Brief Guide to Data Input for the Grizzly AI - Return on Investment Calculator

Introduction

We recommend that any user of this return on investment model first reads the whitepaper entitled 'How Grizzly AI Can Generate a 500% Plus Return on Investment for Your Business'.

The whitepaper provides a detailed explanation of what the decision variables are, how they are sourced and their meaning.

More importantly, the model outputs are explained to enable effective interpretation.

Users need to be "roughly right, and not precisely wrong"

All financial models are abstracts of the real world and will never capture the full picture. Whenever data assumption inputs are fed into a financial model, caution must always be applied when interpreting the results.

If users try too hard to be precise with their data inputs or assumptions, they can be sure that the outputs will be precisely wrong.

If users make reasonable assumptions, as rough as they may be, the outputs will be roughly right and more valid for consideration.

Users should test the sensitivity of their results

It is important that users test the sensitivity of the model's outputs of the financial return on investment (ROI) and potential gains in productive hours under alternative assumptions.

The model is set up for users to try many scenarios of reasonable data assumptions. This will provide a range of outcomes for consideration.

Guide to Data Inputs

1) **Knowledge worker direct costs**
   Typically, a knowledge worker's direct cost to a business is a combination of salary, benefits, bonus, laptop or other IT equipment, cellphone and SaaS or other per user licence costs.
   This is the value that is entered into the model.

2) **Annual working weeks**
   Calculate annual and statutory leave, plus likely sick leave, bereavement leave, training and other time away from work. A starting number of 45 weeks is reasonable. This variable determines the gain in annual productivity hours, not the financial ROI.

3) **Daily productive time**
   Formal working hours in a day do not reflect the number of productive hours worked per day. This where you should test different alternatives.

Each working day is typically fragmented by endless meetings and answering emails, telephone calls, together with lunch and tea or coffee breaks. Social chatter, although valuable in many respects, is also a productivity killer.

A possible starting estimate may be seven productive hours per working day.

However, experienced business leaders know that, for most knowledge workers, seven productive hours per working day is an heroic assumption. If such high productivity rates were consistently achieved, business profitability would be much higher.

Of course, there are many professional knowledge workers who work productive days well in excess of seven hours.

Note that, in this simplistic model, the daily productive hours variable does not affect the financial ROI. However, it does affect the total gain in productivity hours.

4) **Working days per week**
This may be simple, or could be adjusted by four-day working weeks or knowledge workers who routinely work more than a conventional five-day working week. This variable does not affect the financial ROI, but it does affect the total gain in productivity hours.

5) **Monthly Grizzly AI licence cost**
There are two licence cost options to choose from, at this stage. This is expressed in USD.

6) **Exchange rate**
The Grizzly AI pricing in USD is converted into your preferred currency with this factor.

7) **Estimated increase in productivity**
This input is the key driver to determine ROI and gains in productive hours from using Grizzly AI. Users should test multiple scenarios by varying this variable in the model.

Consider a range of possible outcomes to see how sensitive both the financial ROI and the gain in productive hours may be.

8) **Productivity increases in minutes, per Working Day – no data input**
This is simply the estimated percentage increase in productivity in (7) multiplied by the number of productive hours worked per day (3).

9) **Productivity increase in hours, per Working Week – no data input**
This is simply the estimated increase in productive minutes per day (8) multiplied by the number of working days in a week (3).

10) **Productivity Increase in Hours, per Working Year – no data input**
This is simply the estimated increase in productive hours per working week (9) multiplied by the number of working weeks in a year (2).

If this number (10) is divided by the estimated productive hours per week, or (3) times (4), the result is the number of normal working weeks gained from an increase in productivity.

11) Return on Investment from using Grizzly AI

This simplistic return on investment model uses the cost of a knowledge worker's direct cost as a proxy for that person's value to the business.

This number will almost always be much lower than the actual value created by that knowledge worker. Otherwise, of course, there would be zero profit margin earned by that person.

The model calculates the additional value created from the improved productivity, expressed as a percentage of the calculated knowledge worker cost per working day.

That is, if an estimate of a productivity gain of, say, 5% were entered, the model calculates the knowledge worker's cost to the business per working day and effectively values the productivity gain as 5% of that daily cost.

The model calculates the cost of the selected Grizzly AI licence, per working day.

It is these two outputs that determine the financial return on investment result.

Commentary on Results

- A key assumption of the return on investment model is, of course, that the knowledge worker will actually continue to work at the same pace and not simply work fewer productive hours, while still producing the same volume of work output that would otherwise have been produced.

  The gain in value in this simplistic model is, of course, a proxy only and is related to the knowledge worker's direct cost, not their value to the business. Hence, the ROI will likely be much higher.

- The additional gain in productive hours may well be used for much more valuable tasks, so the ROI would be even higher.

  The rationale here is that, if a knowledge worker's time spent doing routine work is released, it can be applied during much more valuable work.

- If the knowledge worker is a billable resource, additional revenue generated by the productive hours gained will boost the ROI enormously.

Advanced Return on Investment Decision Model

A more advanced ROI financial model is available for a more sophisticated analysis. This version explicitly considers the following:

- Estimates of value added from the time released
- Estimates of value from the reduced risk of knowledge worker turnover
- Impact of changes in billing revenue
- Refined opportunity cost analysis

- Multiple knowledge worker segments, rather than just individuals
- Measures cash flow benefits, rather than just percentage returns on investment
- Measures the effect of any initial integration or software customisation required