What is so easy about ROI?

By Dr. Elling Hamso, Managing Partner, Event ROI Institute

When my wife became a board member of a voluntary organisation, she had to understand company accounts, income statements and balance sheets. I started the lesson by telling her the first and most important thing she needs to know about company accounts: they are very easy to understand. It is just how much money did you earn and how much did you spend, that's the profit and loss account, and what do you own and what do you owe, that's the balance sheet. The same applies to ROI, how much did your event cost, and what income did it generate? If the ROI is positive, you have added value to your company, exactly what your shareholders are looking for.

Rule 1 – Shed the Fear

If you start feeling uncomfortable when someone mentions ROI, rule number one applies, it is very easy! The required mathematics you learned already in primary school, the rest is just common sense. I teach the ROI Methodology to all kinds of people, I haven't tried it yet, but would feel very comfortable teaching a group of primary school children, they would get it straight away!

Rule 2 – Start with Objectives

You can't measure anything if you don't have objectives to measure against! You don't even know what data to collect if you don't know what you are trying to measure. You can't plan the event without the same objectives, how can you put the programme together if you don't know what you are trying to achieve? How can I turn something so obvious into a rule? Because most events are planned without first setting the objectives which are relevant to success. That is why so many events are not effective. I think it was Alice in Wonderland who said "If you don't know where you are going, you will end up somewhere else." That is where a frightening number of events end up. If you have a good set of measurable objectives to start out, the rest is easy and the result is almost guaranteed.

Rule 3 – Find the Bottom Line Connection

All events must improve the bottom line. For a corporation that is shareholder value, with profit being a common substitute. Ask yourself; at the end of the year, when the company accounts are published, profits will be a little bit bigger because of this event, otherwise the event made a loss and should never have happened. What is the connection between this particular event and the bottom line? Exactly how does it contribute to profit? If your answer is that the event is not meant to make a profit, just improve the image, or show gratefulness to our customers, or create a better working climate, I say think again because no business event should ever take place if it does not in one way or another, in the short or longer term, contribute to shareholder value. The shareholders simply wouldn't allow it, it is their money and they allow you to spend it only because it will improve the value of their shares. So you have to find the link! Why do you want to show gratefulness to customers? To keep them as loyal customers. Why do you want to create a better working climate? To make your organisation more cost effective.

If your organisation is not for profit, the same rule applies, you just have to define the equivalent of shareholder value, which will be the mission of you organisation. If you are the cancer society, the mission will be to reduce cancer. How will your event do that?

Rule 4 – Define Behaviour

We need many different kinds of objectives to ensure that the event is a success, but most important are the behaviour objectives. When I ask event planners what their objectives are, they usually refer to what participants should think or feel as a result of attending. To inspire employees, improve the brand image, present a new product, build personal relationships, etc. That is all well and good, but on their own, these objectives are worthless. Inspiration is worthless unless inspired people do something different as a result of becoming inspired. Learning is useless on its own, any HR manager will tell you this, the value is not in the learning, but in what people do after they have learned.

This may sound like detail, but it is not. It is absolutely fundamental. The only way that any meeting or event can possible create value to stakeholders is through the change in behaviour of participants, behaviour that is connected to the bottom line through increasing sales or reducing costs. Usually the behaviour happens after the event, but sometimes during, or in the special case of an incentive event, before the event itself takes place. And behaviour is really something physical, if you were in the room when they did it, you could see or hear them do it. So ask yourself, what should participants do as a result of attending the event?

Rule 5 - Take Small Steps

Don't try to eat the whole elephant in one meal. If you want to measure event ROI, start the journey one step at the time and build a culture of measurement and accountability for event investments in your organisation at the same time. For your next event, just write down three behaviour objectives and try to measure one of them for a few participants. Or if your event is designed to inspire employees, check with a small group if they really became inspired. If you are presenting a new product, how many of the participants were actually potential customers within a reasonable time scale? If networking was of essence, how many new or existing relationships of significance to the business success of the participants did they develop?

For every event, set a kind of objective that you haven't used before, make sure it is specific and measurable, then measure it. If you run out of ideas for new objectives, check out the ROI Methodology and you will find that there are six levels of objectives, all interconnected and step by step leading you towards that ultimate measure called Return On Investment.

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Illustrations sources:

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