ameritech.net

In the meantime, I would really appreciate it if you would forward T.I.M.E. onto your colleagues, associates, and clients. Just press the forward button.

T.I.M.E. Gone By

If you are interested in past issues, please e-mail us with the month and topic and we will send you a copy of that newsletter. Here's what is included in past issues [Back Issue Request](#):

May 2000:[Teambuilding](#) and (Freebie) New York Times Reprint On Teambuilding

June 2000:[Green Meetings](#) and (Freebie) Resource List Of Exercises

July 2000:[Values](#) and (Freebie) Meeting Analysis

August 2000:[Minimum/Minimal Meetings](#) and (Freebie) Web Winners

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January 2002:[Teambuilding Options](#) and (Freebie)

February 2002:[Promotional Products](#) and (Freebie) Case Study

March 2002: [Multicultural Communication](#) and (Freebie) Multicultural Meeting Tips

April 2002:[Outdoor Learning](#) and (Freebie) Justification Checklist

May 2002: [Budgets, ROI, ROO, and ROK](#) and (Freebie) Budgeting Beyond Excel

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