

Imperial National Bank

Executive Leadership Development

Patricia P. Phillips, Ph.D.
Jack J. Phillips, Ph.D.

ROI INSTITUTE™

ROI Institute, Inc.
350 Crossbrook Drive
Chelsea, Alabama 35043
Phone (205) 678-8101 Fax (205) 678-8102
info@roiinstitute.net
www.roiinstitute.net

This case shows the monetary impact of a leadership development program using an action learning process. The projected cost of the program was the driving force in this evaluation and underscores the complexity of measuring the impact of leadership development. More importantly, this case shows how changes in program design can significantly increase the actual return on investment.

This case was prepared to serve as a basis for discussion rather than to illustrate either effective or ineffective administrative and management practices. All names, dates, places, and organization have been disguised at the request of the author or organization. This case is published in *The Human Resources Scorecard*, Jack J. Phillips, Ron D. Stone, and Patricia Pulliam Phillips, Butterworth-Heinemann, Woburn, MA, 2001.

No part of this may be reproduced, stored in a retrieval system, or transmitted in any form or by a means without written permission.

BACKGROUND

As with many large global organizations in a competitive industry, Imperial National Bank (INB)—a large, multi-service bank operating in fourteen states—recognized that it needed effective leaders. As a result a comprehensive leadership development program was developed. The program followed a learning while-earning model, whereby high-potential leaders worked together on selected high-priority business issues with access to just-in-time coaching, advice from senior executives, and a faculty of subject matter experts. The program structure combined class time and project work.

A process called action reflection learning (ARL) was the principal vehicle used in the leadership development program to assist in learning new approaches to behavioral change and perceptions. The process helped participants associate learning with making things happen in real time. ARL confronted participants with challenges and risks, had them search for information, and had them complete tasks that were outside their regular scope of activities. In essence, ARL took advantage of the fact that when learning is linked to action on real issues, in which there are real consequences and risks, adults are more motivated to learn.

Three critical success factors were identified that needed to be fully operational and executed for the program to achieve the desired success:

- A significant amount of time needed to be invested by the management committee, clients, and participants.
- Real projects that were enterprise-wide and strategic needed to be developed.
- Influential participants needed to be selected based on performance and future potential.

These factors capture the most important issues surrounding this program.

INITIATION OF THE LEADERSHIP DEVELOPMENT PROGRAM

Around the globe, there is a need for more accountability and evaluation in leadership development. In accordance with this need, the director of INB's training function initiated an evaluation of the leadership program. Performance Resources Organization (PRO), a leading international consulting firm that focuses on measuring the return on investment in human resources programs, was called in as an external consultant to direct the evaluation. PRO was not involved in the design, development, or delivery of this program, thus ensuring an independent evaluation.

The leadership program was deemed an ideal candidate for ROI evaluation for several reasons:

The program was INB's first attempt to integrate traditional leadership development with on-the-job, real-life projects, designed to add significant value to the organization.

- The program targeted a critical audience at INB—future leaders.
- The vision for the program had been developed and refined at the highest levels of the organization.

- On a per participant basis, the program was perhaps the most expensive program undertaken at INB. It was also the most visible.
- The program was designed to focus on important projects that represented real-life situations and involved key operational and strategic issues.

Several issues apparent at the beginning of the study, however, had the potential to influence the ability to develop a specific return on investment (ROI):

Initially, the program was not designed to deliver a measurable business impact. Consequently, key performance measures were not linked to the program, and specific objectives were not developed to improve measurable performance.

- Although the projects were included to add value to INB, the nature of some of the projects made this task difficult.
- Also, the requirements for developing the projects did not include a process for capturing monetary value.
- Data collection systems had not been developed and refined to link with the leadership development program. Performance data were scattered throughout the company and, in some cases, not readily available.
- The intangible benefits from this program were expected to be significant and long term, providing non-monetary values that might exceed the monetary benefits.

Even with the presence of the above difficulties, there was a desire to measure ROI, using the most credible processes. Through the implementation of a comprehensive data collection and analysis process spanning a time period of September to June, this evaluation took place, using the ROI process model described throughout this book.

DATA COLLECTION PLAN

An effective evaluation must be carefully planned with appropriate timing established and responsibilities defined. Table 1 shows the data collection plan for this evaluation. The data collection plan was initially developed and approved by the support team with additional adjustments made during the program to ensure that appropriate input was obtained from all individuals. Although the amount of data collected might be considered excessive and the multiple methods might provide duplication and overlap, this was considered a necessity because of the importance of the program, the cost of the program in both time and money, and the target audience involved.

Timing of Data Collection

The timing of collection was very critical. End-of-program questionnaires were collected at the end of each session and at the end of the program. Reaction data was also collected from a variety of individuals at the program's completion. Learning data was collected during the session and during on-the-job observations.

The most critical timing issue to address was data collection for application and impact.

Although a leadership development program is designed to have a long-term impact, the specific improvements from programs are difficult to capture if assessed years after the program is completed. Although the connection may exist, it is difficult for the participants and participants' managers to make the connection between a training program and specific improvement. In addition, for longer periods of time, additional variables will influence business measures, thus complicating the cause and effect relationship between training and improvement.

The timing of data collection was complicated because senior management wanted the evaluation completed before making a decision about the implementation of future programs. Ideally, the application and impact data should be captured within six months to one year after a program is completed. Following this schedule would push the data collection and completion of the evaluation beyond the requested time frame desired to make decisions about a second program.

The spacing of the sessions further complicated the timing of the study. The first session was held in September and the last in February. The time needed to apply skills learned in the first session would place the evaluation in the spring. For the last session, the follow-up would normally be in the fall. Thus, a period of sixty to ninety days from the last session was selected to allow enough time for application.

End-of-Program Feedback

An essential part of any evaluation is the typical feedback obtained at the end of a training program. A modified version of the standard questionnaire used by the training department captured feedback at the end of each session. This feedback was tabulated and provided to the external consultants, as well as the training support team. Adjustments were routinely made using this feedback data.

Observation

An important part of evaluation was provided by the research component of the program. An expert in action reflection learning research provided observation throughout the program. Although most of the observation occurred during sessions and captured actual learning, some observation took place in work settings as part of an executive shadow program. The results of these observations were provided as feedback to program faculty, the training support team, and program participants. Although results of this research are included in this case as part of the total assessment and evaluation, it is important to note that this research was not designed to serve as program assessment and evaluation.

Questionnaire from Participants

One of the most important data collection methods was the detailed follow-up questionnaire completed by participants in the time frame of sixty to ninety days from the end of the last session. During the third session, participants were briefed about the plans for the questionnaire, and the general topics were discussed. Participants were also reminded about

Table 1 - Data Collection Plan

Level	Broad Program Objective(s)	Data Collection Method	Timing of Data Collection	Responsibilities for Data Collection
I – Reaction & Satisfaction	<ul style="list-style-type: none"> • Favorable reaction from participants, teams and observers • Suggestions for improvement 	<ul style="list-style-type: none"> • Questionnaire from participants (1) • Follow-up questionnaire from participants (2) • Interviews with participants (5) • Observation • Interviews with sponsors (3) • Follow-up questionnaire from manager (4) 	<ul style="list-style-type: none"> • End of each session and end of prog. • 60–90 days after end of program • 60–90 days after end of program • Daily • 60–90 days after end of program • 60–90 days after end of program 	<ul style="list-style-type: none"> • PRO • PRO • PRO • Manager • PRO • PRO
II - Learning	<ul style="list-style-type: none"> • Enhance knowledge and skills in fourteen areas 	<ul style="list-style-type: none"> • Observation • Questionnaire from participants (1) • Values technology instrument • Executive success profile • Follow-up questionnaire from participants (2) 	<ul style="list-style-type: none"> • Daily • End of each session and end of prog. • During program • During program • 60–90 days after end of program 	<ul style="list-style-type: none"> • Manager • PRO • Facilitators • Facilitators • PRO
III - Application	<ul style="list-style-type: none"> • Use of skills and knowledge • Frequency of skill use • Interaction with management and policy committee 	<ul style="list-style-type: none"> • Observation • Follow-up questionnaire from participants (2) • Follow-up questionnaire from manager (4) • Interviews with participants (5) • Interviews with sponsors 	<ul style="list-style-type: none"> • During program • 60–90 days after end of program • 60–90 days after end of program • 60–90 days after end of program • 60–90 days after end of program 	<ul style="list-style-type: none"> • Managers • PRO • PRO • PRO • PRO
IV - Business Impact	<ul style="list-style-type: none"> • Benefits from research, recommendations made by project teams, and resulting savings and/or earnings • Improvement in business impact measures as each participant applies skills in business unit • Enhanced quality of executive talent pool 	<ul style="list-style-type: none"> • Financial performance indicators from project presentations • Interviews with participants (5) • Follow-up questionnaire from participants (2) • Follow-up questionnaire from manager (4) • HR records 	<ul style="list-style-type: none"> • 60–90 days after end of program • 60–90 days after end of program • 60–90 days after end of program • 60–90 days after end of program • 3 years after end of program 	<ul style="list-style-type: none"> • Program Director • PRO • PRO • PRO • PRO

(1) Same questionnaire, (2) Same questionnaire, (3) Same interview, (4) Same questionnaire, (5) Same interview

the questionnaire at the last session, and a final reminder was sent approximately one month after the last session. This reminder came directly from the training director, encouraging them to take appropriate notes of details that could be reported in the questionnaires. As of mid-June, the participant response rate was 73 percent, representing sixteen of the twenty-two participants. In addition, questionnaire responses were very thorough and served as a valuable data source. The questionnaire focused on application and impact data (Levels 3 and 4).

Interviews with Participants

To supplement input from questionnaires, interviews were conducted with each participant. Lasting approximately 1 to 1.5 hours, each interview explored individual application and impact topics. Additional probing was used to uncover business impact applications and to gain further insight into skill applications, barriers, concerns and important issues surrounding the success of the program. These interviews were conducted within sixty to ninety days after the last session.

Questionnaires for Managers

To gain the perspective of participants' managers, a questionnaire was sent directly to them within the timeframe of sixty to ninety days from the end of the program. The managers of participants were involved early in the process when participants were selected. They often had to make adjustments in the business units while participants attended sessions and worked on the project. Manager input was considered important, as their support was necessary for success. As of mid-June, 46 percent of managers had returned the questionnaire.

Interview with Sponsors

Because senior managers' involvement in this program was significant, their interest was high, and consequently, their influence was critical to its success. Interviews with these project sponsors provided a wealth of candid input about the success of the program as well as the concerns from the unique perspective of these key executives.

Questionnaire from the Support Team

To provide additional input from other members critical to the success of the program, a customized questionnaire was distributed to the external consultants and the training support team. Their input focused on reaction to the program, assessment of success, and suggestions for improvement.

Performance Monitoring

Capturing specific data from business impact applications and project evaluation required collecting data from the business records of the organization. This was a factor only in those

areas in which impact was identified or on which the projects had a direct influence.

Project Review

To capture the potential value of the projects, the status of the projects was explored with each project owner to determine the extent of implementation and the prospects for future implementations. In some cases, the project review went a step further by placing an actual value on the projects.

Summary

Collectively, these data collection methods yielded a tremendous amount of data, far exceeding expectations. The different perspectives and types of data ensured a thorough assessment of the program and provided a backdrop for insightful recommendations for making improvements.

REACTION AND LEARNING

Table 2
Data Integration

	Level 1 Reaction to Program	Level 2 Learning: Skills, Knowledge, Changes in Perceptions	Level 3 Application Implementation and Use on the Job	Level 4 Impact in Business Unit	Costs
End of Session Feedback	X	X			
Research		X	X		
Interviews with Participants	X	X	X	X	X
Questionnaires from Participants	X	X	X	X	
Questionnaires from Managers of Participants	X		X	X	
Interviews with Sponsors	X				
Questionnaires for Faculty/Support Team	X				
Company Records				X	X

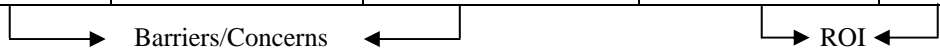


Table 2 shows how the data were integrated for analysis and reporting along the four levels of evaluation as well as the cost of the program. Data on reaction to the program and relevant learning that took place was obtained through end-of session feedback, interviews with participants, and questionnaires from participants. Questionnaires from managers of participants and faculty/support teams, as well as interviews with sponsors, provided additional reaction data while research provided additional data on relevant learning.

Reaction

The data collected throughout the first leadership development program indicated both high and low points during the program. The participant overall mean score indicated a decline in the value of the sessions. Also, as the participants progressed through the program, a number of issues arose. These issues centered on [1] progress of project team work, [2] lack of time, [3] external presenters/content (2 of 4), and [4] team dynamics.

The components that contributed the most to the participant learning using a five-point scale were: [1] project work (4.6), [2] cross-functional team work (4.6), and [3] being involved in strategic issues at INB (4.5). The components that contributed the least were external resources (2.8) and feedback instruments (3.4).

Therefore, the areas that were sources of frustration during the program were also the areas that contributed the most to the learning—the project work and team dynamics.

Learning

Learning was examined in significant detail as part of the research component for the program. The major findings from the research program are contained in Table 3.

Table 3
Major Findings from Research Project Measures of Learning

Learning:

- Learning was “managed” by the participants through the use of several “filters.”
- Learning was impacted by the existing culture of the organization.
- Executive learning included cognitive re-framing, as well as information transfer and skill development.

Team Skill Development:

- Development was affected by executive role and position.
- Skill development was affected by cultural norms and values.
- Skill development was affected by project focus.
- Development was affected by interaction with learning coaches.

Projects:

- Projects were affected by team and individual sponsorship.
 - Projects were affected by program schedule and design.
 - Projects were affected by interaction among teams and by interaction as whole group.
-

APPLICATION

Application of Skills, Knowledge, and Behavior

Although the leadership development program was not designed to develop a number of skills to produce immediate on-the-job results, specific areas were addressed that had immediate application potential. The questionnaire response from participants showed significant changes in behavior in several important skill areas. Not surprisingly, “reflection and dialogue” showed the most significant change, followed closely by “thinking strategically” and “communicating effectively.” This mirrored, to a certain extent, the results obtained from participant interviews and manager questionnaires. “Using market research and data analysis” showed the least change, principally because it was not developed much in the program, although it was part of the original plan. Surprisingly, “planning personal development” did not show the extent of the transfer to the job as anticipated.

Ironically, the manager questionnaire input provided a more positive assessment of behavior change, particularly with “applying power and influence” and “managing small work groups.”

Action Reflection Learning Approach

The action reflection learning approach (ARL) was at the core of the learning process in the sessions. Although the reaction for most of the elements of ARL was positive, there was concern about the overall success of some of the initiatives. The questionnaire responses from participants revealed that the most successful elements of ARL were the abilities to “engage in cross-functional work teams” and “learn from your own experience.” The least successful appeared to be “associate learning with making things happen in real time.”

BUSINESS IMPACT

Linkage with Key Measures

To achieve results, participants needed to realize a connection or linkage between the application of acquired knowledge and skills and changes in key business measures. According to input from participants and other groups, the strongest linkage occurred with employee satisfaction and customer satisfaction. Building effective leadership skills often improves employee satisfaction while improving the relationship with customers. In addition, the projects contributed significantly to this connection. The weakest linkage with key business measures and this program appeared to be with productivity, revenue generation, profits, cost control, and customer response time. These were some of INB’s most important business measures. This assessment was to be expected, unless the program had had mechanisms to provide a connection to these key business variables.

Specific Impact from Individual Projects

Although the team projects were expected to add significant value to INB, it was anticipated that individual participants would undertake specific improvements in their work settings.

Participants were asked to identify these improvements, where possible.

Usually when this type of improvement data is desired from a leadership development program, individual business action plans are developed to guide the application of the new skills and report the results. This process of capturing values from individual plans is much more difficult when the action plans have not been developed, as was the case with the leadership development program. Because the team projects were developed for the program, the program designers were not interested in requiring action plans for individual application. Consequently, there was no formal planning for the use of individual skills and no mechanism in place for capturing specific improvements.

In the follow-up questionnaire, participants were asked to explore business results with a series of impact questions, which provided an opportunity to offer details about specific impact. As anticipated, only a small number of participants were able to place values on the questionnaire. Four participants provided values. Two are reported in Table 4, which identifies the specific impact derived from the program.

In an effort to capture additional input about business impact, the same series of questions was asked of the participants during the one-on-one interviews whenever there was an opportunity to explore business results. This questioning yielded eleven more instances in which value may be linked to the program. These projects, without monetary values, are listed in Table 5.

Collectively, these values do not appear very reliable at this stage. However, this attempt to find specific individual project results related to the program is essential to the evaluation. At the outset, it was concluded that this would be a difficult exercise and that it would be unlikely to generate a tremendous amount of specific and reliable data. Although several individual projects were identified, the values were not used in the ROI calculation.

Turnover Prevention/Reduction

Perhaps an unexpected benefit linked to the leadership development program was staff turnover prevention. The program caused several of the participants to examine their careers and gain a renewed respect for INB. Suddenly they realized that the company valued them as executives, was interested in their careers, and more importantly, was interested in developing critical skills for additional responsibilities. In essence, this program strengthened the bond between the employee and the company, increasing loyalty and commitment. For example, four individuals indicated that this program prevented or probably prevented them from leaving the company within the next couple of years.

Project Results

The team projects were an integral part of the program from the design and delivery perspective and turned out to be the most significant and meaningful part of the process from the participant viewpoint. Without exception, the reaction to the projects was extremely favorable. Participants saw them as extremely frustrating and stressful but very rewarding. Eighty percent of the participants considered the project successful or very successful.

There was, however, some debate and concern about the purpose of the projects. All stakeholders felt that the projects served as excellent learning activities and that even if the recommendations were never implemented, they learned much about themselves, their team, the bank, and the particular topic as a result of the project development and presentation. However, almost all participants indicated that the projects represented real issues that need to be resolved and were concerned that they be implemented.

An important part of the leadership development program design was to use the processes and principles of action reflection learning as participants developed their projects and identified recommendations. Participants gave mixed responses about using ARL as an important and successful part of project success. Some felt ARL was not important to project success.

PROGRAM COSTS

A fully loaded cost profile was used in this study. Table 6 shows the listing of cost elements considered in this analysis. All costs for the program were absorbed by the training department with the exception of some project-related costs incurred by the team members. The fees charged by the consultants and hotels are actual. The rest of the costs are aggregated estimates (that is, salary and benefits were

Table 4 Impact of Individual Projects from Questionnaires

Business Impact Examples from Questionnaires					
Description of Project	Monetary Impact	Basis/Time Frame	Contribution Factor	Confidence of Values	Comments
<p>1. This project involves the delivery strategy for the customer-centric enterprise. Combining both business and technology strategies, the project involves a combination of:</p> <ul style="list-style-type: none"> • Identification, profiling, and delivery of the customer to the most appropriate and cost-effective resource. • Enhancement of the customer-employee interaction through effective real time delivery of meaningful customer intelligence to the specialists. • Collection measurement and reporting on the customer experience and behaviors. 	\$3,625,000 annually	<p>The utilization of call-by-call intelligent network routing will provide load balancing and optimization across the entire organization. The industry estimates 10% to 15% efficiency in the areas of staffing resources and telecommunications expenses. A conservative estimate of 5% for INB would provide the following annual benefit based on current assumptions:</p> <ul style="list-style-type: none"> • Agent efficiency based on 2,000 agents @ \$30K annual salary with a 5% gain would provide an annual benefit of \$3,000,000. • Telecommunication costs based on 100,000,000 minutes annually at 7.5¢ per minute with a 5% gain would provide an annual benefit of \$375,000. • The use of shared equipment at the network level and the repositioning of equipment to provide efficiencies is estimated at a 5% gain on a \$5,000,000 annual capital budget resulting in an annual benefit of \$250,000. 	25%	75%	<p>This is an extensive project, which was initiated directly from the program. However, due to other factors and influences that may have brought this project forward in the future, only 25% of the improvement is credited to the program. A more detailed document, including a proposal that was presented to the executive group, is available.</p>
Description of Project	Monetary Impact	Basis/Time Frame	Contribution Factor	Confidence of Values	Comments
<p>2. This project involves designed strategic development and implementation planning to turn INB into a more</p>	\$20,000,000	<p>When the customer-centric organization is successfully implemented, a minimum 10% impact on customer loyalty should be realized. A 1-point improvement on any of the</p>	<p>The program moved this project ahead by one year. Thus one year</p>	N/A	<p>This is only one element of the customer-centric implementation but affects the entire bank. This is being driven by an individual who</p>

customer-centric organization.		loyalty measures is estimated to deliver 30¢ per month, per customer. This produces a \$20,000,000 improvement.	of results can be attributed to this program.		participated in the program, and the estimates are based only on one element of the project within the scope of that individual.
--------------------------------	--	---	---	--	--

Table 5 – Individual Projects from Interviews

Type of Contribution	Brief Description of Improvement
1. Department Initiative	One participant used the communication skills and action-reflection learning skills in an off-site meeting to plan improvements for the department. In this meeting, 14 initiatives were generated from the group using skills taken directly from the leadership development program. This participant estimated that typically in this type of meeting, only 5 initiatives would have surfaced. However, using a different approach with new skills, 14 initiatives surfaced. Thus, 9 initiatives can be credited with the leadership development program.
2. New Product	Two participants are teaming to develop a project for small business. This is a web-based product and the value is generated because the bank will actually provide the service instead of another contractor. Without the leadership development program connection and collaboration, an external resource would have been used instead of the bank.
3. New Customers	One participant has obtained a new customer in the USA as a result of the networking from the leadership development program. The new customer is providing a direct benefit to the bank.
4. Partnership	One participant is building a partnership to share resources, referrals and technology as well as assets with another important and often competing part of the organization.
5. Tool Application	One participant has used the strategic planning process on a particular project for which he/she is responsible. This improved process is adding direct benefits.

Table 6 - Leadership Development Program Costs

Program Costs	
Design/Development	
External Consultants	\$ 525,330
Training Department	28,785
Management Committee	26,542
Delivery	
Conference Facilities (Hotel)	142,554
Consultants/External	812,110
Training Department Salaries & Benefits (For Direct Work with the Program)	15,283
Training Department Travel Expenses	37,500
Management Committee (Time)	75,470
Project Costs (\$25,000 × 4)	100,000
Participant Salaries & Benefits (Class Sessions) (Average Daily Salary × Benefits Factor × Number of Program Days)	84,564
Participant Salaries and Benefits (Project Work)	
Travel & Lodging for Participants	117,353
Cost of Materials (Handouts, Purchased Materials)	100,938 6,872
Research and Evaluation	
Research	110,750
Evaluation	125,875
Total Costs	\$2,309,926

calculated by number of participants × average salary × benefit factor × number of hours).

Although there is often some debate as to whether participant salaries and benefits should be included in the cost of the program, in reality the participants were not replaced while they attended this program; therefore, the company did not experience a replacement cost. However, employees are compensated for being on the job every day, and they are expected to make a contribution roughly equal to their compensation. If they are removed from the job for a week, or four weeks in the case of the leadership development program, then the company has lost their contribution for that period of time. To be fully loaded with costs and also be conservative, this value was estimated and included in the overall cost profile.

The issue of prorating costs was an important consideration. In this case, it was reasonably certain that a second session would be conducted. The design and development expenses of \$580,657 could therefore be prorated over two sessions. Consequently, in the actual ROI calculation, half of this number was used to arrive at the total value. This left a total program cost of \$2,019,598 to include in the analysis. On a

participant basis, this was \$91,800 (\$22,950 for each week of formal sessions). Although this was expensive, it was still close to a rough benchmark of weekly costs of several senior executive leadership programs.

ROI ANALYSIS

When developing the ROI, two important issues had to be addressed: (1) isolating the effects of the program and (2) converting data to monetary values. The role of the participants was extremely critical because the participants provided data on actual improvements, isolated the effects of the program on the improvements, and in some cases converted data to actual monetary values. Although there are many other approaches to isolate the effects of the program and a variety of techniques to convert data to monetary values, several issues prevented the use of a majority of other approaches and techniques:

- The timing of the decision to measure the ROI eliminated some of the possibilities. The decision to measure the impact was made after the program had begun and it was too late to influence the design and to use more objective approaches to isolating the effects of the program.
- The nature of leadership development eliminated many other techniques. The application and ultimate impact is an individual process and the improvements must come from the participants themselves—who may all influence different performance improvement measures. This situation makes it difficult to link the program to any finite set of performance measures.
- The vast number of business units represented and the nature of their issues, challenges, and performance measures made the process difficult to link to any small number of applications.

Challenges in Developing ROI for the Leadership Development Program

Several challenges were encountered as the return on investment was developed for the program:

- There was a lack of data tied to specific improvements from each individual. Part of this was caused by lack of design initiatives around the requirement and the focus on achieving results.
- There was concern about the nature and scope of the projects and the implementability of their recommendations. A different type of project with specific guidelines for capturing value would have made the ROI values of projects much easier to capture.
- The timing issue hampered the ROI analysis. The need to have the evaluation study completed soon after the last session of the program so a decision could be made to proceed or adjust the program led to an earlier-than-desired analysis of the actual impact.
- The nature of this program, in terms of its soft skills and the focus on learning without the implications of the impact of what was being learned, made the program more difficult to evaluate at this level.

Collectively, these problems represented critical challenges that had to be overcome to a certain extent to develop values. The result was a less-than-optimum value.

ROI Calculations

The ROI calculations had several components, as illustrated in Figure 1. For the first component, project value, two approaches were considered. The first was to develop the value of a project based on the equivalent value as if a consulting firm had developed the project. This resulted in a value of \$2,050,000 and was the most credible way of placing a value on the projects at such an early time frame. The second approach was to place a value on a project at the actual value of an implementation. This value is difficult to develop, but it is estimated to be in the hundreds of millions of dollars. The first approach was used to calculate a project value.

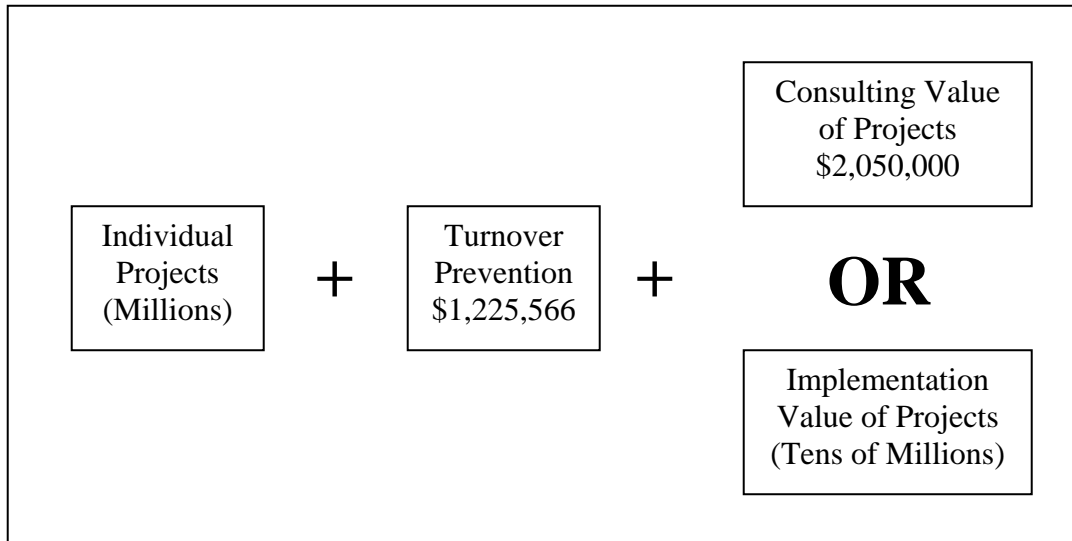


Figure 1 – Business impact categories

The second component involved the value of the individual projects undertaken by the participants, collected anonymously using questionnaires and confidentially in interviews. It was too early to develop a precise value at the time of evaluation. Thus individual project values, estimated to be in the millions, were not used in the ROI analysis. Finally, the last component was the prevention of turnover. The program conclusively prevented several turnover statistics. Although the exact number will never be known, it was conservative to forecast that four could be attributed to this program, yielding a value of \$1,225,566.

The conservative ROI calculation is as follows:

$$\text{ROI} = \frac{\text{Net Benefits}}{\text{Program Costs}} = \frac{\$2,050,000 + \$1,225,566 - \$2,019,598}{\$2,019,598} = 62\%$$

If the value of the other blocks in Figure 1 had been included, the value would have been much larger.

Up-Front Emphasis: A Key to ROI Success

The application of the ROI Process model is much more effective when programs are designed to have a specific business impact on the organization. Unfortunately for INB's leadership development program, the decision to calculate an ROI was made after the program was implemented. The original objectives of the programs did not reflect a bottom-line contribution. Consequently, the process of calculating the ROI became a much more difficult issue.

INTANGIBLE BENEFITS

Perhaps the most important results of the leadership development program were the intangible benefits, both short and long term. By definition, these benefits were not converted to monetary value for use in the ROI calculation. They were not measured precisely and are subjective but still important. Most leadership development programs have been evaluated through perceived or actual intangible benefits. The main intangible benefits reported were as follows:

- Without exception, each participant considered networking a positive and important outcome. The individuals developed close relationships and, more importantly, they came to understand each other's perspectives, viewpoints, issues, concerns, and problems.
- Participants now take a more enterprise view of their jobs, their decisions, and the challenges facing INB. They have a much greater appreciation for the other functions and their relationship to the whole.
- Participants are reducing, and sometimes removing, silos that have developed within INB. Participants now see each other as contributors who have the bank's interest at the forefront.
- Participants reported that their decision-making capability was greatly enhanced through this program. They are using many of the communication techniques to

- build the proper rapport with the staff so that they will have free-flowing ideas and input into the decision-making process.
- A surprising intangible benefit was increased loyalty to INB as a result of participation in the leadership program. Participation in this program left many participants with the desire and determination to remain with INB and continue to make a contribution.
 - Through the project teams and other team-related exercises, including those involving the larger group of twenty-two, the participants gained a much greater appreciation for the advantages of teamwork and team building. Many of them are using teams to a greater extent in their own work, and they are encouraging teams to be used in other aspects of the bank.
 - Some rated this program as a significant personal development experience.
 - One of the important objectives of this program was the development of an executive talent pool of capable leaders who would be available for future key positions. Some participants think the program did not help build the talent pool, while others feel they are more capable to take on increased responsibility. Two things are certain: Participants understand the enterprise view and are better prepared for a potential promotion, and they know the areas that need improvement to continue to sharpen their skills and enhance their ability for future promotions.

RESULTS

The major objectives of the program were met although not completely successful. Participants rated the most success with the objectives that related to participants taking an enterprise view and acting on synergies within the INB business areas. The least success was achieved with the objective characterized as “participants are prepared to assume senior leadership roles that become vacant or are created based on market needs.”

Two major goals were established for the program, and the program was less than successful in meeting these goals. There was more success with the goal to increase the capability of leaders to be high-performing, cross-functional executives. Less success was realized with helping INB become more competitive by tackling and resolving major organizational projects.

There was general agreement about the achievement level for the critical success factors. Less success was attained on the first factor (“a significant amount of time must be invested by the management committee, clients, and participants”) because participants did not perceive that, on the whole, the executive and management committee invested significant time in the program. The most success was realized with the second factor, “real projects must be developed that are enterprise-wide and strategic.” The success achieved in the third factor, “influential participants must be selected based on performance and future potential,” however, was mixed. The selection of the participants was an issue of much concern and debate. It was generally assumed that the participants were high potential executives with the ability to move into key senior management positions. In reality, most participants think this did not occur. The selection criteria were

not followed consistently across both major operational units or within those units.

There was general agreement about the success of major outcomes both from the organizational perspective and the individual perspective. There were mixed results in terms of the outcomes of enhancing the quality of executive talent and on the outcome of research and recommendations for solutions to key strategic issues. There was general agreement that success was realized with management committee interaction with high potential leaders. Generally, the individuals felt that the outcomes related directly to them fared much better. There was consistent agreement that they were exposed to a broader range of INB businesses and to establishing networks across business lines. There was less agreement relative to building skills in systems and strategic thinking, communication, and building high-performance teams. There were varied results identified for reaching accelerated personal and leadership development.

Frequently, a program is only as successful as the support provided to ensure that it functions efficiently, effectively, and achieves its desired goals. The overall support was rated quite good, with some specific issues raising concerns. Learning coaches were rated effective, as was executive support. In the interviews, most indicated that executive support improved during the program and was at its peak toward the end during the presentations. There was a perception of a “wait and see” attitude. The mentor role was misunderstood and not appreciated and most felt it was not very effective. The clients generally received good remarks, although the results were mixed for certain individuals. The clients were often referred to as sponsors and met with the individual teams to help develop the projects. The faculty received good ratings; the subject-matter experts, however, did not receive favorable ratings. Although some were outstanding, others were considered extremely ineffective. The support provided by the program director was rated as somewhat effective.

There was expectation that the program would be one of the most significant personal development experiences encountered by the participants. However, most participants disagreed, and only 27 percent rated the experience as very effective. In the interviews, almost every participant indicated that he or she had experienced a more effective leadership and personal development program.

Overall, the success versus the plans was mixed, with several areas requiring adjustments in the future.

Questions for Discussion

1. Discuss why intangible benefits were perhaps the most important results of the leadership program.
2. How might the background of this organization have affected the program?
3. If you had been in charge of this program, would you have done anything differently?
4. What is the role of the supplier in this type of evaluation?
5. Critique the data collection plan.

6. Critique the method to isolate the program.
7. Critique the approach to costing the program.
8. How many years should the benefits be monitored? Explain.
9. Is the ROI realistic? Explain.
10. What rule could ROI forecasting play in this evaluation?
11. Choose another case presented in this book—similar in some way to this one—and compare and contrast it with this case. Specifically, decide why the different situations called for different approaches.