Numbers don't lie. Words do. And what this has to do with ROI.

In today's business environment little has remained static. The most basic of definitions have changed or are targeted for change by a wave of 'disruption' that has grabbed a firm hold of imaginations across the entire spectrum of commerce. An era of unprecedented societal transformation is upon us, we are told, and the spoils of the ongoing market-grabbing battles will go to the smartest and strongest competitors. While not exactly a novel development, as the winners of any era are necessarily its top performers, the performance expectations themselves are unique and potentially devastating to those who misunderstand current trends.

To state the known and the obvious, businesses exist to make money. They arrive at that coveted point through successfully and consistently generating positive ROI. Thanks in no small part to the meteoric rise of computing speeds, business leaders, coaches, and professors have increasingly come to realize—and correspondingly raise awareness—that every business decision, no matter how trivial, has a definite impact on ROI. This is both exciting and lethal. Exciting in that ROI is now rightfully occupying front and center in every department and in every managerial mind. And lethal because the definitions of ROI have proliferated and most of these, in typical disruptive fashion, are geared toward 'rates of process improvement' rather than 'rates of financial return' on dollars spent. So, for example, we might hear of an HR manager trying to conceive an ROI for recruiting or a marketing director trying to figure the ROI of channel development. Admittedly, conventional methods won't help in these examples, but without even attempting to understand the innovative methods needed, can it be said outright that such ROIs are unnecessary? Indeed. Business decisions impact ROI but only as a cohesive whole. It is alright, even necessary, for all managers to worry about wasting resources, but ROI as an actual number is really a 'big picture' concept that only executives can truly grasp and, thus, control in any meaningful way.

As far as marketing and sales managers are concerned, the truly dangerous development in this vein is that ROI becomes so unmoored from reality it becomes meaningless. Business development spending then becomes a matter of (mostly) guesswork and, ironically, wasted resources. Sales activity, so indispensable to generating momentum, handily becomes a victim of misdirected ROI concerns and dwindles down. Again, ROI is lost in the name of inducing its growth.

Sometimes the simplest answer is the right one. Business development professionals, whether in marketing or sales, must resist vague ROI calculations and re-focus attentions on processes and spends that deliver tangible, quantifiable results. The best solution may still be the one lying in a proverbial attic or warehouse, waiting to be reimagined.

Bill Saqib
Co-founder, McCord Solutions – June 10, 2015