

Value of Investment (VOI)

References to CETL

Module 2 - Strategic Planning (2C)

Module 9 - Business Management (9C)

2C SKILL: Articulate and fully leverage the value of investment (VOI) in technology to ensure effective delivery of services aligned to the district vision and goals. Knowledge of: communicating the alignment of research to support best practices to illustrate VOI; application of project management; prioritization concepts to implementation

9C SKILL: Develop accurate pricing estimates for technology initiatives by using TCO and VOI. Knowledge of: differences between TCO and VOI (soft and hard benefits); principles of TCO and VOI; tradeoffs

Total Cost of Ownership (TCO) – *a balanced view of all costs, both direct and indirect, required to support district technology. These include equipment and software, direct labor, and user overhead.*

- Value of Investment (VOI) - looks at anticipated costs and related benefits of specific proposed technology projects.
- VOI benefits include any dollar savings, efficiencies, or additional revenue generation but also need to take into account qualitative benefits that relate directly to school mission, goals, and mandates.
- VOI is typically used in understanding qualitative benefits/costs.
- VOI is "helping to plan where you want to be."
- Total Cost of Ownership (TCO) is "understanding where you are." TCO is key to knowing your current costs, and it helps to anticipate future costs, but how do you determine the value of proposed investments?
- Costs can be estimated, but measuring benefits through VOI is more difficult.
- For most major IT investment opportunities in a K-12 environment, the critical return can't be measured in dollars and cents. These proposed projects should be measured in terms of cost and benefits - the intrinsic value that the initiative will bring in carrying out the district's mission.
- VOI is about more than just articulating costs and benefits. K-12 institutions should calculate and closely evaluate costs, savings and revenues; "qualitative" benefits; risks; and the investment's impact and effectiveness.

VOI is a cost versus benefit analysis that can be used to:

- **Evaluate** projects competing for funding to determine which project offers the best cost/benefit value
- **Convince** constituents that the investment should be made by conveying specific achievable benefits relating to the school's mission
- **Articulate** purpose for project implementation and educate participants and constituents
- **Sustain** the project in the future to review actual costs and benefits when the time comes to refresh equipment or answer to skeptics

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To calculate VOI, follow this five-step process:

1. Estimate Project Costs (Project Total Cost of Ownership):

To properly implement and support the IT project, all initial and ongoing direct costs should be budgeted. However, to determine the relative value of the proposed project, budgeted costs should be annualized and indirect costs (user overhead time) should be considered; these combined annualized costs constitute the project's Total Cost of Ownership (*see "VOI Methodology"*).

2. Calculate Anticipated Savings and Revenues:

Most projects — even those focused on qualitative benefits such as student achievement — have cost savings: lower out-of-pocket costs, better user productivity, future cost avoidance or increased revenue, for example. Also, for projects designed primarily to save money or enhance staff productivity, an ROI calculator is provided within [CoSN's VOI Project Cost Estimator tool \(atcosn.org/VOIMethodologyTools\)](http://atcosn.org/VOIMethodologyTools).

3. Measure (Score) "Qualitative" Benefits:

The nonfinancial benefits are qualitative, and can be measured and tied to the district's strategic plan, mission, goals and mandates.

- **Determine** the school's or district's mission, goals and mandates, and assign a relative importance to each.
- **Align** anticipated project benefits with the appropriate school mission, goals and mandates.
- **State** the anticipated project benefits in measurable terms.
If you aren't comparing two or more projects competing for funds, the next steps don't apply. Otherwise, it helps to score each of the competing projects:
- **Agree** on the effect of each of the proposed project benefits on applicable mission statements, goals and mandates, and the relative importance of those goals.
- **Calculate** a total qualitative benefits score for each project.

4. Assess Risk:

Risk, as understood for the purpose of VOI calculations, is more appropriately viewed as the probability of success for the proposed project. This is applied to the valuation of the project's expected benefits (*see "Sample Project Benefit Categories"*).

5. Evaluate Results:

Was the project worth it? Once a technology project has been implemented, district leaders have an opportunity to objectively review actual costs and benefits against the projected costs and measurable benefits.

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A Proven Effort

Performing a VOI evaluation may seem like a lot of work, and it shouldn't be applied to small projects. However, it's a critical step in developing understanding, direction and clarity for proposed large technology undertakings.

The calculation of VOI has been used, for example, to help a district engage its community and then pass (after previous failures) a bond for a one-to-one notebook computer initiative. It allowed another district to realize that a proposed online learning initiative originally intended to delay a major building expansion actually supported a major mission statement ("Our students will be lifelong learners."). VOI also helped school leaders in another district more clearly define the benefits of their mobile learning pilot to better guide districtwide rollouts in the future.

Be sure to focus on the value of investments in educational technology *now* — before your school moves past a point of no return.

SAMPLE PROJECT BENEFIT CATEGORIES

- Financial — cost savings, productivity, cost avoidance, increased revenue
- Student achievement/success
- Student equity
- Student behavior and social growth
- Teachers and administrative staff
- Political value
- Community goodwill
- Safety and security
- Curricula and course options
- 21st century skills or college and career readiness

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VOI Methodology

