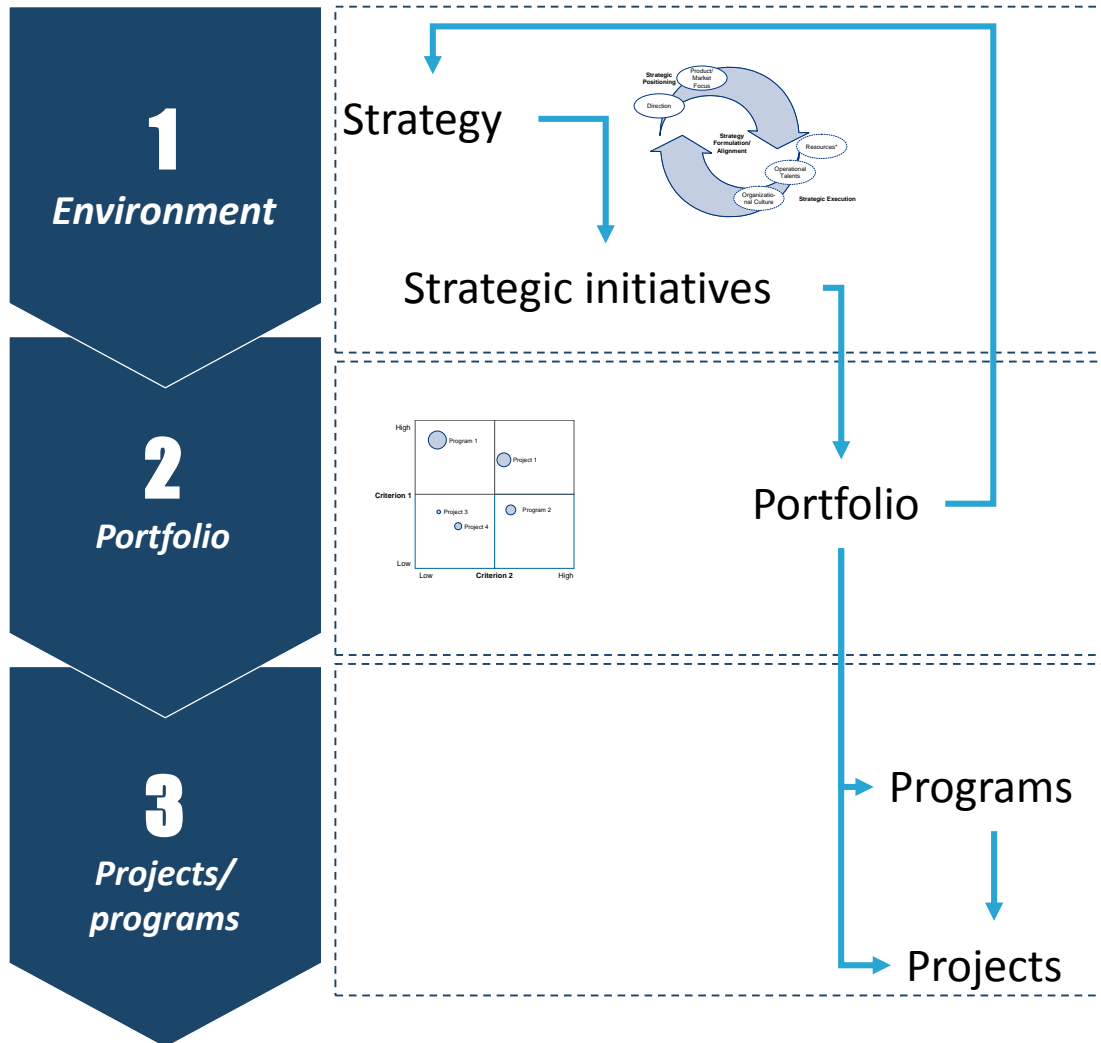


Strategy & Program ROI Method

*How to ensure the maximum financial return on your
strategy and programs*

Executive Summary

There is a link between strategy and its implementation on the ground: programs and projects. Their contribution defines the benefit and ROI to the company.



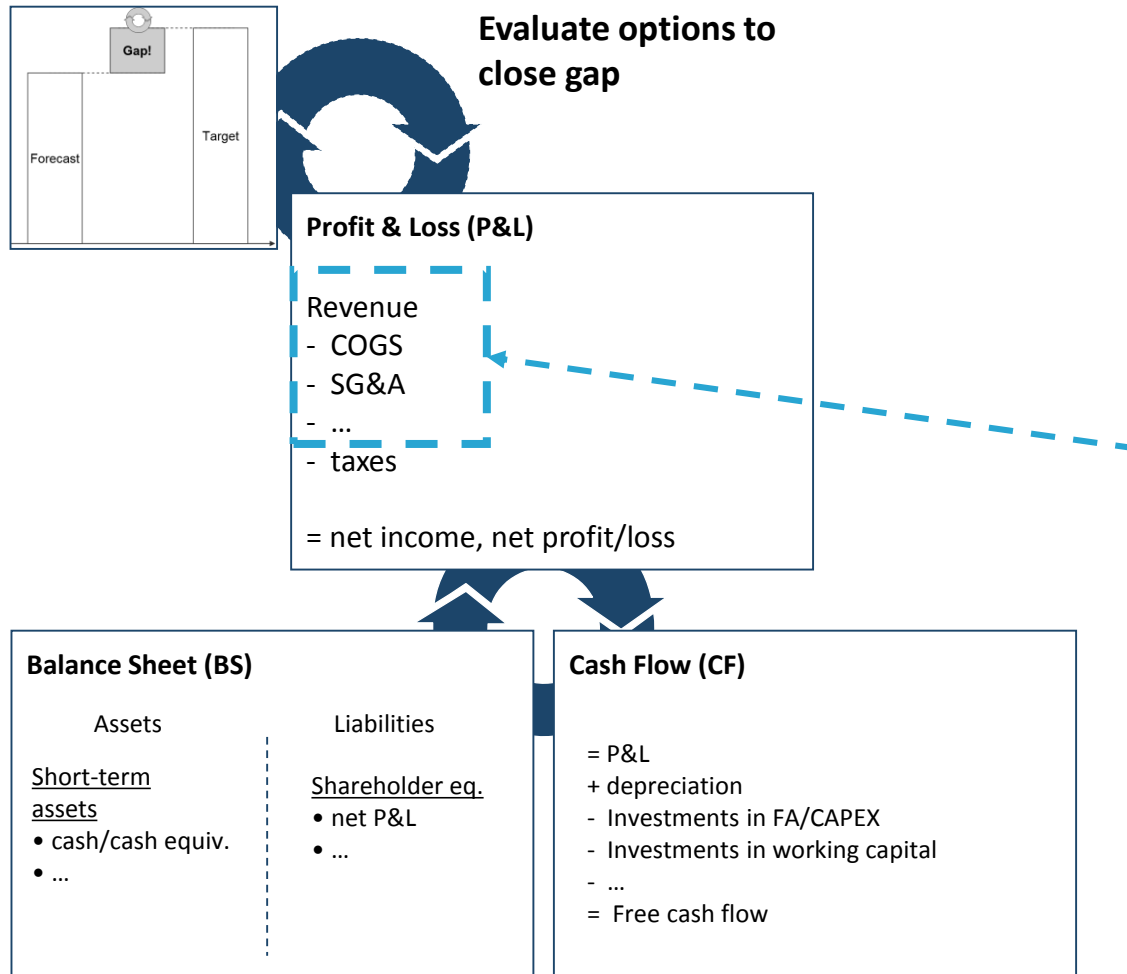
- Improve?
- Business goals?

- Initiative/portfolio goal?
- “Benefit”?
- Measure success?

- Actions/projects?
- Resources?
- Measure success?



All projects ultimately have a financial impact. Their performance pays directly into the Company's financial performance, i.e. the Company's "bottom line".

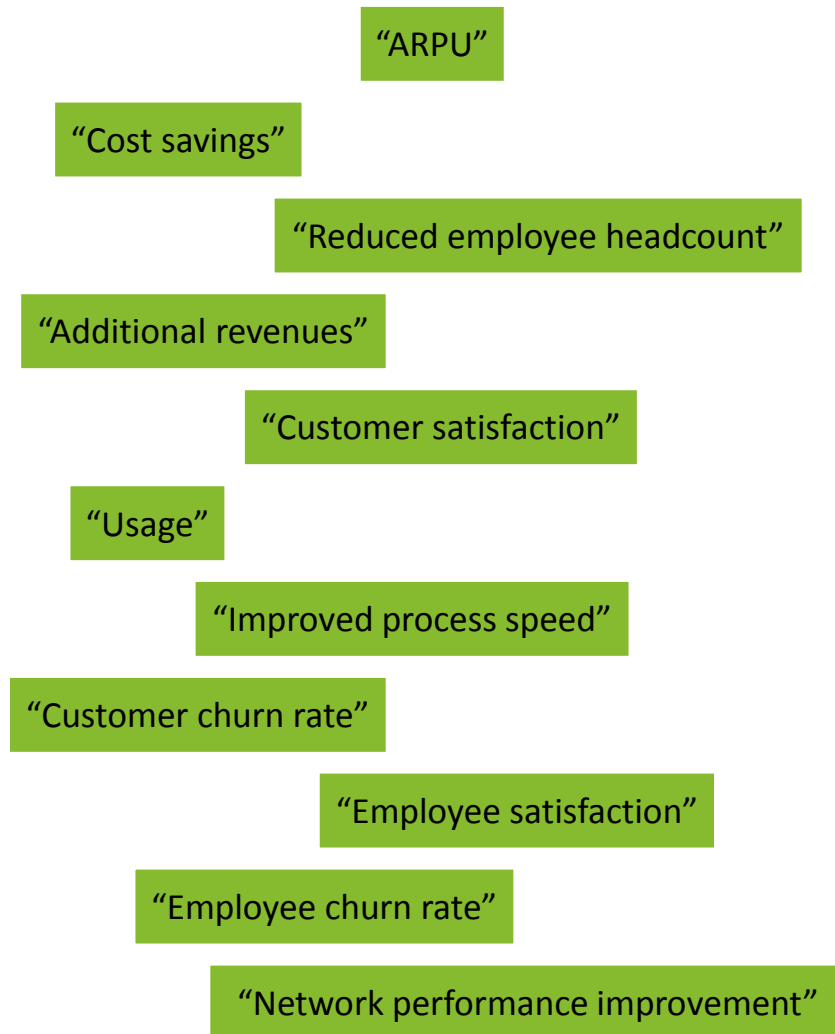


Project Performance

- Sales - effect on revenue
- Efficiency - effect on OPEX
- Effectiveness
 - Time-to-market
 - Competitive positioning
 - Enabling functions
 - ...
- Projects impact business competitiveness and thus P&L
- The project's net benefits directly contribute to the Company's bottom line.

Some obtained benefits are difficult to quantify and they are often not reflected in ROI calculations. This falsifies the outcome and over-/understates achievements.

EXAMPLE



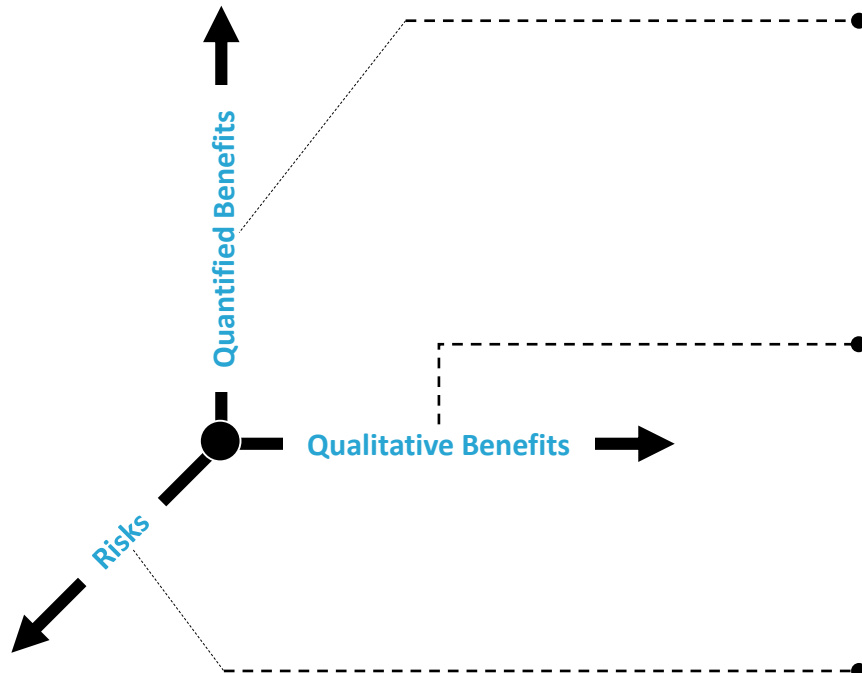
- Not all project-related improvements are measurable project benefits!
- Even though some outcomes improve the current situation at the Company they themselves are still not measurable benefits to the Company!
- The real benefit of the improvement must be established.

EXAMPLE

"Customer satisfaction improves."

- Is that a benefit in itself?
- What is the real and measurable benefit?

ROI has three dimensions. A comprehensive view is required to calculate the ROI of a strategy, program or project.



Quantified* Benefits:

- Quantifiable changes in the revenues, costs, operations performance, better image,...
- Therefore increased profitability

Qualitative (non quantified) Benefits:

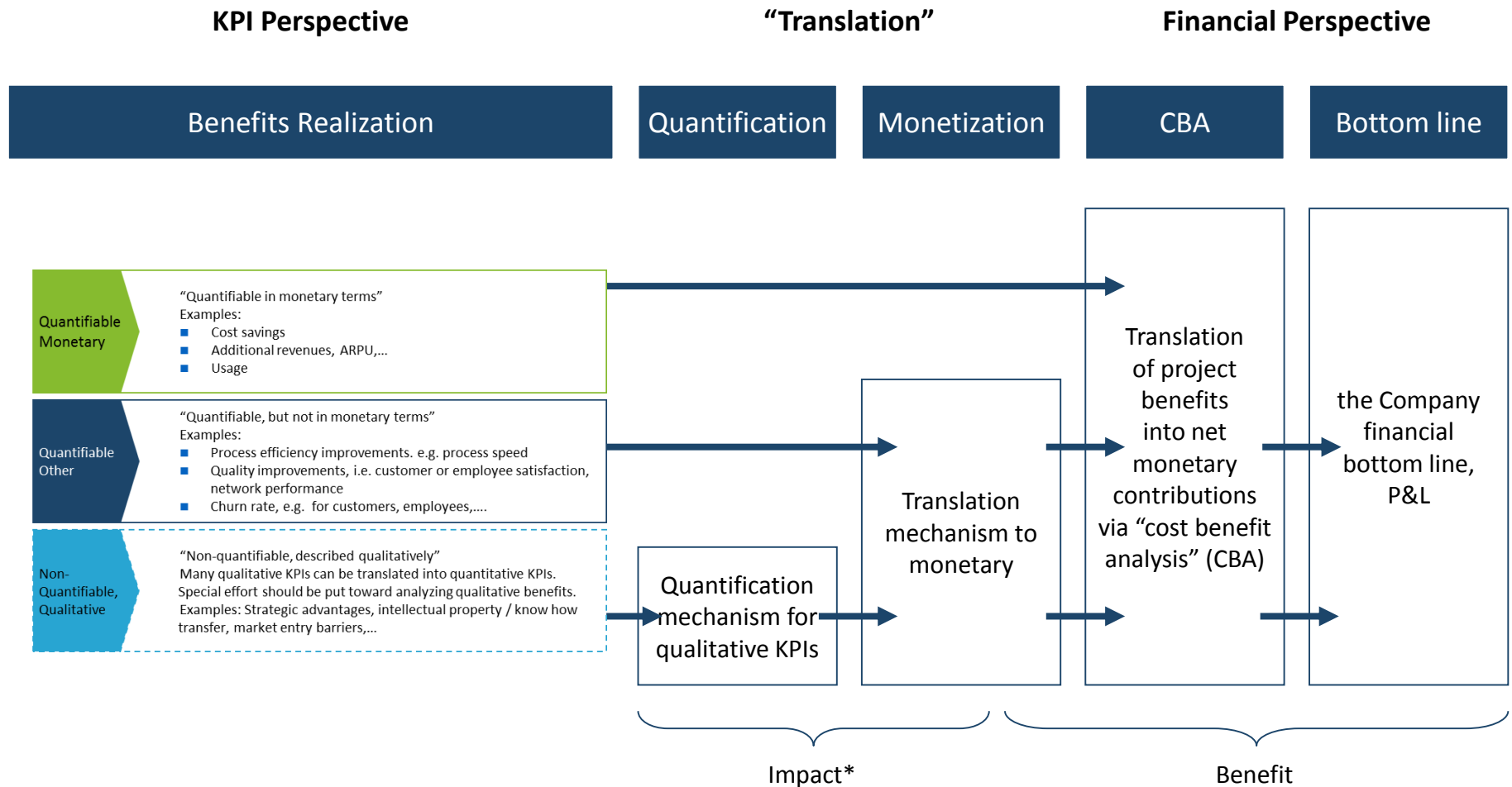
- Strategic Advantages
- Intellectual property / Know How transfer
- Market entry barrier

Risks:

- Every project has got specific risks
- Those risks have got different probabilities
- Knowing and describing the major risks is the preface to quantify the risks

* Financial and non-financial

All types of benefits can ultimately be translated into a monetary “bottom-line” – with an effect on the Company’s financial performance.

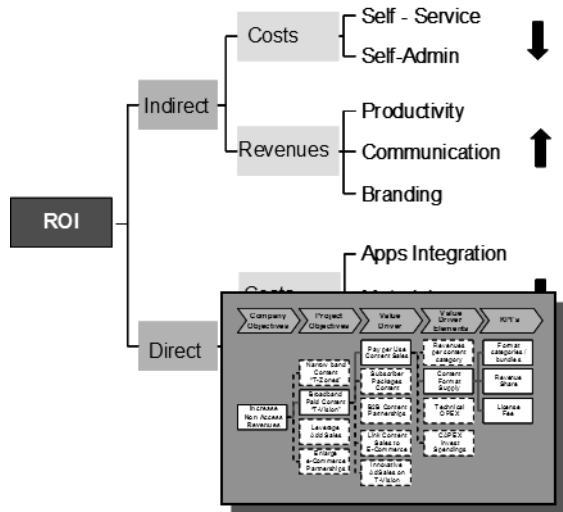


Note: CBA can be used for project selection in planning, and used for monitoring in execution.

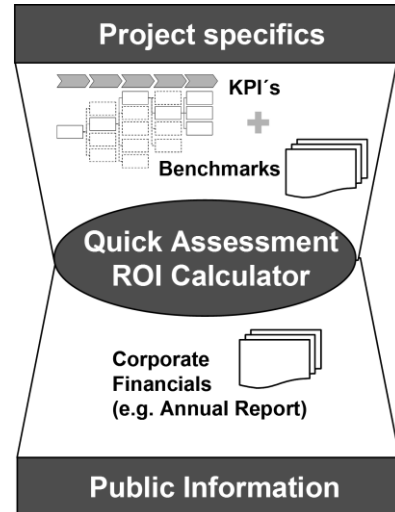
*until monetized

Depending on data readiness the ROI calculation requires three successive calculation work packages.

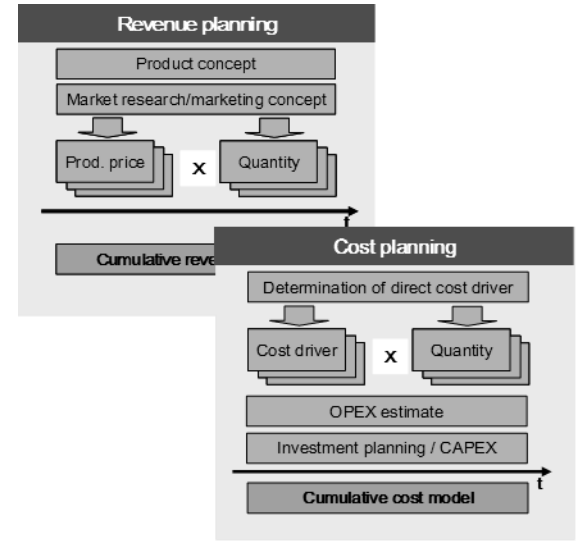
Value Tree



ROI Assessment

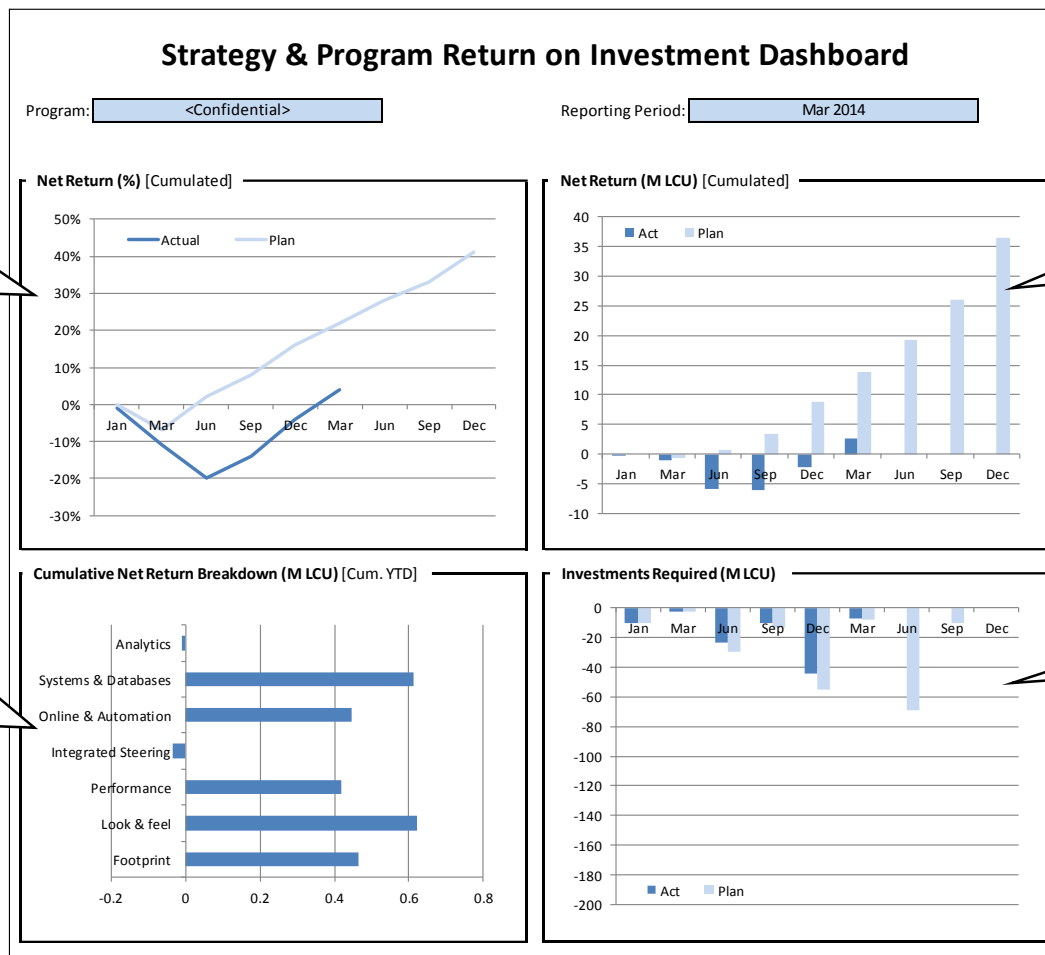


Business Case



Based on the use cases inputs a "Return on..." dashboard is established that calculates and monitors a strategy's or program's ROI and financial contribution.

ILLUSTRATIVE



Highlights how the return builds up over time in % of investments. Allows cumulative view

Highlights how the return builds up over time in terms of money. Allows cumulative view

Breaks down the contribution of each sub-program within the overall program context. Shows example programs.

Highlights investments required and financing need

Benchmarking lays the foundations on which actions and targets are developed and implemented.

Benchmarking

Action development

Implementation

Benchmarking objectives

- Quantify gap.
- Indicate differences for KPIs.
- Show impact of improving.
- Reveal innovative problem-solving approaches.
- Define actions to close differences and performance gap.
- Implement actions (programs, projects).

Benchmarking activities

- Internal analysis.
- Selection benchmarking activities.
- Selection of benchmarking partners.
- Analysis of benchmarking partners.
- Demonstration performance gap.
- Improvement areas based on benchmarking.
- Preliminary estimate of improvement potential for each area.
- Prioritization of improvement areas.
- Detailed description of actions (e.g. projects) and selection of actions and action coordinators.
- Define implementation.
- Execute and monitor implementation.

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