

COLLABORATION INSIGHTS

10 Metrics for Measuring ROI of Collaboration

Summary

In this brief, Paul Conley lists his top 10 ways to measure the ROI of a collaborative platform. Pick and choose from them as you will. It's unlikely you'll want to use them all. Instead, choose the ones that most closely correspond to the pain points at your company.



Paul Conley
B2B journalist

The ROI of Collaboration

Could you calculate the ROI of the phone on your desk? Or for that matter, could you calculate the ROI of your desk?

Of course not, because it's 2011. Phones and desks are prerequisites in businesses.

If you're reading this brief, odds are that someone has asked you to calculate the return on investment in some type of collaborative platform or software. But you and I know that in reality you're being asked to measure the ROI of something that is every bit as central to your business as your phone -- you're being asked to measure the ROI of collaboration *itself*.

But don't panic. People ask me things like that all the time. I'm a consultant. When you're a consultant you get used to the idea that people want you to quantify things that are difficult to measure. Spend a few moments reading this brief and I'll show you some simple ways to quantify the value of collaboration.

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Faster, faster

Two giants of the collaboration space are Verizon and Cisco. Back in 2009 they sponsored a research report by Frost & Sullivan called [“Meetings Around the World II: Charting the Course of Advanced Collaboration.”](#)

The report downplays the idea of using traditional ROI measurements for a collaboration investment, and instead recommends the use of a Return on Collaboration Index. This may be a particularly wise approach. But it's worth noting that the ROC Index is, in essence, just a collection of other metrics.

In fact, one particular example of a hard-to-calculate metric cited by Frost & Sullivan happens to be one of my favorite measurements for measuring the value of collaboration -- how quickly does a company issue a press release.

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So let's start there -- measuring the ROI of collaboration by measuring how it might increase the speed of a task.

1 Speed of an existing process – Every business has processes that involve multiple steps and numerous people. And every business thinks that at least one of those processes takes too long. At my clients, the it's-too-slow complaints tend to revolve around the issuing of press releases, the editing of news articles or the onboarding of new employees. The easiest way to measure the value of a collaborative system is to see if that system can speed up an annoyingly slow process. Pick something that is particularly irksome at your company and measure the time it takes to complete. Then move that process to a collaboration platform and let the staff know you're looking to reduce time spent. Measure and repeat.

2 Launch of a new product – How long does it take you to bring something new to market now? When something is touched by engineers, marketers, legal departments and other teams, the time to market can be extraordinarily long. A 2009 report by Accenture about the benefits of collaboration put [the average time to launch a new product in the communications industry at six months](#). I assure you, that's about twice as long as senior management would like it to take. Calculate the length by month of your existing [product-development cycle](#). Then calculate it again after it's been moved to a collaboration platform.

3 Volume of new products – Collaboration is nothing more, and nothing less, than an attempt to get the most creative energy from a group of workers. Compare the number of products brought to launch per year before and after the rollout of a collaboration platform.

The new workforce

My clients are business publishers and marketing companies. They hire creative workers – writers, designers and so forth. The recurring pain point for nearly all my clients is in recruiting. Many of my clients are based in Midwestern cities. Convincing young members of the creative class to relocate to such places can be difficult. It's much easier to have them live and work in the major coastal cities, and collaborate with staff at headquarters.

On the other hand, the least expensive workers in the creative class tend to be those who are located in small, rural communities. These folks are often every bit as talented as the people you'd find in the hippest neighborhoods of urban America – but benefit from the lower cost of living outside the urban hubs. By using collaborative platforms, my clients can get the best of all three worlds – the folks at

headquarters, the inexpensive soloists in small-town America and the young and ambitious of the major cities.

Work is something you do, not a place you go.

Or consider this: one of the more common forms of expansion is to open a new office in a new place. In publishing, this usually takes the form of opening a “news bureau” far from headquarters. Traditionally, that meant renting office space for a few reporters and having them send stories back to the main office for editing. That’s a process that tends to slow news-gathering. But by using a collaborative platform, the folks in the bureau can do the same work at the same speed as anyone else.

Similar efficiencies are possible for numerous roles in any business. For example, if a company wanted to have a presence in Germany or the UK, they could use a collaboration platform to maintain high levels of interaction and production while keeping costs in check. There’s no need to invest in a full office expansion overseas.

Calculating the ROI of using a collaboration platform in connection with a geographically diverse workforce is a fairly easy process. Odds are some version of these metrics would work for your company.

4 Cost of real-estate – A collaboration platform helps reduce real-estate costs involved with opening a remote office overseas or in another part of the country. Also, moving a percentage of the workforce offsite allows a company to reduce the square footage it needs to house employees. It may take some time for a company to divest office space. But there are other metrics (cost of office supplies, utility bills, etc.) that can be tracked in the interim that will suggest if things are moving in the right direction.

5 Absenteeism rate – People who work from home (or coffee shops, co-working facilities, etc.) should have an easier time “getting to work” than people who always are forced to commute. Your company’s absenteeism rate ($\text{Number of lost working days due to absence} / (\text{Number of employees}) \times (\text{Number of Workdays}) \times 100$) should fall steadily as your percentage of offsite workers increases. And by allowing everyone to work from home at least some of the time, you should wind up with a simple inverse relationship – the higher the number of people working at home, the lower the number of people who aren’t working. Absenteeism is just one portion of a total productivity metric. You should plan on measuring total productivity levels of your distributed team. Dow Chemical [saw productivity rise by 32.5% when they moved their sales teams offsite more than a decade ago \(10% through decreased absenteeism, 16% by working at home and 6.5% by avoiding the commute\)](#). Nortel, an early leader in the “work is something you do, not a place you go” movement, has [reported productivity](#)

[rises of as much as 20%.](#)

6 Cost per employee – There are a [number of ways to calculate this](#), but whatever particular metric you opt for, the goal is the same. By allowing people more freedom, and by widening the pool of available recruits, you'll be able to spend less on wages and infrastructure. Your company's costs per full-time equivalent should decline.

The Customer

Years ago I worked at Bloomberg News. It was an extraordinary company with an extraordinary product – the news-and-data-filled terminal that is everywhere on Wall Street. But it seemed to me that the success of the company had less to do with the product than with how Bloomberg handled customer service. The [“insanely good” customer service at Bloomberg](#) was built on a constant emphasis on being able to answer any question from any customer at a breathtaking pace. And oftentimes that speed was built on simple, collaborative processes that the company had instituted. (For example, if a customer called in with a question about a story, the customer-service rep had instant access to a screen that told him who wrote the story, who edited it, whether or not those people were in the office, and if not, listed all their contact numbers.)

No matter what business you might be in, customer service is crucial. You can pick and choose from any of the [dozens of customer-relationship management \(CRM\) metrics](#) when calculating the ROI of collaboration. Or you can just borrow two of my favorites.

7 Complaint time to resolution – Even the best customer-service rep in the world can't possibly resolve every problem. Rather, the success of a rep is connected to how well he's connected to key people in your company. Calculate your existing time to resolution. Introduce a collaborative platform that facilitates Q&A across departments, and then measure over time to track a reduction in the measurement.

8 Customer engagement level – Sure, it's sort of warm and fuzzy. But there seems to be considerable evidence that [customer-engagement levels](#) are an important predictor of repeat sales. In the media world where I make my living, engagement has become the Holy Grail of measurement ... largely replacing customer-satisfaction metrics. You should be tracking your company's engagement levels already. And if they don't increase with the roll-out of a collaboration platform, then use that platform to get everyone in your company thinking about why.

Speaking of warm and fuzzy metrics, let's talk about staff satisfaction. A collaborative platform fosters an environment in which people have more freedom, while at the same time making it easier for them to get the information/cooperation/access they need to succeed. That's a recipe for a happier workforce.

9 Turnover and training costs – It takes money to bring in a new worker. There are recruiting costs, training costs and more. A study in 2003 by Mellon Financial found that the time for new hires to achieve full productivity ranged from 8 weeks for clerical jobs to 20 weeks for professionals to more than 26 weeks for executives. (The report itself is not available online, but a citation can be found in this [MIT report on onboarding](#).) There are few easier ways to reduce costs than to reduce employee turnover and/or to reduce the amount of time spent onboarding employees. Measure your present rates and then look for decline over time as employees are moved to a collaborative platform (look for a drop in turnover) and as the hiring/training process moves to a collaborative system (look for a decline in time to productivity, particularly through the increased use of internal knowledgebases).

But look, don't take my word for any of this. Instead, adopt the spirit of collaboration and ask the folks around you what you should measure. Your coworkers and your boss may not much care for my first nine suggestions on ROI. But they'll like this one:

10 Your department's favorite metric -- Do you work for the engineering department? Are they [Six Sigma](#) folks, looking to minimize errors and variability? Or do you answer to a CFO with a love of top-line growth and an eye on revenue-per-employee? Are you in an HR department with a need to lower costs per employee? Or do you report directly to a CEO who focuses on net income? Whatever the situation, look at the pain points of the people around you. Focus on those.

Then look to everyone else in the company. Believe in them. And know that if you give them the power to collaborate, they can move any metric.

Even better, look to the folks around you and let them know your company is considering a move to a more collaborative environment. Ask them what they think, ask them how it might benefit them. Or check out [what others have said about collaboration](#).

About Paul Conley

Paul Conley entered journalism at the age of six. Too young to be hired as a paper boy, he convinced a neighborhood teenager to subcontract his route. Since then, Paul has continued to rewrite the rules of the content world as a reporter, editor, bureau chief, producer, executive and entrepreneur.

Paul has held senior positions at Knight-Ridder, the Economist Group, CNN, Primedia/Prism and Bloomberg. He serves on the professional advisory boards of College Media Advisers, the national group that works with student journalists, and Northwest Missouri State University's Mass Communications program.

His clients include New York Times Digital, IDG, Amazon, SmartBrief, Whatsnexx, Vance Publishing, Penton and others. For more information about Paul, please visit PaulConley.com.

About Central Desktop

Central Desktop is a cloud-based collaboration platform that centralizes the way people work, teams collaborate and managers lead. The company's comprehensive [online collaboration](#) solution centralizes social and workflow tools into one access point in the cloud, streamlining processes and bringing people together to collaborate and engage. Central Desktop customers include CBS, Netflix, SicolaMartin, U.S. Department of Health & Human Services, the Humane Society of the United States, Workday, Harvard University and over 500,000 users. Founded in 2005, Central Desktop is a privately-held company with headquarters in Pasadena, California. For more information about the company, visit CentralDesktop.com.