



A Community Manager's ROI Adventure: A Humana Case Study



SNAPSHOT

SPEAKERS

Jeff Ross, Humana and Hillary Boucher, TheCR

COMPETENCIES

Strategy/Metrics & Measurement

MATURITY PHASE

CMM1



HIGHLIGHTS

1. **Interested in various metrics for an effective ROI calculation?** Jeff shared the 5 metrics he used, which were backed by Forrester.
2. **Want to know an ROI secret?** Jeff shared what he did to calculate a credible ROI figure that was accepted by the organization and then promoted externally.
3. **Looking for a good ROI case study?** Jeff explained that this one use case will go a long way in promoting community use as a daily habit.

OVERVIEW

- **Background:** Jeff has been a Community Manager with Humana since May 2010. He admits that he has been blessed with leaders who inherently understand the value of community. Particularly the current CEO – Bruce Broussard – who, when asked about ROI for a costly new service provided by Humana without a rate increase, responded that sometimes it's just about doing the right thing. Furthermore, when asked about the ROI of internal social collaboration, this CEO replied that he didn't know what the ROI was, but having 50,000 people on the same page and moving in the same direction is incredibly important and valuable.
- **Jeff's 3 reasons for tackling the ROI question.** Despite this fortunate scenario, Jeff still felt the need to personally learn how to measure ROI. He had 3 main reasons for wanting to tackle that hard ROI question:

OVERVIEW, CONT.

- ***A seat at the table.*** If someone asked for an ROI calculation, Jeff didn't want to be glib and retort with something like "We don't measure the value of email or phones". Furthermore, he didn't want to change the acronym to "ROE" (Return on Engagement) because that wouldn't mean anything to the C-Suite. That's not their language, so he wanted to learn their language and present to them accordingly.
 - ***To be ready when someone asked about ROI.*** Jeff wanted a specific ROI to carry in his hip pocket should he be randomly asked at either a budget meeting or conversation about the value of community. He just knew it would be important to have that information available.
 - ***To improve his skills as a Community Manager.*** Jeff felt that this was a gap in his skill set. He felt the need to move out of his comfort zone and learn how to make this ROI calculation a believable and useful figure.
- **Now what?** This was 2015 and there was not a clear ROI calculation winner at this point in time. Furthermore, Jeff knew that he didn't have access to all the data and all the metrics of their platform. Consequently, there wouldn't be one magic formula that could completely calculate an ROI in an arguably perfect way. However, Forrester prepared a study that intrigued Jeff. Forrester published a White Paper¹ on ROI calculations based on several interviews with a couple of very large companies. These companies used the collaboration software called TibbrROI from the company TIBCO. Forrester created a document that used several benefit buckets for those communities. This offers a good starting point for customizing your own buckets of savings, revenue and/or values. *See the Best Practices Section for an outline of the 5 buckets used in this study.*
- **Practice conservatism.** This was a theme throughout the discussion. In using TheCR's ROI calculator or any method of ROI calculation, always err on the side of conservatism.

¹ The study was entitled: "The Total Economic Impact of TIBCO Software tibbr." Study available at bit.ly/tibbrROI.

BEST PRACTICES

- **Consider These 5 Bucket Metrics for ROI Calculation².** The Forrester Study provided these 5 buckets:

Calculating Improved Workforce Productivity

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
A1	Number of employees on fflbr		50,000	55,450	60,900
A2	Average fully loaded salary per person		\$75,000.00	\$75,000.00	\$75,000.00
A3	Percentage productivity improvement		0.5%	0.9%	1.2%
A4	Percent of time captured		50%	50%	50%
A1	Improved workforce productivity	A1*A2*A3*A4	\$9,375,000	\$18,714,375	\$27,405,000
	Risk adjustment	↓ 6%			
A1r	Improved workforce productivity (risk-adjusted)		\$8,812,500	\$17,591,513	\$25,790,700

Source: Forrester Research, Inc.

Improved Workforce Productivity: This bucket had the biggest numbers associated with it. Forrester used the number of employees in the company who used the software and the average fully loaded salary of each person. Next, they used an extremely conservative percentage for productivity improvement, which was .5% of a person's time in the first year. It then inched up a few tenths of a percent each year thereafter in the calculations. Even if each person gained .5% of their time, they might not actually use that re-gained time for productive work. Therefore, Forrester reduced the savings amount by 50%. The savings calculation was multiplied by the number of people for a per year dollar figure. Again, to be conservative, Forrester reduced this by another 6% downward risk adjustment. This was then multiplied by 3 to represent the 3 years the software was used for a total productivity enhancement calculation.

Calculating Faster Employee Onboarding/Training

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
B1	Employee turnover		4.00%	4.00%	4.00%
B2	Number of employees		145,000	145,000	145,000
B3	Annual salary		\$75,000.00	\$75,000.00	\$75,000.00
B4	Estimated training cost per employee as percentage of salary		10%	10%	10%
B5	Estimated reduction of training time		2%	2%	2%
B1	Faster employee onboarding/training	B1*B2*B3*B4*B5	\$870,000	\$870,000	\$870,000
	Risk adjustment	↓ 6%			
B1r	Annual revenue from additional new business initiation (risk-adjusted)		\$817,800	\$817,800	\$817,800

Source: Forrester Research, Inc.

Faster On-boarding: This calculation represented the gains related to the fact that on-boarding reduced the amount of training time needed for new employees. The first figure is employee turnover rate. It looks at the number of employees and the average salary. For the company used in the Forrester Study, Forrester estimated that it was about 10% of the cost of an employee's first year. Then it estimated the amount of reduced training time that resulted because of the use of the collaboration software. So, a very conservative 2% of time was saved. They again multiplied that out using a downward risk adjustment in case the earlier numbers had been overstated. The number came out in the hundreds of thousands of dollars, a very good number.

² All slides used with permission from Jeff Ross in his presentation to TheCR on February 6, 2018 entitled: "Case Study: Humana."

BEST PRACTICES, CONT.

Calculating Savings From Improved Business Processes

TABLE 3
Cost Savings From Improved Business Processes

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
C1	Number of processes affected within the organization		5	8	10
C2	Number of hours saved per process	5 min/60 min	0.0830	0.0830	0.0830
C3	Number of employees benefiting from improved processes		50,000	67,000	60,900
C4	Average fully loaded salary per person	(\$75,000/2,080 work hours a year)	\$36.05	\$36.05	\$36.05
C1	Cost savings from improved internal and external business processes	C1*C2*C3*C4	\$748,038	\$1,364,420	\$1,822,219
	Risk adjustment	↓ 6%			
Ctr	Total (risk-adjusted)		\$703,155	\$1,282,555	\$1,712,886

Source: Forrester Research, Inc.
www.forrester.com

Improved Business Process: The third component was savings from improved business processes. For this they took a look at how many processes might have been positively impacted by the use of the tool each year. They used 5-minute increments to estimate the amount of time saved based on those processes and then the number of people who benefited from the improved processes. Next,

they plugged in an average fully-loaded salary per person. They multiplied these 4 numbers together and then risk-adjusted the total product figure. It equaled a solid figure starting at approximately \$700,000 the first year up to \$1.7 million by year 3.

Calculating Reduced Costs of Companywide Communications

TABLE 4
Reduced Costs Of Companywide Communication To Dispersed Employees

Ref.	Metric	Calculation	Year 1	Year 2	Year 3
E1	Number of corporatewide communications		15	15	15
E2	Number of FTEs involved in pushing out info		20	20	20
E3	Hours spent on communications		20	20	20
E4	Average fully loaded salary per person	(\$75,000/2,080 work hours a year)	\$36.05	\$36.05	\$36.05
E5	Estimated reduction in time		15%	20%	25%
E1	Reduced costs of communicating to broad audiences	E1*E2*E3*E4	\$32,445	\$43,260	\$54,075
	Risk adjustment	↓ 6%			
Etr	Total (risk-adjusted)		\$30,498	\$40,664	\$50,831

Source: Forrester Research, Inc.
www.forrester.com

Company-Wide Communication: The fourth metric is the reduced cost of company-wide communication to dispersed employees. The focus here was to examine the number of corporate-wide communications and the number of people who have fully invested their time as professional communicators to produce those communications, as well as the hours spent on

communications yearly. Next is time gained due to this new way of communicating broadly and instantly with the entire associate population. Multiplying all those numbers together with a downward risk adjustment resulted in a small figure of approximately \$30,000 in the first year, \$43,000 in year 2 and \$54,000 in year 3. That doesn't mean that the company saved those dollars because the company is still paying those full time people their same salaries, but perhaps they are getting more work out of them because individual communications take a little less time than it did previously.

BEST PRACTICES, CONT.

Calculating Innovation and Idea Management

TABLE 5
Innovation And Idea Management

Ref	Metric	Calculation	Year 1	Year 2	Year 3
F1	Number of employees collecting and aggregating new ideas		10	10	10
F2	Hourly salary per employee		\$36.05	\$36.05	\$36.05
F3	Hours spent on idea management		400	400	400
F4	Percent savings		20%	25%	30%
F1	Innovation and idea management	E1*E2*E3*E4	\$36,040	\$36,050	\$43,260
	Risk adjustment		↓ 6%		
F1	Innovation and idea management (risk-adjusted)		\$27,110	\$33,887	\$40,664

Innovation and Idea Management: This approach examined the number of people devoted to collecting and aggregating new ideas, their hourly salary and the number of hours they spent on this task. Next, they looked at how community could save a portion of that time. They began with an estimate of 20% and went up a little bit each year in the amount of time saved. These people were not likely

performing this task full-time. These numbers were multiplied together and again risk-adjusted to lower the dollar figure and remain conservative in the estimation. It amounted to a small number of almost \$29,000 in the first year, but mostly represented another piece of the overall puzzle for which a dollar value could be assigned.

- **Perform the ROI Calculation Based on the Figures from the 5 Buckets:** Forrester added the figures from each of the 5 categories for the first 3 years of software use. The present value – meaning at that point in their study with the companies involved (not yet at a full 3 years for all of them) the amount was a solid 8-figures.
 - **Calculate the Costs:** Once this total savings number is calculated, deduct expenses. This includes yearly licensing for maintenance and support costs and professional service fees, internal support for the platform, related costs for planning, implementation, training and promotion costs, etc. Next, deduct the costs from those benefits. Then divide the net benefit amount by the cost.
 - **Divide the Net Benefits by Cost for the ROI Calculation:** In the Forrester example, they came up with 333% ROI, which in their case meant that in a little over 7 months they were being paid back for their investment in those internal collaboration communities.
 - Jeff used the same formulas for Humana as a starting point. For the first bucket – improved workforce productivity – they used the number of employees that they had as of June 30 each year. They did this calculation for 5 years into their community, so they added a column for each of the 5 years. Next, they checked the numbers that they had in the platform at that mid-year point.
 - The Human Capital Analytics department gave Jeff an average salary for each of the 5 years. Since they didn't have previous hard data to use for the other numbers yet, they used Forrester's numbers for the percentage of productivity improvement and the percentage of time captured. Jeff wasn't 100% sure of these numbers admittedly, but when the Forrester White Paper was cited as backing for the formulas, the calculations became credible.

BEST PRACTICES, CONT.

- **Work with Finance for a Credible ROI Calculation:** The initial calculation was too good to be true. Truth be told, Humana has an incredibly sweet, lifetime deal on their collaboration software from SocialCast. It is because of this low cost that their original ROI figure was 7381% cumulative for the first 5 years. That's great and it's accurate based on the formulas, but not very credible. Therefore, Jeff brought the calculation to his finance department and asked for their help to make the calculation more believable.
 - Jeff worked with the Human Capital Analytics Team for figures like the number of employees at a certain point in time, the average salary, etc. The balance of the figures came straight from the Forrester formulas. They adjusted those numbers that they felt needed to be more conservative and then laid it all out for the finance department to critique.
 - Instead of basing the formulas on the number of active users or members in the platform over a year's time, finance recommended that Jeff reduce that to a 30-day period, i.e. the average number of people who are active in the community in a given 30-day period.
 - These revised formulas took this into effect, which reduced the ROI to a more acceptable 1022%. That's still an incredible number. Finance gave Jeff their blessing, so he shared the number publicly. Through this experience, Jeff no longer fears having an ROI conversation with anyone.
 - If finance puts their blessing on the calculation, it will have credibility throughout the organization.
- **Know your calculation limitations.** There are important community metrics that this ROI calculation doesn't include. There are other ways of calculating that are important to communities that this approach doesn't attempt to do.
- **Use the results to identify opportunities for improvement.** For instance, Jeff has identified through this process that they need to do a better job of knowing what happens as a result of innovative, new ideas that come out of the community.
- **Promote successes.** If the results are impressive, shout it from the rooftops and be proud. Don't fear ROI. Once you've done it, you'll feel so much better about the conversation.

LESSONS LEARNED

- This is a long and arduous learning curve, but the benefits are well worth the effort. It's important to work with the right people in the organization so that you feel that the numbers are credible. Jeff added that the method you choose isn't nearly as important as your ability to explain and defend it.
- One participant asked for advice on how to calculate the value of an answer in the community:
 - Hillary replied that there is not a black or white answer for that question. It's important to define it and then make a conservative assumption that allows you to defend it. Use this as an opportunity to have discussions across your organization. Some people might have already figured this out, especially if your organization has a support community. Multiple conversations and input from others means that it's not just your calculation, which helps with buy-in.
 - Jeff added that it's wise to put yourself in the shoes of the people you're asking to help you with this question because they might feel you're a threat. When Jeff first asked this of his internal support desk people, they didn't welcome the question because they thought it might take away from their jobs, and they were right. It took a few years to get support and understanding for this type of question.
- Another question that participants wanted to know the answer to was the value a successful search.
 - One participant said that Jive has a successful search tracker, but it only includes the top 10. So, it's not a comprehensive list.
 - Jeff said that they haven't asked that question and their software doesn't track it. However, they did have a person in public relations who asked to do a 6-month rotation on Jeff's team. Her time was completely devoted to finding community success stories, publishing and then promoting them. There was a regular cadence of successful case studies and a calculation of time and dollars saved. It was great promotion for the community.
 - Hillary added that she has seen cases where people map workflows for specific tasks to determine how long it takes to perform those tasks. Then they do the same for community and show the time saved and productivity saved by using the community.
- Using onboarding as a case study is very productive in the long-run because it helps to get people using the platform right from the start. New staff can't get past the onboarding step without completing a 30-day task list. Using community in the onboarding process embeds it into the culture of the organization

ADDITIONAL INSIGHTS

Hillary asked participants to share their interest in this call and/or their experience in ROI calculation:

- Five people were on the call to learn how to calculate a believable ROI, one that can be explained and validated by the leaders of the organization.
- One participant has used TheCR's ROI calculator and shared those numbers with her manager, but she would like to be able to think more strategically and deeply about ROI. She was also concerned with the believability factor.
- One participant is trying to stay ahead of the curve. She hasn't had to calculate ROI, but feels that the question is coming. She wants to be prepared vs. scrambling to provide an ROI calculation.