

Patricia Pulliam Phillips · Jack J. Phillips · Gina Paone · Cyndi Huff Gaudet

VALUE FOR MONEY



HOW TO SHOW THE VALUE FOR MONEY

for All Types of Projects
and Programs In:

Governments
Nongovernmental Organizations
Nonprofits
and Businesses



*A Systematic Process to Measure Impact,
Monetary Benefits, and ROI*

With the Assistance of Kylie McLeod

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Nonprofits, and Businesses

**Patricia Pulliam Phillips,
Jack J. Phillips, Gina Paone,
and Cyndi Huff Gaudet**
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Praise for Value for Money

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“There are very few constants in healthcare. Two of them – the push for greater quality and productivity – are comprehensively addressed by the authors. And in so doing, the direct connection between resource investment – time and money – and the return on those investments is concisely and profoundly made.”

Ross Mitchell
Vice President, External and Government Affairs
Brookwood Baptist Health

“*Value for Money* is a must read, must have for every leader at every level who wants to understand the science of showing value in their organization. The insights, learning, and practical impact of the examples provided throughout the book are timeless and will shape our understanding of ROI for decades to come. If you want to know about the monetary impact of your program, follow the principles outlined in *Value for Money*.”

Dr. Brad Shuck
Associate Professor
University of Louisville

“This book is a roadmap for all types of businesses, no matter whether profit or nonprofit, to find their way to true success. I personally have experienced the incredible impact ROI Institute makes of optimizing expendable resources to have the needed outcomes with greater impact. It is a must-read for anyone who wants to be successful and dynamic in their work and life.”

CH (BG) Charles R. Bailey, Ret.
Deputy General Secretary
General Board of Higher Education and Ministry
The United Methodist Church

“The publication of this book comes at a critical moment. Being in a position to clearly show value for money in non-for-profit, governmental and multi-lateral institutions has become critical for the survival of high impact programs for the well-being of the most vulnerable amongst us.

For as long as I have known Gina, she has been concerned about performance – not only the performance of individuals, but also of groups and Organisations. Her professional endeavours and dedication to making this world a better place for everyone, together with her first-hand knowledge of what it means to demonstrate value for money for donors, makes her an exceptionally powerful contributor to this arena.”

Michèle Pagé

Head of Human Resources

Organisation for Economic Cooperation and Development (OECD)

“*Value for Money* provides easy to grasp tools and concepts for anyone involved with program or project budgets. As a 30-year professional involved with programs and project budgets ranging from several thousand to several hundred million dollars, I can attest to the growing need to show value from a variety of data points. This book fulfills this growing need perfectly and should be on every program or project manager’s desk!”

Col. Garry L. Thompson

United States Army

“We live in a world where almost every sector in society is increasingly being asked to be more accountable, and to be able to demonstrate a return on investment. The NGO, Public and Multi-lateral sectors are not immune from this accountability landscape, where constituents, beneficiaries, donors and a range of other stakeholders are demanding demonstrable efficiencies and results. Building on a wealth of previous work in the area, *Value for Money* is the definitive guide for organizations and individuals grappling with this issue, from the Enhanced Logic Model to articulating shared responsibilities, to providing practical tools and templates – this book sets the standard, and will define how we think about demonstrating value for the next generation.”

Michael Emery

Director of Human Resources

United Population Fund

“Kudos to the authors for providing a logical, systematic project evaluation framework that incorporates both financial and key nonfinancial elements affecting an investment decision.”

Hank Walker

Partner, Andrade/Walker Consulting

Former CEO of a large Catholic health system

“There is no more important measure than business impact, yet many business professionals I encounter struggle with how to align their projects to business objectives. Jack and Patti Phillips not only use their years of experience in measuring impact, but also their vast network of contacts to arrive at 12 easy steps anyone can follow. If you want to produce real results, this book is a must read.”

Kevin Oakes

CEO

Institute for Corporate Productivity (i4cp)

“Having worked in the public sector for over 15 years for the United Nations and partnered with Jack and Patti Phillips of ROI Institute, USA, to develop two key measurement courses for the UN System on the ROI Methodology, it is evident, as highlighted in *Value for Money*, that there continues to be a global demand to show “value” and “results”, particularly in programs aimed at growing human capital. As noted in the book, the global financial crises, donor fatigue, and reduced resources reinforces the need to view financial contributions as an investment that must be accounted for with tangible results showing clear outcomes. “Value for Money” is a useful and practical guide that helps us to reassess the impact of our work in bringing about tangible results for organizational change.”

Mariama Daramy-Lewis

Chief, Human Resources and Training Section

United Nations Environment Programme*

*The views expressed herein are those of the author and do not necessarily reflect the views of the United Nations or the UN Environment Programme.

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Foreword

I discovered the ROI Methodology eight years ago in a partnership agreement between ROI Institute and my training and consulting institute, “Arab Institute for Marketing and Sales”

(AIMS), which was founded 17 years ago. To date, more than 90,000 professionals have been involved in our programs. We conducted several ROI Certification programs to develop human resources experts in measuring the return on investment. We have obtained consulting contracts, including one with Mobily, one of the largest communications companies in Saudi Arabia. I have also read several books from ROI Institute on measurement, monetary benefits, and return on investment, written by Jack and Patricia Phillips.

In my view, calculating the return on investment requires courageous stakeholders as well as an efficient skillful environment and a credible, scalable methodology.

I write this foreword today in Granada (Spain) where one-fifth of 100 young leaders (male and female) graduates receive a European Fellowship on managing the nonprofit organizations, in cooperation with the Euro Arab Foundation and the University of Granada. I have spent more than thirty years working with charities and nonprofits inside Saudi Arabia and outside Saudi Arabia in the Philippines, Pakistan, Jordan and Albania. I found that our business relies on trust.

Over the past fifteen years, the Kingdom of Saudi Arabia has had a big leap in the third sector, nonprofits, which achieved a growth of 100%. In Saudi Arabia, there are currently 950 nonprofit organizations. Annually, these organizations spend about one billion dollars in the social, economic, and human rights of the disabled, elderly, women, and children. The government spends more than 9 billion dollars for the same groups through the social security fund.

The role of the third sector has shifted from the role of pastoralism to empowerment and development, especially after the launch of the vision of the Kingdom of Saudi Arabia 2030 under the leadership of His Royal Highness Prince Mohammed bin Salman. The vision emphasized the role

of the third sector to achieve the role of the goals of the vision and increase its participation in the gross national product from 0.05% to 3%.

This book arrives in a favorable historical moment where the entire environment in the state and society accepts and drives towards accounting and anti-corruption. We are asking, where do we place our resources? What is our role in development?

We must be honest with ourselves if we want to protect future generations that are the center of the concept of comprehensive development. The environment is favorable and the leaders are ready, now the methodology is present in this book. We were honored to host Jack Phillips in Riyadh this year with a seminar on the return on investment in nonprofit organizations. I was pleased with the large turnout which means that the environment is favorable. Now, we have decided to launch a forum on the measurement of return on investment in nonprofit projects. We expanded the subject to include the government sector as well as social responsibility programs in the private sector. We will have several events and workshops to suit the needs of Saudi Arabia, as well as providing courses to graduate specialists in measuring return on investment.

The book is a success. It begins with defining the terms, addresses the major questions, applies academic knowledge, and then guides readers to a roadmap for implementation. Additionally, the book explores the problems that will confront you and shows how to overcome them. ROI Institute and the book's authors have created a great resource which will set the standard in measuring the impact.

We must expand the scope of application and adapt to the environment. We must simplify the procedures and present the results to expand towards change for the better. When we know the results and take the most important steps to maximize the impact, yield will increase, and costs will be reduced, while achieving fairness and equity in distribution.

As for me, I will translate the book into Arabic. I have embarked on that task now.

Dr. Yousef O. Alhuzaim
General Secretary
Princess Alanood Foundation
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Preface

Value is Changing...

Bill and Melinda Gates, cofounders of the world's largest foundation, dedicated their 2017 annual letter to Warren Buffett. He donated the largest amount of money in the history of the Gates Foundation. In a cordial way, Buffett had asked the Gateses to describe the results of this contribution—essentially, he was asking for the *value for money*.

In their annual letter, the Gateses began with Buffett's correspondence to them. They then showed the return on his investment. Essentially, the annual letter was Warren Buffett's ROI for the roughly \$30 billion investment in the Gates Foundation. The letter focused on the impacts of their various grants and initiatives. For one initiative, they actually showed the financial return on investment. This single act of responsibility and accountability portrays what is happening across the public and social sectors. Foundations, nonprofits, governments, nongovernmental organizations, religious institutions, universities, associations, and others are being held to higher levels of accountability than ever before.

Chaplains in hospital settings are being asked to show the value they deliver to healthcare organizations, otherwise, they face a reduction in numbers. The United Methodist Church is stepping up to this challenge by preparing chaplains to show the value of what they do in terms that funders can understand. This often means value for money and, in some cases, the financial ROI.

The president of the University of Malaysia Putra is asking the head of the library to show the ROI for all of the database subscriptions. Subscriptions represent an almost \$20 million investment each year. "After all, isn't all of this information on the Internet?" asked the president. This prompted the head of the library to show the ROI of having the database from the perspective of the students and faculty.

The largest foundation in Saudi Arabia, and one of the largest in the Middle East, is planning a conference for nonprofits. The theme of the conference is "Measuring the ROI for Non-Profits." Part of the plans for this conference is

to not only teach and show examples of how and why to measure ROI, but to also offer ROI Certification for nonprofit leaders so they can build internal capability to show value for money for the contributions they receive.

Various government agencies are facing tremendous accountability issues. The IT function within the Social Security Administration in the United States has been asked to show the ROI for major IT projects. Otherwise, its \$1.3 billion investment would be in jeopardy. One intelligence agency is being asked to show the impact and ROI of a master's degree program offered to high-potential employees on agency time, paid by the agency.

Alberta Health Services, the largest provincial health system in Canada, has challenged its Healthy Living group to show the impact and ROI of their various programs. Demonstrating such results comes with the prospect of allocating more funds into the preventive-type programs that they advocate and organize.

These, and hundreds of other examples, show what is happening in the public sector. Accountability is required in areas unaccustomed to demonstrating value beyond the activities they offer. This is caused, in part, by four major trends:

1. Budgets are constrained, reduced, and tightly monitored, more so than any time in the past.
2. There is more competition for funding within an organization than ever before, and the competition frequently makes a compelling case for portions of budgets other than their own.
3. Organizations are moving from activities to results and on to fact-based outcomes, and sometimes to the financial ROI.
4. Donors and funders are requesting more accountability for their contributions. For government, it's the taxpayers. For foundations, charities, and nonprofits, it's the donors. And for businesses, it's shareholders and top executives.

These trends are a reality for many organizations and will likely continue. In fact, we anticipate that they will become even more pronounced.

Need for a New Approach

Moving toward fact-based outcomes is a challenge to all organizations as they attempt to show the value for the money that they receive. This