Transfer Payment Lean Project Return On Investment
(TP Lean ROI)

2016 Canadian Public Sector Lean Summit

Ministry of Community and Social Services, ON, Business Improvement Unit
Global value Expanders Limited

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Content and Background

- Background / Context
- Overview of Operations and TP Management
- TP Lean Project Summary
  - Some details about what we did in the project
- What is ROI
- How would we use ROI in TP Lean project
- Implementation of ROI in TP Lean project

Background / Context

- In 2009, the Ministry of Community and Social Services divided into two ministries – Community and Social Services (adults) and Children and Youth Services (children). At the same time, youth justice services were transferred from corrections to the new children's ministry.

- Services are delivered in three ways: directly, through transfers to municipalities and first nations and through transfer payment arrangements

- The two ministries continued to share an operational footprint of nine regional offices and retained a four region structure for youth justice. They shared common business tools and similar business process expectations. However evolution of regional offices has resulted in variation in TP business processes across the province.

Overview of Operations

- Approximately 2500 staff in 13 regional offices and 42 local offices (includes direct delivery)
- ~$15B in programs, ~$6B in transfer payments (not including municipalities and first nations)
- ~1,330 TP Agencies:
  - Mainly non-profit social service agencies
  - 287 deliver programs for more than one of the operating divisions
  - ~600 receive funding from other ministries
  - ~30% deliver services in more than one region
- Transfer payment agreements are specific to each ministry and allocations were done regionally. An agency with services in 9 regions that served both adults and children could have 18 TP agreements.

Updates to TP Management

- In 2012, the ministries undertook a joint project to develop the business architecture for a shared TP management system. This exercise revealed:

1. Manual and duplicative process
2. Long overall processing times
3. High number of handoffs

  - Issues were concentrated in 3 parts of the process

Transfer Payment (TP) Lean project

- Executive agreed to try a new approach – Lean Six Sigma – to reduce both waste and variation in the process

TP budget submission and service contract process

TP year-to-date reporting process

TP service contract amendment process

Goals:
1. Reduce variation
2. Reduce processing time and associated cost
3. Reduce handoffs

Results:
1. ~30% shorter lead time
2. ~45% reduction in the number of hand offs

Additional Results

- **Engagement:**
  - TP staff from all regions and all parts of the process were involved
  - Established agreed common processes and approaches across the regions using best practices developed in various local offices
- **Single Contract:**
  - Established a foundation for the creation of a single contract per agency approach (currently in pilot phase)
  - Improvement welcomed by TP stakeholders who were active participants
- **Enterprise-wide adoption:**
  - Project adopted as a model for enterprise-wide review of transfer payment management processes across all of government

A Successful Experience

The project received Deputy Minister's Bravo Award for Innovation and Creativity

WHAT DID WE DO?

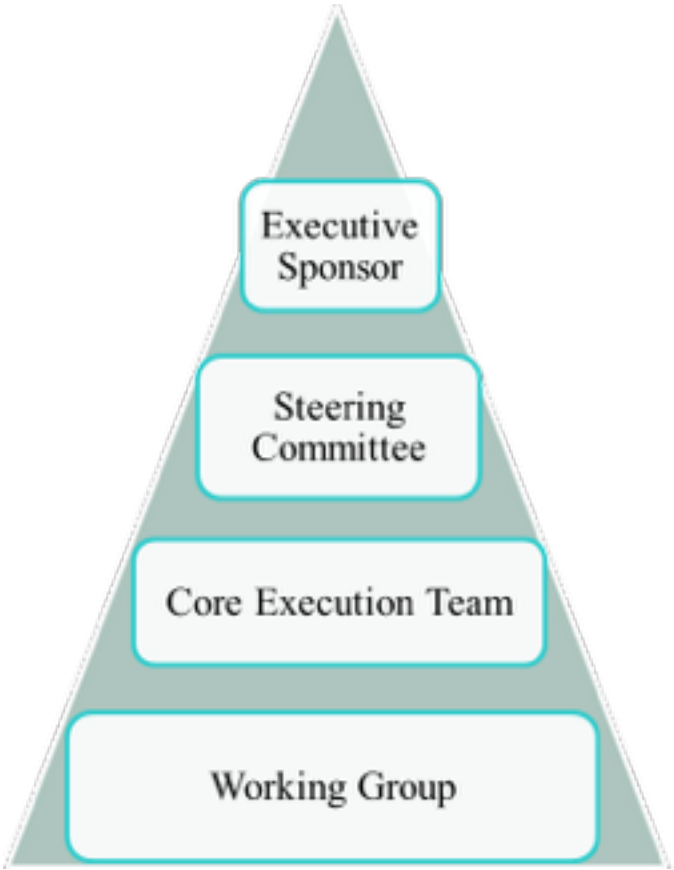
Transfer Payment (TP) Lean Project Governance

Governance and Structure

- The Directors Steering Committee would oversee the implementation of the approved recommendations.

- Three TP Implementation Teams would be formed for each respective TP sub-process, structured and supported as follows:
  - Each team to be led by a Project Controller, supported by a TP Lean Project Analyst
  - FPBM to act as co-lead for each team
  - TP Lean Working Group to act as an advisory body
  - BIU to provide technical support as required

- The TP Implementation Teams would report to the Directors Steering Committee bi-monthly, and would provide secretariat services on a rotational basis.



Transfer Payment (TP) Lean project

- Shared the terms and conditions with directors and ADMs
- Reviewed and approved the project charter in 5 days workshop
- Trained a large group on Lean Six Sigma (LSS), RCA, solution design
- Divided the large group into 3 teams, each team with one facilitator
- Developed value stream mapping (VSM), determined bottleneck, develop feasible solution by each team
- Developed action plan and RACI matrix by large group
- Presented and reviewed the primary report by directors to finalize as workshop report
- Worked on action plan after the workshop, final report to present to steering committee
- Approved the report
- Assigned the project manager to implement the changes

High Level Project Plan Overview

Preparation	Solution Design	Report Preparation	Implementation and Control
• Kick off meetings • Terms and conditions • Review background • Interview preparation • Site visit • Review processes performance metrics • 5 day workshop approved	• Project charter • General training on LSS and tools • 3 smaller groups • VS Mapping • Prioritizing the process and develop process • Develop process improvement framework • Develop action plan • • • •	• Prepare and provide the workshop report • Presenting the final project report	• Reduce the number of hand offs within the Transfer Payment process by 50% • Reduce the processing time within the sub-process by up to 40% • Reduce the delay time by 40% • Significantly reduce redundant data collection • Ensure consistency of processes within different divisions • Some of the above solutions required policy changes and were recommended to the policy department for consideration

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Measuring What Matters:
INCLUDING IMPACT AND ROI

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The “New” Definition of Value

Value Must:

- Be balanced, with qualitative and quantitative data
- Contain financial and non-financial perspectives
- Reflect strategic and tactical issues
- Satisfy all key stakeholders
- Be consistent in collection and analysis
- Be grounded in conservative standards
- Come from credible sources

The "Show Me" Evolution

Term	Issue
Show Me!	Collect Impact Data
Show Me the Money!	And Convert Data to Money
Show Me the Real Money!	And Isolate the Effects of the Project
Show Me the Real Money, And Make me Believe it!	And Compare the Money to the Cost of the Project

Six Types of Measures

- Reaction and Planned Action
- Learning
- Application
- Business Impact
- Return on Investment
- Intangible Measures

CEO Survey

***Fortune* 500 and Top Private Organizations**

- Surveys administered between November 2008 & February 2009
- Completed directly by CEO
- 10 actions taken to increase response rate
- 96 returned
- 21% response rate

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
***1. Inputs*:** "Last year, 78,000 employees received formal learning."	94%	85%	6
2. Efficiency: "Formal learning costs $2.15 per hour of learning consumed."	78%	82%	7
3. Reaction: "Employees rated our training very high, averaging 4.2 out of 5."	53%	22%	8
4. Learning: "92% of participants increased knowledge and skills"	32%	28%	5

**CEO Survey—Fortune 500 and Large Private Companies*, ROI Institute
N=96 Respondents

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
5. Application: "At least 78% of employees are using the skills on the job"	11%	61%	4
6. Impact: "Our programs are driving our top 5 business measures in the organization."	8%	96%	1
7. ROI: "Five ROI studies were conducted on major programs yielding an average of 68% ROI."	4%	74%	2
8. Awards: "Our learning and development program won an award from American Society for Training and Development	40%	44%	3

**CEO Survey—Fortune 500 and Large Private Companies*, ROI Institute
N=96 Respondents

5 Levels of Measurement - Examples

Level 0 Input and Indicators

- Number of programs
- Participants
- Hours
- Requests
- Efficiencies
- Costs
- Time to Deliver

*Correlates with Application

Level 1 Reaction and Planned Action

- Relevance*
- Importance*
- Usefulness
- Appeal
- Emotion
- Brevity
- Uniqueness
- Concreteness
- New Information*
- Motivation
- Appropriateness
- Intent to Use*

5 Levels of Measurement - Examples

Level 2 Learning

- Information
- Knowledge
- Understanding
- Capability
- Contacts
- Confidence
- Perceptions
- Skills
-
-

Level 3 Application

- Use of Information
- Use of Knowledge
- Use of Skill
- Completion of Actions
- Completion of Tasks
- Implementation of Ideas
- Use of Procedures
- Use of Regulation
- Success with Application
- Barriers
- Enablers

5 Levels of Measurement - Examples

Level 4 Business Impact

- Productivity
- Quality
- Errors
- Incidents
- Re-Work
- Efficiency
- Compliance Discrepancies
- Complaints
- Cost reduction
- Employee Engagement
- Employee Retention

•Service Delivery

- Cycle Time
- Customer Satisfaction
- Intangible Measures

…. includes a technique to isolate the effects of the communication project.

Level 5 Return on Investment

- ROI (%)
- Benefit/Cost Ratio
- Payback Period

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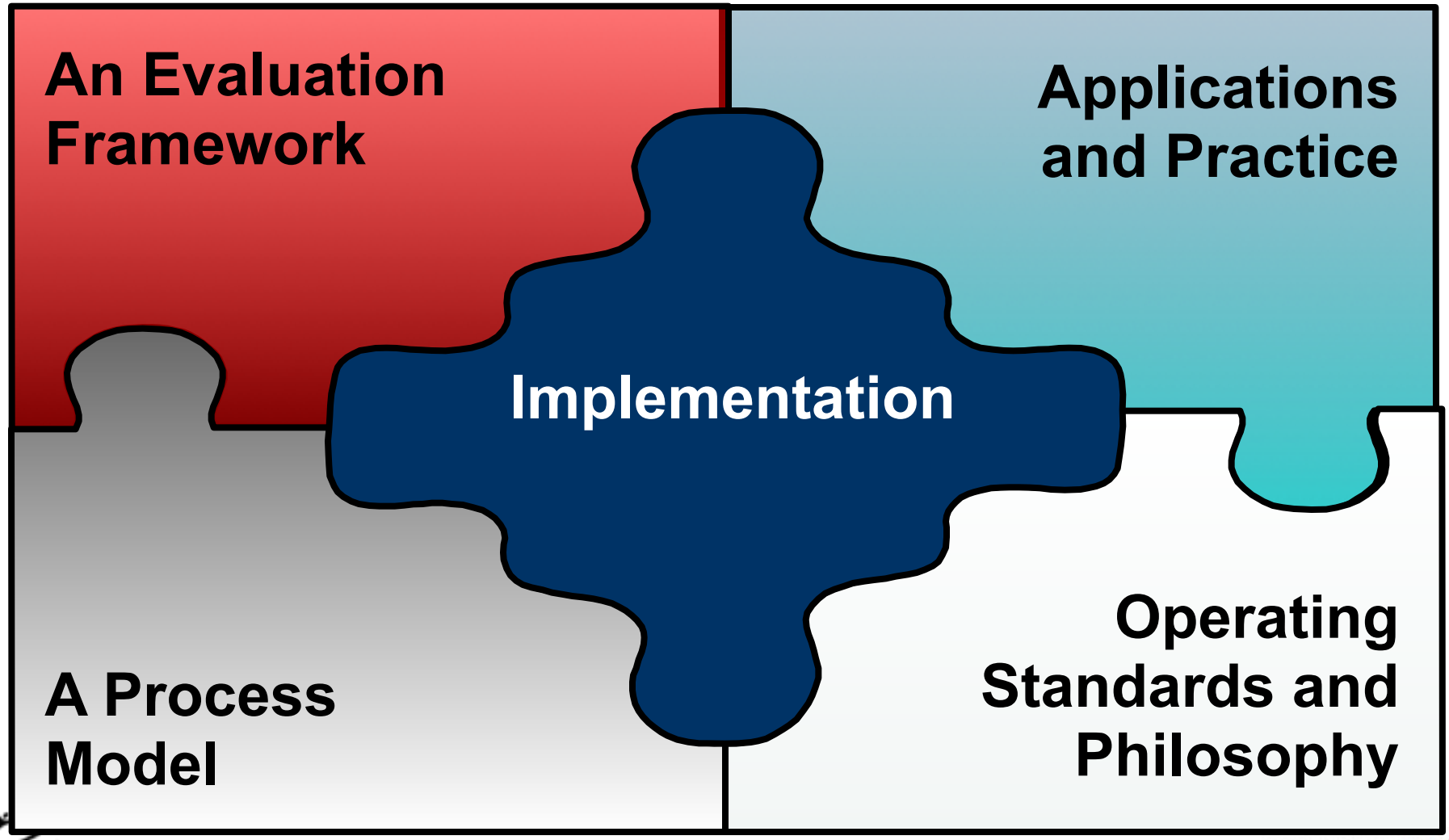
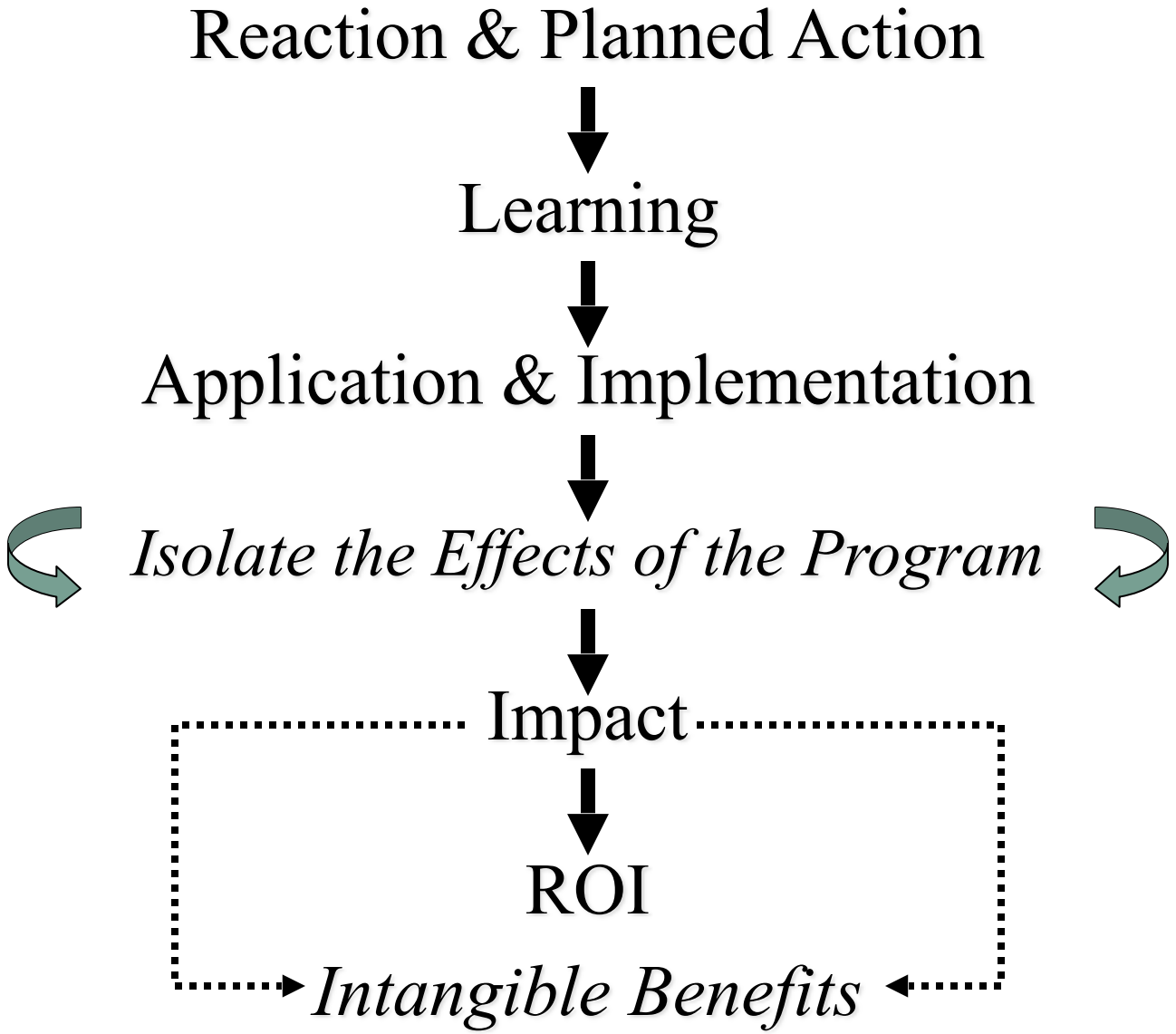
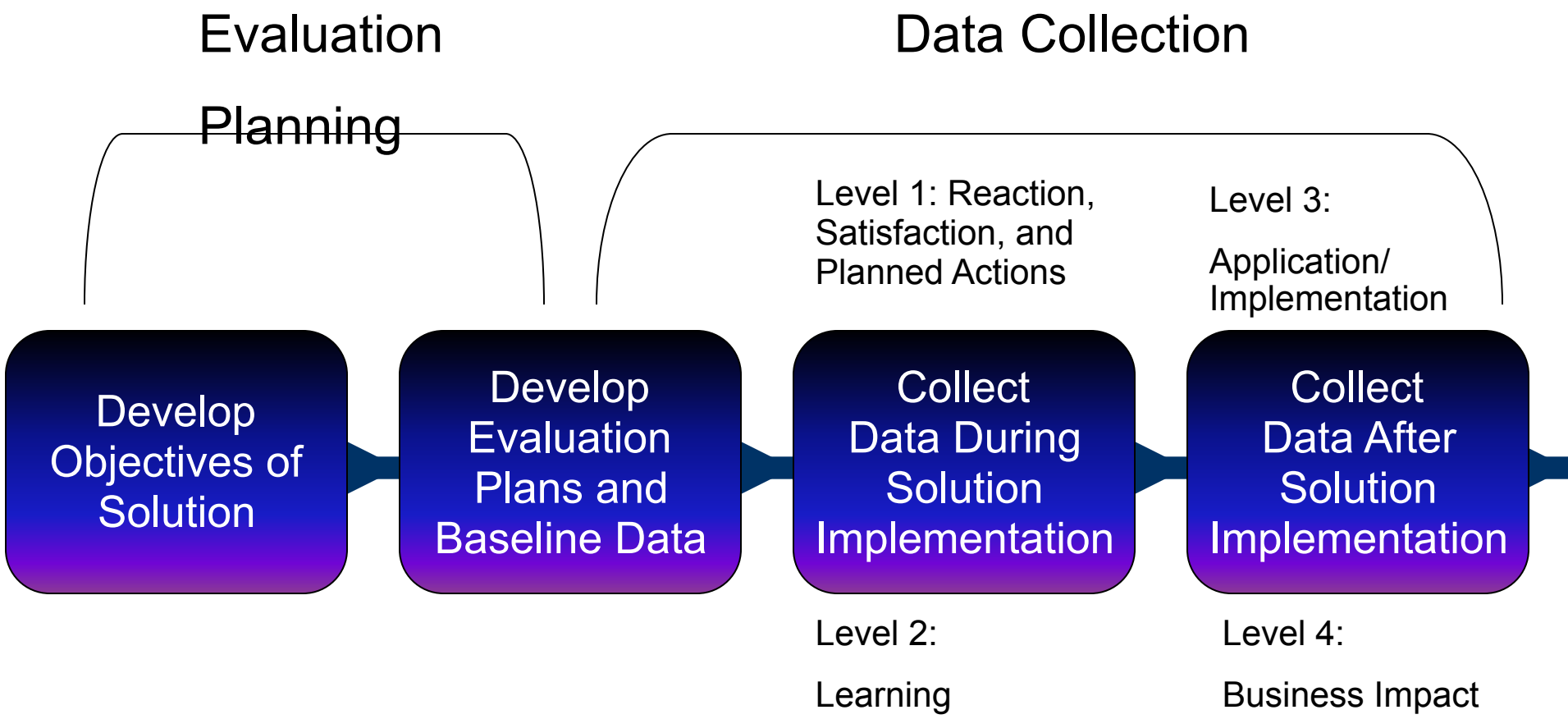
An evaluation system must have five elements



Chain of Impact



The ROI Methodology



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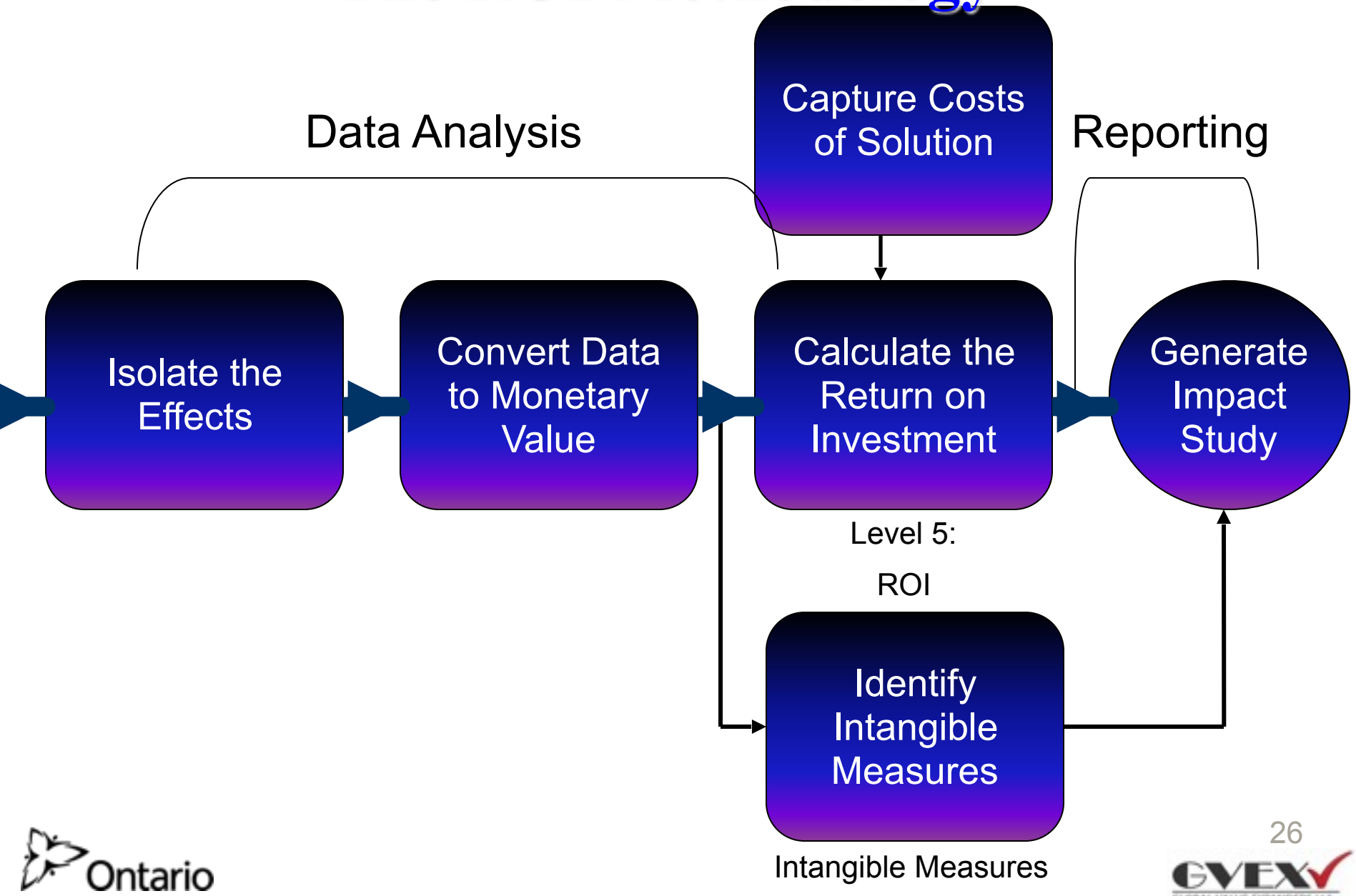
The ROI Methodology



ROI Calculation

$$ROI = \frac{\text{Net Project Benefits}}{\text{Project Costs}}$$

Cost of project $230,000
Benefits of project (1st year) $430,000

$$ROI = \frac{\$430,000 - \$230,000}{\$230,000} = 0.87 \times 100 = 87\%$$

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Evaluation Framework

Level	Measurement Focus
1. Reaction and Planned Action	Measures participant reaction to the program and captures planned action.
2. Learning	Measures changes in knowledge and skills.
3. Application	Measures implementation, action, and changes in behavior on the job.
4. Business Impact	Measures changes in business impact variables.
5. Return on Investment	Compares monetary benefits of the impact of the program.

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Guiding Principles

1. When conducting a higher-level evaluation, collect data at lower levels.
2. When planning a higher level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analyzing data, use only the most credible sources
4. When analyzing data, select the most conservative alternatives for calculations.
5. Use at least one method to isolate the effects of the program or project.
6. If no improvement data are available for a population or from a specific source, assume that no improvement has occurred.
7. Adjust estimates of improvements for the potential error of the estimates.
8. Avoid use of extreme data items and unsupported claims when calculating ROI calculations.
9. Use only the first year of annual benefits in the ROI analysis of short-term solutions.
10. Fully load all costs of the solution, project, or program when analyzing ROI.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. Communicate the results of the ROI Methodology to all key stakeholders.

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The ROI Process

A comprehensive measurement and evaluation process that generates six types of measures:

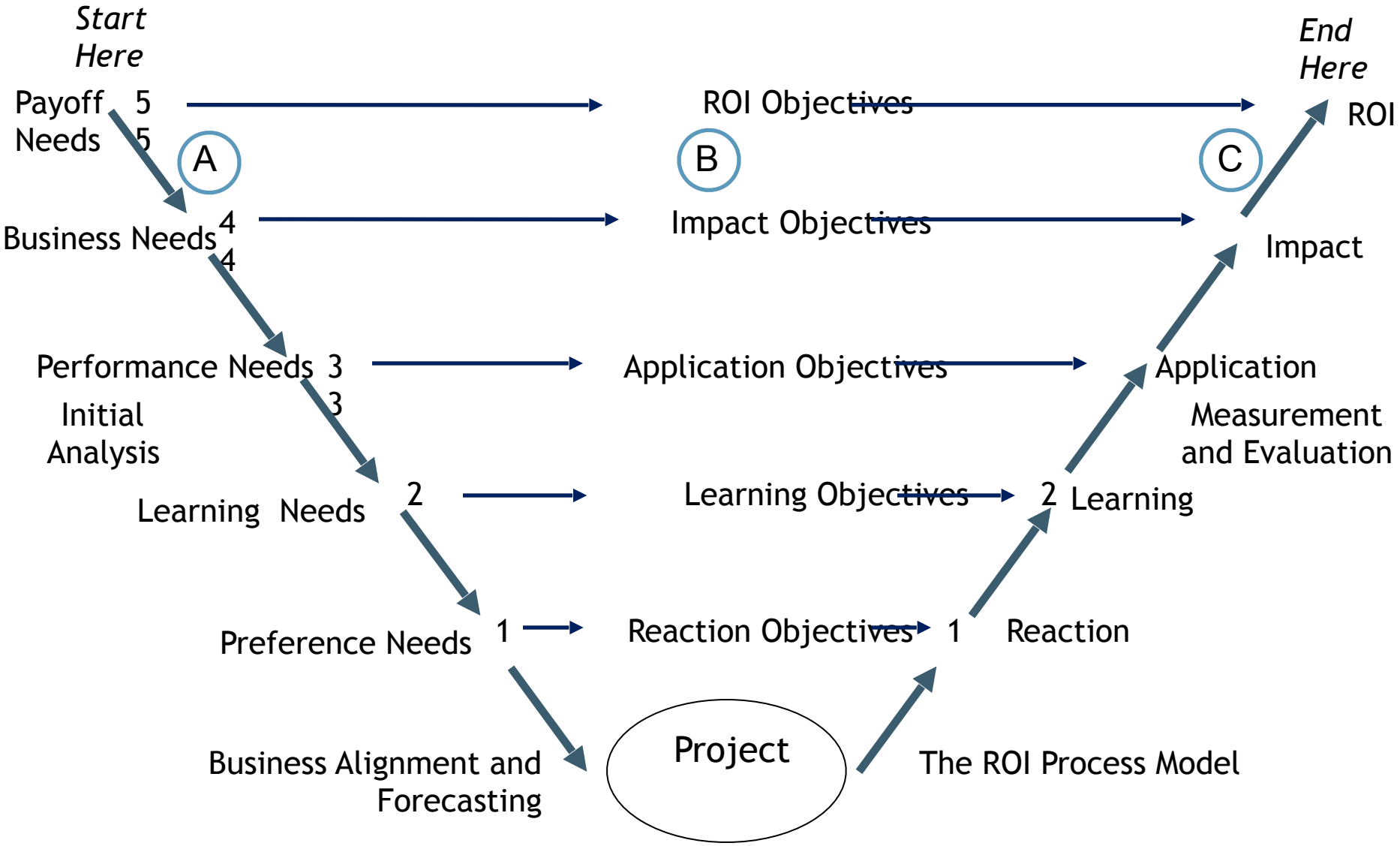
1. Reaction and Planned Action
2. Learning
3. Application
4. Business Impact
5. Return on Investment
6. Intangible Measures

This balanced approach to measurement includes a technique to isolate the effect of the program or solution

Results-Based Solutions

- Performance solutions/projects are initiated, developed and delivered **with the end in mind.**
- Participants understand their responsibility to **obtain results** with programs/solutions.
- **Support groups** (management, supervisors, co-workers, etc.) help to achieve results from performance solutions.
- A comprehensive **measurement and evaluation system** is in place for each program/project.
- **Variety of approaches** utilized to measure contribution, representing a balanced viewpoint.
- Follow-up evaluations (Application, Impact, and ROI) are developed for **targeted solutions/projects** and results are reported to a variety of stakeholders

Alignment Model



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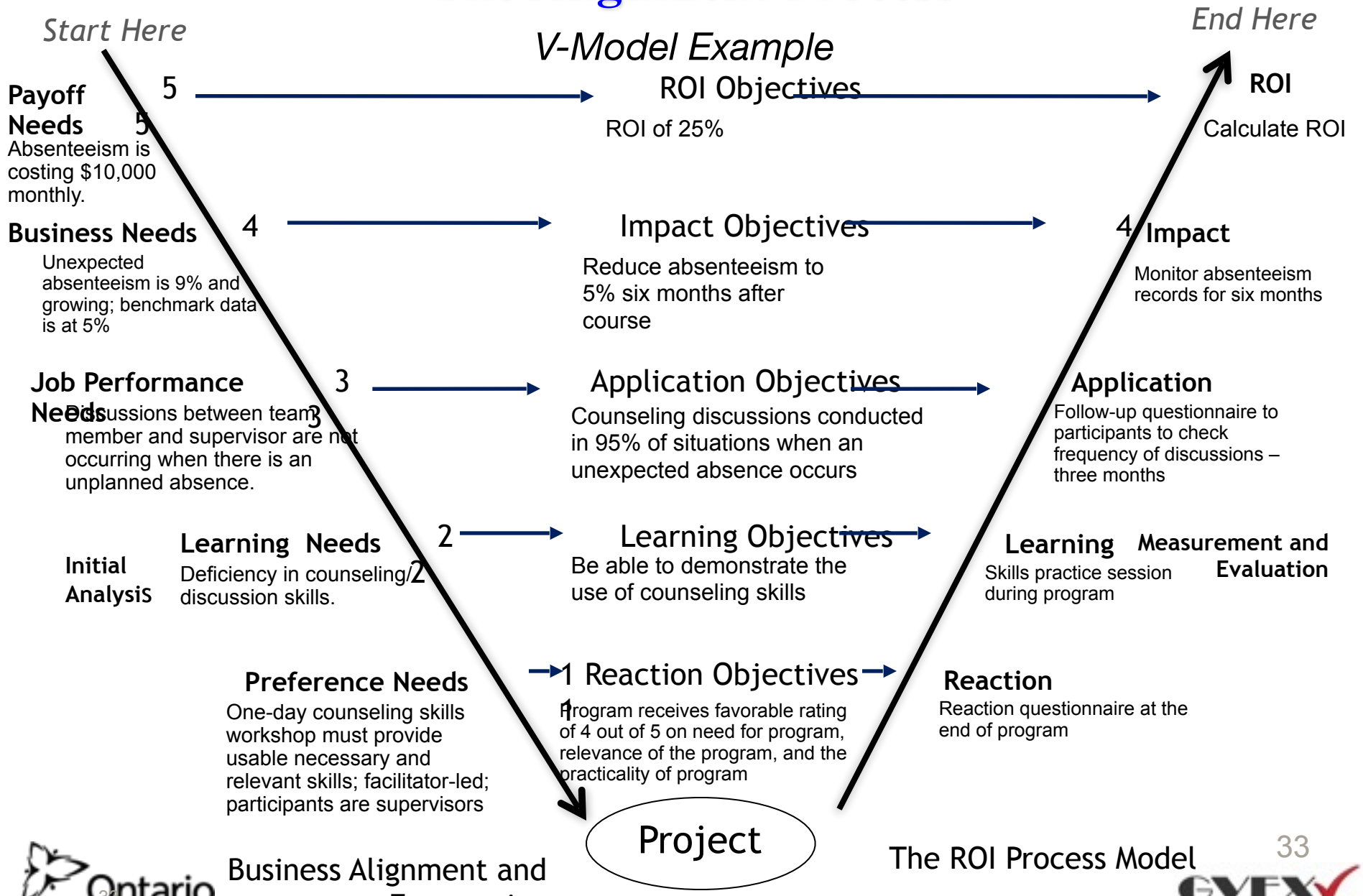
The Alignment Process



Methods to Isolate Program Effects

- Use of a control group arrangement
- Trend line analysis of performance data
- Use of forecasting methods of performance data
- Participant's estimate of program impact (percent)
- Supervisor's estimate of program impact (percent)
- Manager's estimate of program impact
- Use of experts/previous studies
- Calculate/estimate the impact of other factors
- Customer input

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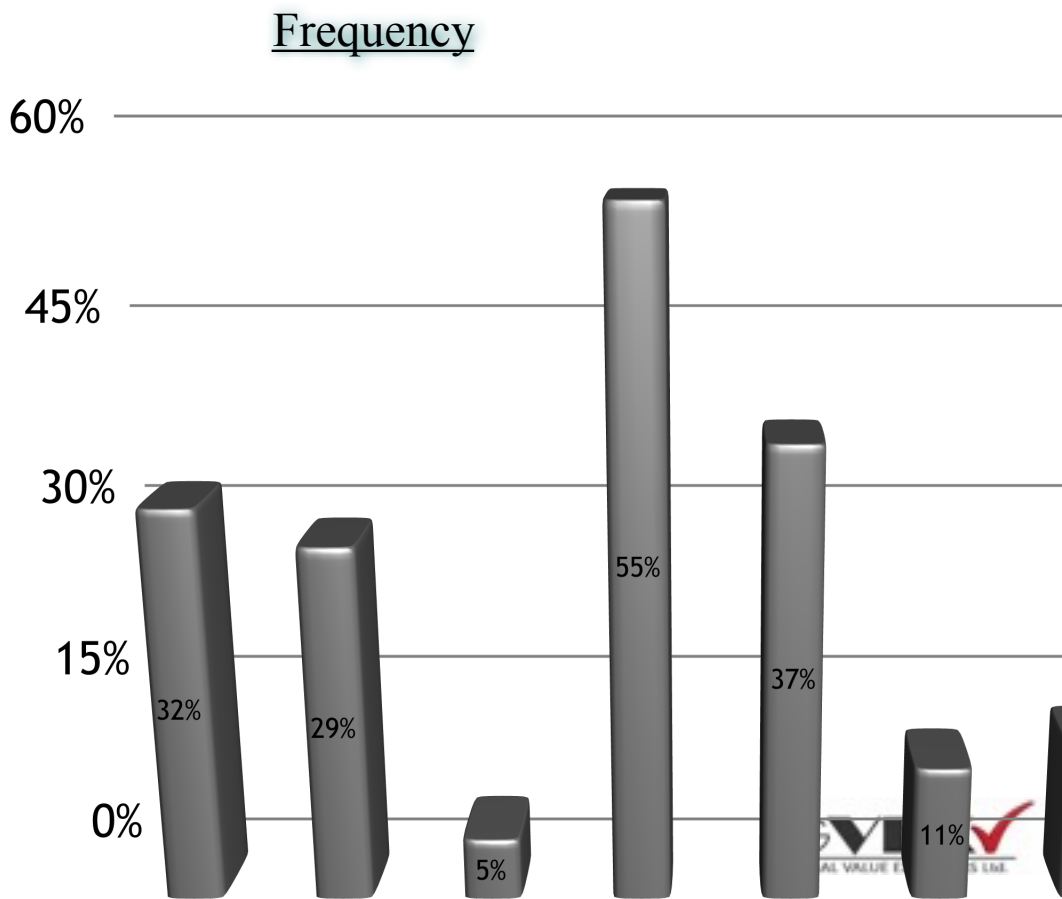
Isolating the Effects of the Program

Benchmarking Data

Method

- Control Groups
- Trend Line Analysis
- Forecasting Methods
- Participant Estimates
- Manager Estimates
- Sr. Management Estimates
- Expert Input
- Customer Input

* Survey of Users, N = 235



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Data are Converted by

- Converting output to contribution – standard value
- Converting the cost of quality – standard value
- Converting employee's time – standard value
- Using historical costs
- Using internal and external experts
- Using data from external databases
- Linking with other measures
- Using participants' estimates
- Using supervisors' and managers' estimates
- Using staff estimates

Cost Categories

Cost Item	Prorated	Expensed
Needs Assessment	X	
Design and Development	X	
Acquisition/Purchase (if applicable)	X	
Delivery/Implementation		X
• Salaries/Benefits-Facilitator Time		X
• Salaries/Benefits-Coordination Time		X
• Program Materials and Fees		X
• Travel/Lodging/Meals		X
• Facilities		X
• Salaries/Benefits-Participant Time		X
• Operating Expenses		X
Ongoing Operations cost (if applicable)		X
Evaluation		X
Overhead	X	

Typical Intangible Benefits

- Adaptability
- Awards
- Brand awareness
- Career minded
- Caring
- Collaboration
- Communication
- Conflicts

- Cooperation
- Corporate social responsibility
- Creativity
- Culture
- Complaints
- Response time
- Customer satisfaction
- Decisiveness

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Typical Intangible Benefits

- Employee complaints
- Engagement
- Execution
- Image
- Innovation
- Job satisfaction
- Leadership
- Networking

- Organizational climate
- Organizational commitment
- Partnering
- Reputation
- Resilience
- Stress
- Talent
- Teamwork

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ROI is Reported in Two Ways

$$\text{Benefits-Cost Ratio (BCR)} = \frac{\text{Program Benefits}}{\text{Program Costs}}$$

$$\text{ROI (\%)} = \frac{\text{Net Program Benefits}}{\text{Program Costs}} \times 100$$

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ROI Methodology: The Payoff

- Align projects/programs to business needs
- Show contributions of selected projects
- Earn respect of senior management/administrators
- Build staff morale
- Justify/defend budgets
- Improve support for projects
- Enhance design and implementation processes
- Identify inefficient projects that need to be redesigned or eliminated
- Identify successful projects that can be implemented in other areas
- Enhance the value of the program – showing ROI

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Have No Fear

- ROI is a process improvement tool – designed to improve projects and programs
- ROI is not designed for performance review for individuals
- Every study reveals opportunities for changes
- Negative results represent the best opportunity to learn
- Negative results have a positive story
- Don’t wait for a sponsor to ask for Impact and ROI

Implementation Strategies

- Brief, train, educate
- Involve the staff – early and often
- Emphasize process improvement
- Explain why – routinely
- Build it into programs – not add it on
- Provide resources
- Use the results appropriately
- Celebrate and recognize

ROI Myths

- ROI is too complex for most users.
- ROI is too expensive, consuming too many critical resources.
- If senior management does not require ROI, there is no need to pursue it.
- ROI is a passing fad.
- ROI is too subjective.
- ROI is for post analysis only.

ROI Reality

- Impact/ROI information is desired by clients/executives
- The impact/ROI process provides a balanced, credible approach with six types of data
- All types of organizations are routinely using impact/ROI
- The impact/ROI process can be implemented without draining resources
- The impact/ROI process is a long-term goal for many organizations

What's Next

- ***We will work on calculating the ROI***