



3 Factors of Change Which Define or Constrain Project ROI

Some change practitioners today receive more requests for change management on projects and initiatives than ever, while others still work diligently to make a compelling case for its need. To get support and investment for change management, especially when budgets are tight, it's essential to learn how to connect change management directly to project and organizational outcomes. To do that effectively, we can use the Human Factors of ROI model.

The Human Factors of ROI Model

Prosci's Human Factors of ROI model describes three people-related factors that directly contribute to or constrain a project's return on investment (ROI): speed of adoption, ultimate utilization, and proficiency. If a project impacts the way people do their jobs in your organization, measuring these human factors will enable you to help leaders understand a project's true ROI.

Why ROI differs from what we expect

The ROI a project delivers rarely equals exactly what was expected. Through a series of complex calculations, a project team might arrive at an expected improvement of \$350,000 (either in cost savings or revenue generation). But how likely is it that a solution that changes how business gets done delivers exactly \$350,000? It is much more likely that the project returns \$345,000 or \$355,000 or \$515,000 or -\$110,000.

The same can be said for ROI expressed as a percentage. The project team might arrive at 23%, but the likelihood is that the ROI will be 22.5% or 23.5% or 40% or 2%. Project ROI rarely equals what is expected.

In fact, the more a project's results or outcomes depend on individuals doing their jobs differently, the greater variation we can expect in ROI. If a project has very little impact on the work processes and behaviors of individual employees, we can be fairly certain about the expected return. But the most important and most strategic changes in organizations tend to have a greater dependency on the people side of change.

3 Human Factors of ROI

Prosci's Human Factors of ROI model is based on the premise that change ultimately happens one person at a time. The individual is the unit of change. When a project introduces a new process impacting 15 employees, the project's success is tied to those 15 employees adopting the change and following the new process. Likewise, a project introducing a new technology to 150 employees is only as successful as those 150 individuals are at using the new technology.

Because change happens one person at a time, we look at three human factors which define or constrain the project ROI:

- Speed of adoption
- Ultimate utilization
- Proficiency



Speed of adoption

Speed of adoption defines how quickly employees are up and running on the change to the way they work with new systems, processes or job roles introduced by a project or initiative. When the new systems, processes or job roles go live, how long does it take employees to adopt the change? In some instances, a project team might assume an instantaneous adoption by all impacted employees, but experience would suggest a staggered adoption over time.

In his work on the diffusion of innovation, Everett Rogers introduced the categories of innovators, early adopters, early majority, late majority and laggards when looking at how new technologies were adopted by groups. Organizational change likely follows a similar path with different employees requiring different amounts of time to internalize and ultimately adopt a change to their work. The speed of adoption for a group of employees impacted by a change—how quickly they adopt the change—has a direct and measurable impact on the return a project delivers.

Ultimate utilization

Ultimate utilization is how many employees are adopting and using the change to how they do their jobs. The converse would be employees who opt out or find workarounds that enable them to continue doing their job as they had before the change. Were the expected benefits of the project predicated on 100% of employees adopting the change? 95%? 85%? 80%? Each employee who does not make the change chips away at the improvement the project or initiative set out to achieve. The ultimate utilization (or conversely the opt-out rate) for a group of employees has a direct and measurable impact on project ROI.



Proficiency

Proficiency is how well individuals are performing with the change as compared to the level expected in its design. Proficiency is tied to how the benefit of the change to processes, workflows, technologies, tools, systems, etc. is realized. If a call center redesigns its scripts to drive handle time down from 90 seconds to 75 seconds, what was the actual reduction in handle time? Did handle time drop to 85 seconds? 80 seconds? 70 seconds? Or did it go up to 95 seconds? The proficiency of employees who adopted the change has a direct and measurable impact on the results and outcomes of a project or initiative because employees doing their jobs differently is what drives those results and outcomes.

Example ROI Calculations

Let's walk through a simple example of how the three human factors can impact the ROI of a project. In this case, two employees, Andre and Becky, are impacted by a change to the way they do their jobs. If they adopt the change, the company will save \$5,000 per month. The cost of the project is \$20,000 (paid in the first month), and the team plans on two months before Andre and Becky adopt the change.

The calculations below show a \$20,000 investment in month 1 and \$5,000 benefits in months 3 through 12.

Baseline:

- Cost: \$20,000
- Expected benefit: \$50,000 (\$5,000 x 10)
- ROI: 150% = $(50,000 - 20,000) / 20,000$

Baseline Investment ROI

Expected Benefit

$$\$5,000 \times 10 = \$50,000$$

$$\text{ROI: } 150\% = \frac{\$50,000 - \$20,000}{\$20,000}$$

Scenario 1: Slower speed of adoption

In this scenario, change management is not done effectively. Instead of taking two months for Andre and Becky to the change, it takes them six months to adopt the change.

- Cost: \$20,000
- Expected benefit: \$30,000 (\$5,000 x 6)
- Loss due to poor change management: \$20,000 (\$5,000 x 4)
- ROI: 50% = $(30,000 - 20,000) / 20,000$

Scenario 1 ROI

Expected Benefit

$$\$5,000 \times 6 = \$30,000$$

Loss

$$\$5,000 \times 4 = \$20,000$$

$$\text{ROI: } 50\% = \frac{\$30,000 - \$20,000}{\$20,000}$$

Scenario 2: Lower ultimate utilization

In this scenario, change management is not done effectively. Becky adopts the change, but Andre opts out and finds a workaround, so his portion of the benefit is not realized.

- Cost: \$20,000
- Expected benefit: \$25,000 (\$2,500 x 10)
- Loss due to poor change management: \$25,000 (\$2,500 x 10)
- ROI: 25% = $(25,000 - 20,000) / 20,000$

Scenario 3: Less proficiency

Like the previous scenarios, change management is not done effectively. As a result, although Andre and Becky both adopt the change in month 2, they only generate 70% of the expected savings in each month.

- Cost: \$20,000
- Expected benefit: \$35,000 (\$3,500 x 10)
- Loss due to poor change management: \$15,000 (\$1,500 x 10)
- ROI: 75% = $(35,000 - 20,000) / 20,000$

This simple analysis demonstrates how the three human factors can directly impact the expected return of a project. While basic, this is not that different from many projects or initiatives in organizations that rely on individual employees doing their jobs differently to drive improvement—whether it's two employees, 15 employees, 150 employees or 15,000 employees. In the end, how quickly, how many and how effectively they make the change dictates ROI.

Apply the 3 Human Factors

To solidify your understanding, try to apply the three human factors to a project you are currently supporting. The first step in demonstrating how the human factors impact ROI is to define them. There is no universal metric for speed of adoption, because “to adopt the change” for your initiative means something very different for each unique initiative. Similarly, “to be proficient” at following a new process is quite different from “being proficient” at using a new piece of technology. You need to translate speed of adoption, ultimate utilization, and proficiency into what they mean for your specific project.

Although universal metrics don't exist, the three human factors are universal. Whenever a project or initiative impacts how employees do their jobs, how quickly, how many, and how effectively the changes are made impacts ROI.

Scenario 2 ROI

Expected Benefit

$$\$2,500 \times 10 = \$25,000$$

Loss

$$\$2,500 \times 10 = \$25,000$$

$$\text{ROI: } 25\% = \frac{\$25,000 - \$20,000}{\$20,000}$$

Scenario 3 ROI

Expected Benefit

$$\$3,500 \times 10 = \$35,000$$

Loss

$$\$1,500 \times 10 = \$15,000$$

$$\text{ROI: } 75\% = \frac{\$35,000 - \$20,000}{\$20,000}$$

Think about the three factors this way:

- The faster the speed of adoption, the higher the project ROI
- The higher the ultimate utilization, the higher the project ROI
- The greater the level of proficiency, the higher the project ROI

And, consider the converse:

- If speed of adoption is slower than expected, project ROI is lower
- If ultimate utilization is lower than expected, project ROI is lower
- If proficiency is less than expected, project ROI is lower

Change Management's Contribution to ROI

As a discipline, change management focuses on enabling and encouraging employees to engage, adopt and use changes to their day-to-day work as required by a project or initiative, which directly contributes to higher ROI through faster adoption, greater utilization and higher proficiency. In other words, by way of the three human factors, change management directly contributes to project ROI.

Drive More Successful Change

Improve speed of adoption, ultimate utilization, and proficiency on your organizational projects and initiatives when you become a Prosci Certified Change Practitioner.



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