



# **The Fallacy of ROI Calculations**

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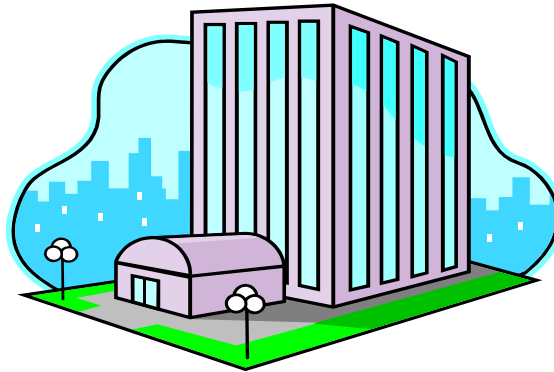
<http://nextgenerationofleaders.com>

# Question ...

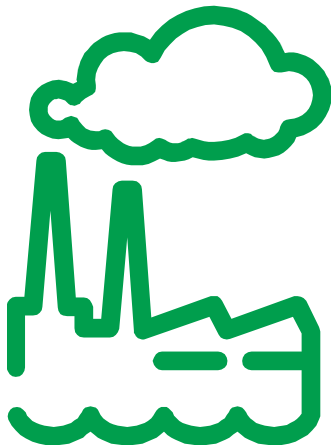
What does it mean when your CEO asks you to do an ROI study to prove the worth of your training efforts?



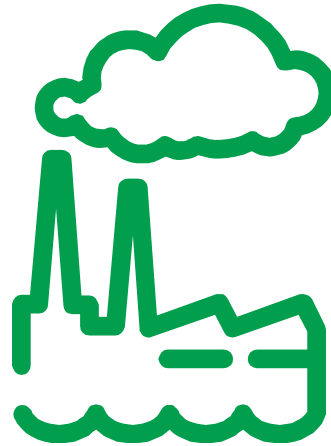




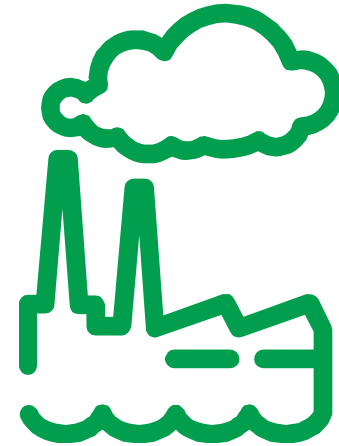
**Company Headquarters**



**Plant #1**



**Plant #2**



**Plant #3**

# The Inmate Management System



# A New Car Example



# Tying Learning to Business Goals



## The Learning Contract

# The Learning Contract

- Part I: The Business Need
- Part 2: The Learning Plan
- Part 3: The Business Results

# Learning Contract Part I: Focus on the Business Need

- What are the organization's goals?
- How do those goals cascade down to the work group and the individual?
- In order to meet those goals, what needs to change?
- In order to make those changes, what do people need to learn?

Part I Result: The Learning Agenda

# Learning Contract Part 2: Focus on the Learning Plan

- What will be learned?
- How will it be learned?
- When will it be learned?
- How will you measure the learning (Kirkpatrick Level 2)?

Part 2 Result: Your Learning Plan

# Learning Plan Part 3: Focus on the Business Result

- How will learning be applied to the job?
- How will you reinforce learning on the job?
- What changes in business results do you expect to come from this application?

**Part 3 Result: Changes in Business Results**

# The Key to the Learning Contract

- All elements of the learning contract are planned and negotiated up front – *before* any training takes place.
- In the terms of the Kirkpatrick model of evaluation, you set all expectations ***before*** you begin.

# Some Notes on ROI

- $ROI = B / C$
- ROI comes from the corporate finance world
  - ROI in corporate finance is forward-looking
  - ROI in corporate finance is **NOT** used to evaluate an investment that has already been made

# The Best Compliment I Ever Received

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... and we couldn't have done it  
without the help of the training group!

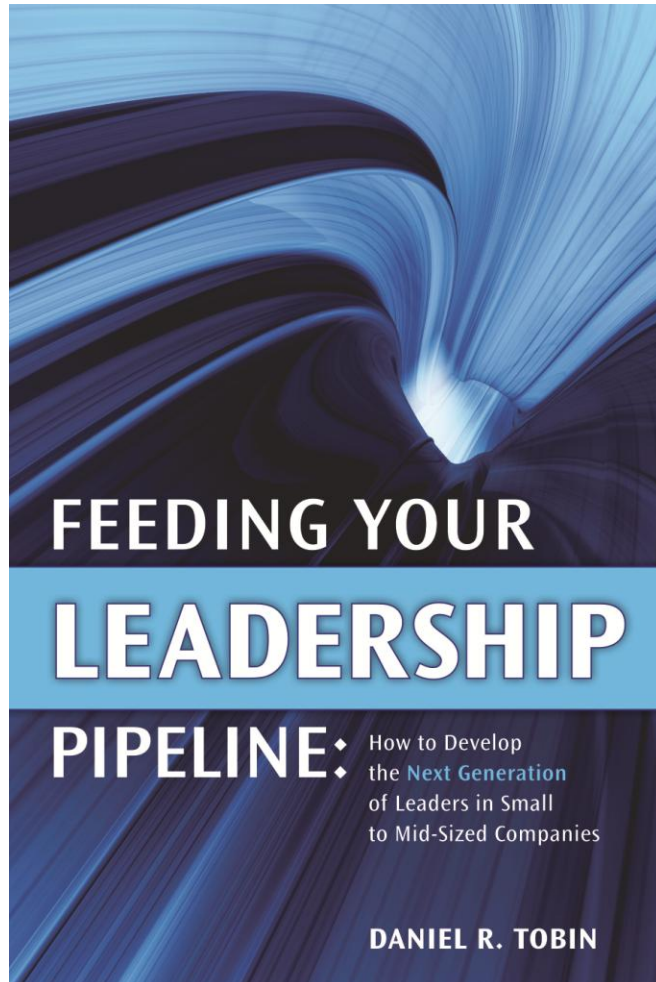
# Tobin's "Law"

- **If you begin and end all of your learning initiatives with a focus on your organization's business goals and strategies, you will never be asked to do an ROI study to justify your budget.**

# Questions?



# Check Out Dan Tobin's New Book



*“Feeding Your Leadership Pipeline is the most comprehensive, practical, and inviting book on the fundamentals of leadership development that I have had the pleasure of reading. Dan Tobin has done a masterful job of compiling all the tools, plans, processes, and programs that every small and medium-sized business needs to develop its future talent. You don’t need to look any further for all the expert advice and counsel you need to build the leadership muscle in your organization.”*

*Jim Kouzes, bestselling coauthor of The Leadership Challenge*

*Read chapter synopses and download a free chapter at  
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