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An innovative research strategy that marries economics to every aspect of research design. It's not just cutting edge — it represents how we should and must approach future evaluation research as well as evidence-based approaches.
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BYRON JOHNSON, PhD —
DISTINGUISHED PROFESSOR OF THE SOCIAL SCIENCES
BAYLOR UNIVERSITY

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This kind of work is truly inspired, with the potential to change how interventions and outcomes are tracked, reported, monetized and articulated.
”

TONY TIJERINO —
CEO, HISPANIC HERITAGE FOUNDATION

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EV-ROI

Expected Value-Return on Investment

THE *BUSINESS* OF
FULFILLING YOUR PURPOSE

The Business of Fulfilling Your Mission

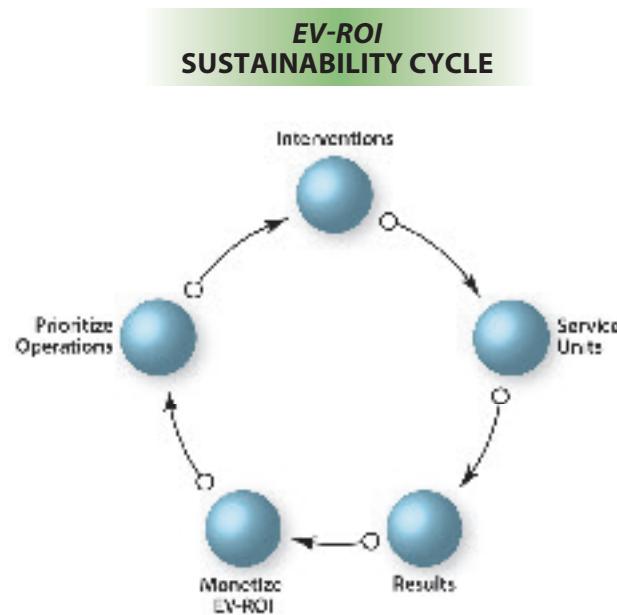
Ginn Group Consulting, a division of MSA Management, LLC, is a firm specializing in the formation and execution of advanced business strategies. One of our most powerful analytical tools is Expected Value Return on Investment (EV-ROI), a methodology for monetizing outcomes developed by our collaborator, **Social Capital Valuations, LLC**, and an application we are pioneering together for health, social and community-based

WHAT IS EV-ROI?

Expected Value-Return on Investment (EV-ROI) is a predictive model that combines a commonly accepted probability theory (expected value) with a common approach that businesses use to make informed financial decisions (return on investment). Expected value is the probability of an occurrence multiplied times the absolute dollar value of that occurrence.

WHEN IS EV-ROI USEFUL?

Perfect information is not necessary to apply the EV-ROI as a means of monetizing the outcomes and impacts of your program. In fact, health, social and community programs have precluded themselves from the benefits of demonstrating their value via ROI, because they don't have perfect information. Herb Simon, the Nobel Prize-winning economist from Carnegie Mellon University, coined the term "satisfice," which is a combination of the terms "satisfy" and "suffice," to connote a decision-making strategy that attempts to meet an acceptability threshold, taking into consideration the cost of obtaining perfect information.



WHY EV-ROI ANALYSIS IS CRUCIAL IN TODAY'S ECONOMY

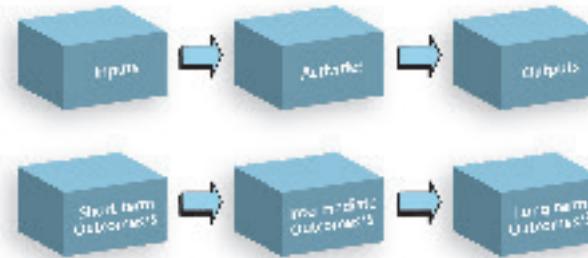
The new demands on organizations for sustaining the work they do will require translating outcomes to impact, especially economic impact. The EV-ROI approach utilizes program outcome information and translates it into dollar cost savings and return on investment for a variety of stakeholders, including taxpayers and employers. The approach addresses the needs and challenges of practitioners (Federal managers, nonprofit social service providers), funders (Congress, taxpayers, corporate/philanthropic foundations), and other stakeholders (policy makers).

WHAT DOES EV-ROI MEASURE?

The EV-ROI measure relates the cost savings (sometimes represented as future costs avoided) and/or dollar gains (tax revenue) realized by the program's interventions to the financial cost of operating the program. In other words: "For every dollar placed into the program, how many dollars worth of benefits did particular stakeholders (employers, taxpayers, etc.) receive in return?" For example, one key ROI measure would be the costs of re-incarceration (also referred to as recidivism) avoided as a function of successfully assisting ex-offenders in returning to their community and not repeating their offenses. If the clients also gained employment, the program could cite the value of their earnings as they contribute to the tax base (as a tax-paying citizen). Note that EV-ROI can be calculated for a variety of actors depending upon whose costs and whose benefits are being considered. For example, for federal clients interested in the EV-ROI of federal programs, we would not include the benefits gained by the program clients or service recipients, but rather the benefits that accrue to the taxpayers (in increased tax revenue and decreased public assistance expenditures) since it is the taxpayers who are providing resources for the federal program.

Using the EV-ROI process, we at GGC-SCV work with managers to help them define and understand salient

FOUNDATIONAL LOGIC MODEL



characteristics of their target populations, the costs of their programs' interventions, the success rate of their interventions, outcomes associated with those successes and the subsequent future costs avoided and revenues generated. We empower managers to represent and explain their programs' value in future costs avoided and/or incremental revenues generated, as compared to the investment (program costs.)

EV-ROI AND PROGRAM EVALUATIONS

EV-ROI is not a replacement for rigorous program evaluations. In fact, the calculations used in EV-ROI are dependent upon data from randomized control trial (RCT) and/or quasi-experimental studies done on analogous programs in order to fill gaps in knowledge about the program under study. In other words, if a program has reliable process and output data, but little or no reliable outcome data, EV-ROI will rely upon other RCT or quasi-experimental studies of similar programs to infer an outcome rate per intervention activity. The EV-ROI report will note where outcome rates were imputed from other comparable studies and suggest these areas for a direct evaluation study. Also included in the EV-ROI report will be a set of recommended outcome measures for the program to capture going forward, so that future EV-ROI calculations will

HOW ELSE DOES EV-ROI DIFFER FROM TRADITIONAL EVALUATION STUDIES?

EV-ROI differs from traditional evaluation studies in one other important regard: EV-ROI assigns a monetary value to outcomes. By taking the difference in probabilities of a condition's existence and multiplying it times the cost savings or revenue generation due to that change in condition, we arrive at expected value. Again, the cost figures can be sourced from other peer-reviewed studies that have focused on cost as a major component of the study. Sometimes these costs can be the average incremental cost per person of running a large public assistance program.

WHAT ARE THE ADVANTAGES OF EV-ROI?

The primary advantage of using EV-ROI is its practical, immediate feedback. An additional advantage is that it can also be used to help direct evaluation efforts going forward. For instance, if certain outcomes and their monetized valuations seem too good to be true or are surprising because they are much lower than previously thought — or are at odds with what might otherwise be intuitively obvious — then these areas suggest that further research needs to be done to better understand true outcomes. Since evaluation resources are limited, EV-ROI offers one more way of making sure that evaluation scrutiny is placed on the most important components of a program.

NINE BENEFITS: EV-ROI

- 1) Monetizes Outcomes
- 2) Enables statement of program wins in financial terms
- 3) Provides a foundation for sustainability
- 4) Engages current stakeholders
- 5) Identifies and attracts new stakeholders
- 6) Creates a blueprint for improved management and operational strategies
- 7) Improves accuracy and value of data collection

- 8) Provides a clearer and more unifying vision of the mission and work of the organization
- 9) Informs the design of a full-fledged program evaluation when/if resources are available

COMPARED TO OTHER ROI SYSTEMS — OUR SYSTEM DELIVERS INFORMATION TO ADMINISTRATORS, CEOs AND LEADERS THAT IS:

- 1) Business- and economics-based
- 2) Faster and less expensive to acquire
- 3) Less esoteric and more pragmatic
- 4) More transparent, in-depth and inclusive of multi-dimensional aspects of any operation
- 5) Provides a strong foundation for sound management decision making
- 6) Lays the groundwork for a more robust randomized control trial or quasi-experimental evaluations

EV-ROI provides a culture-shifting management strategy that empowers the building of organizational sustainability from the inside out through improved operational decision-making, allocation of resources and prioritization of interventions.