

Measuring (& Rescuing) the Company Holiday Party

Spotted owls. Whales. Company holiday parties. Meet the latest member of the endangered species list. OK, maybe that's a slight exaggeration, but not by much. In the past few months in-house planners have fallen into two categories: people who have been asked to cut back or cancel their holiday parties, or people who are afraid of being asked to do so at any moment. It's like sitting through the movie *Jaws* and hearing that eerie music; you may not see the fin yet, but there's blood in the water and you know the shark is out there. While holiday parties are not the only events coming under budget scrutiny these days, they are among the hardest to defend, because most have little or no ostensible business purpose that planners can clearly articulate. Deep in our bones we know they're valuable in terms of morale, productivity, building relationships, rewarding workers for a tough year, etc. But we have a hard time putting that into words. Business executives know that if they cancel a sales meeting or a client conference or a product launch, there's a consequence, a risk of a de-motivated sales force not hitting their numbers, or clients more susceptible to poaching from rivals. But it's hard for them to see the consequences of nixing a holiday party. Here is one scenario to help demonstrate the potential Return On Investment that defends the company holiday party.

Return On Investment

1. Let's say your company (or department) holiday party has 200 people attending. And to make the math easy, let's assume you're paying \$100.00 per person for the party, for a total of \$20,000.
2. Let's assume the average person's salary is \$50k a year (again, to be conservative, and make the math easy). The total payroll is 200 people x \$50,000 = \$10 million.
3. Most accountants tell you to shoot for each employee to bill 3 times their compensation in income. To be conservative, let's put this at 2.5 times, or \$25 million. In other words, our company or department with a \$10 million payroll should generate \$25 million in revenue or productivity.

4. Let's now assume that the holiday party has a positive impact on general office morale, worker enthusiasm and productivity. Fewer people are gossiping around the water cooler about the company's future or looking for jobs online, and instead are re-focused on their tasks at hand. I know it's hard to do, but we've got to try to quantify this effect, so let's say there's a modest 5% increase in worker productivity. $\$25 \text{ million} \times 5\% = \1.25 million in productivity improvements.

5. But realistically, the impact of the holiday party won't last the whole year. Let's assume that increase only lasts for a month, maybe a week or two before the event and a week or two after. So we divide the $\$1.25 \text{ million}$ by 12, to get to $\$104,166$. Let's round it down to an even $\$100,000$.

6. In sum, the $\$20,000$ we spent on the holiday party generated $\$100,000$ in improved productivity, for a 5 times return on the investment. Or put another way, canceling the holiday party saved $\$20k$, but likely cost the company $\$100k$ in lost productivity. That's your R.O.I. right there.

7. [That assumes that a cancellation gets a full refund. At this late stage, it's more likely that the venue will charge a reasonable cancellation fee, which would make your case even stronger.]