

The ROI Calculator

Define Your Value

Determine the ROI of a new solution, tool, or initiative and predict the returns you can expect to risk mitigation, efficiency, and culture.



Introduction

THE WHAT & WHY OF ROI

What is the ROI of a successful E&C program? There are the obvious answers to this question. Avoiding fines, stamping out risks, preventing lawsuits, etc, but the true influence of a powerful E&C program spreads throughout the entire organization, and touches every department and employee. You're creating an environment that lets your workforce bring their best to work, crowd-sourcing risk management, as well as opening the door for your team to make meaningful contributions to your culture, and your bottom line.

Why do you need to understand ROI? In short, if you don't know the value that you're bringing, neither will your leadership. The key to increasing your budget, empowering your program, and developing a truly effective E&C department, is convincing executives and senior management that it is worth the cost. If you're only getting the bare minimum for your program to function, it will never flourish, and you'll be trapped in the cost-center mentality that too many E&C professionals have fallen prey to.

Who this eBook is for?

- Board Members
- Chief Compliance Officers
- E&C Managers & Directors
- Compliance Officers
- Risk Mgmt Professionals

Understanding ROI and Compliance 3.0

Understanding the ROI of modern E&C departments starts with an understanding of how the industry has evolved over the last few decades. While E&C is still fraught with negative stigmas about its effectiveness, it has finally entered the era of Compliance 3.0. In the modern workplace, new values are taking hold, and the need for a value-driven, impactful E&C department is only rising. The Compliance 1.0 mindset, developed in the 1990s, functioned with the bare minimum of necessary initiatives to prevent executives from ending up behind bars.

By 2004, the Federal Sentencing Guidelines and Sarbanes-Oxley Act had pushed the industry into the era of Compliance 2.0, where effectiveness was prioritized. Better tools, more efficient software was developed to allow E&C professionals to better handle their workloads, but still with a reactionary approach.

Now, with a fully risk-based focus and emphasis on positive cultural change the era of Compliance 3.0 has arrived. It's in this era that E&C professionals can focus not only on protecting the organization, but elevating it. Not just handling risk, but preventing it. It's here that major cultural improvements and a prioritization of employee engagement can demonstrate your value and give your workplace the tools it needs to create a value-driven, people-first workplace.



Calculating Your ROI

Many leaders constrain their effectiveness by limiting their predicted ROI to 1.0 items: avoidance of fines and the like. Make sure your ROI case includes the true positive impact of your ethics program by quantifying the two other categories. We'll show you how !

$$\frac{1.0 \text{ Return} + 2.0 \text{ Return} + 3.0 \text{ Return}}{\text{Investment}} = \text{ROI}$$

Compliance 1.0

- Legal/Regulatory
- Risk Mitigation Focus

Compliance 2.0

- Headcount/Productivity
- Efficiency Focus

Compliance 3.0

- Culture
- Quit Rates/Turnover
- Effectiveness Focus


Calculate the Investment

1.0 Return + 2.0 Return + 3.0 Return

Investment

ONE-TIME COSTS

COST OF A NEW SOLUTION: 

IMPLEMENTATION COST (if any): 

NUMBER OF USERS: 

AVERAGE USER COMPENSATION: 
(For full loaded cost include Salary + 30% benefits)

USER WEEK SPENT ON IMPLEMENTATION: 
(Avg. time spent training & integrating; 1 half-day = 0.1 week)

TOTAL ONE-TIME INVESTMENT COSTS: 

Calculate the Investment

1.0 Return + 2.0 Return + 3.0 Return

Investment

ON-GOING COSTS

ON-GOING COST OF SOLUTIONS: 

(Annual Subscriptions, Software Licenses, Annual Fees, etc.)

TOTAL ON-GOING INVESTMENT COSTS: 

TOTAL ONE-TIME INVESTMENT COSTS: 

TOTAL INVESTMENT COSTS: 

Calculate the 1.0 Return

1.0 Return + 2.0 Return + 3.0 Return

Investment

RISK MITIGATION - ROI

EMPLOYEE COUNT: 

AVERAGE ANNUAL LITIGATION COUNT: 

(Average number of existing/annual cases brought forward regarding workplace incidents: wrongful termination, harassment, etc.)

ASSUMED FUTURE LITIGATION COUNT: 

(Assumed annual count of litigation cases brought forward after the implementation of your new solution)

AVG. LITIGATION DEFENSE COST (Per Case): 

AVG. LITIGATION SETTLEMENT: 

(EEOC: \$40k is the average discrimination settlement)

SETTLEMENT LIKELIHOOD(%): 

(Percent of avg. annual cases resolved by settlement; EEOC claims employees win 15% of discrimination cases)


TOTAL RISK MITIGATION ROI : 

Calculate the 2.0 Return

1.0 Return + 2.0 Return + 3.0 Return

Investment

EFFICIENCY - ROI

E&C TEAM HEAD COUNT: 

AVERAGE E&C TEAM COMPENSATION: 

(For full loaded cost include Salary + 30% benefits)

% OF TIME SPENT BY E&C TEAM ON: 

(This activity should be the task your new solution addresses)

ASSUMED FUTURE % OF TIME SPENT: 

(Assumed percentage of time spent after the implementation of your new solution; e.g. if it was 20% target 15%)

TOTAL EFFICIENCY ROI : 

Calculate the 3.0 Return


1.0 Return + 2.0 Return + 3.0 Return

Investment


CULTURE - ROI

AVG. EMPLOYEE COMPENSATION: 

(Company-wide; for full loaded cost include Salary + 30% benefits)

CURRENT QUIT RATE (%): 

(National Averages: 10% Pre-COVID; 20%-25% Post-COVID)

COST OF TURNOVER (%): 

(Typical this is 33% of employee compensation)

ASSUMED QUIT RATE IMPROVEMENT(%): 

(Assumed quit rate improvement after the implementation of your new solution; use incremental targets such as 1% or 2%)

CURRENT WORKFORCE ENGAGEMENT (%): 

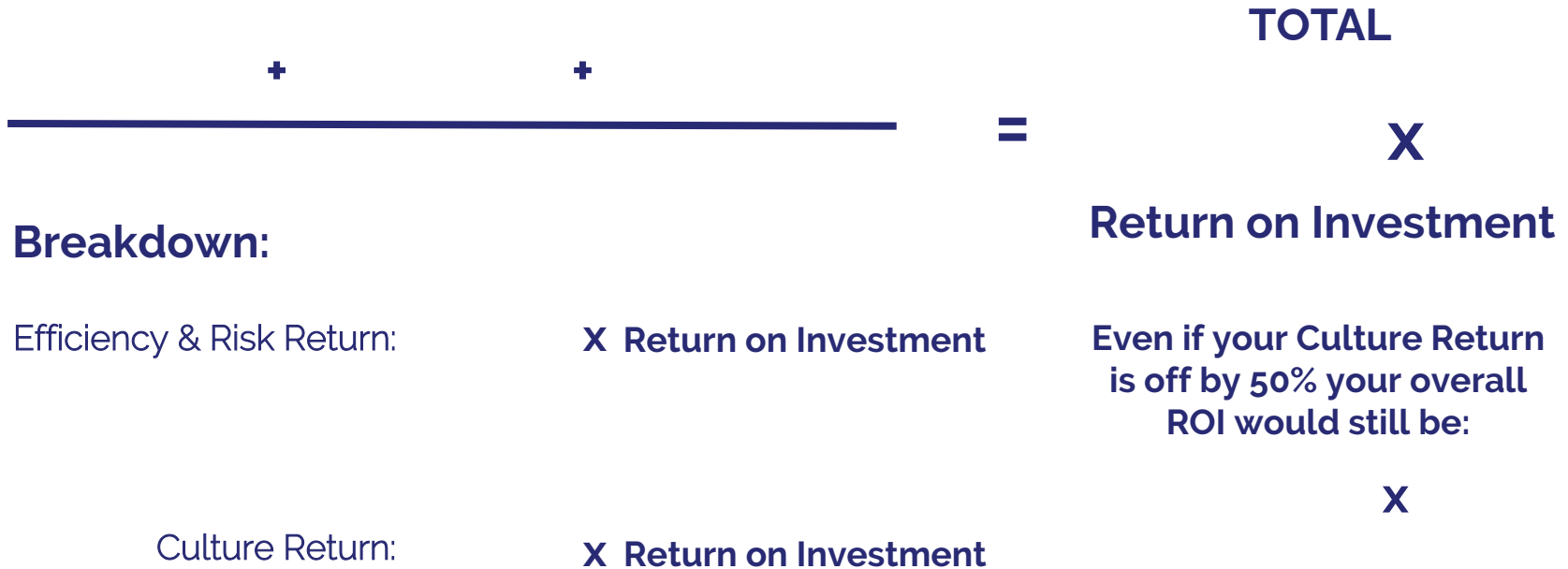
(National Average is ~35% employee engagement)

ASSUMED ENGAGEMENT IMPROVEMENT (%): 

(Assumed engagement improvement after the implementation of your new solution; use incremental targets such as 1% or 2%)

TOTAL CULTURE ROI : 

Totaling Your ROI



Conclusion

ROI is just the tip of the iceberg. It's a single persuasion point amongst a sea of others that you can utilize to define the value of your program. With a Compliance 3.0 approach, you're not just focusing on the bottom line, you're prioritizing the people. The right tools can give you the edge in working to give your teammates, peers, and friends the environment they need to truly thrive in their professional lives. It's from this people-first approach that the Compliance 3.0 mindset is able to unlock the maximum potential ROI, by unlocking the individual potential of each employee.

Give yourself the tools to succeed. Join us in the quest to make the world a better workplace.





MAKE THE WORLD A
BETTER WORKPLACE



 1-800-859-8840

 ethico.com

 sales@ethico.com