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Measuring ROI in Leadership for Performance for Store Managers

Fashion Stores Incorporated

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This case was prepared to serve as a basis for discussion rather than an illustration of either effective or ineffective administrative and management practices. Names, dates, places, and data have been disguised at the request of the author or organization.

Abstract

This large fashion retailer with popular brands is planning for growth and profitability. The store managers were identified as the most critical talent in the organization. The leadership development program was carefully designed for more than 4,000 store managers, with an upfront needs assessment and initial alignment. It is designed to drive key performance measures within the stores using a combination of learning portals, coaches, 360-degree feedback, and a two-day classroom session.

BACKGROUND

Fashion Stores, Inc. (FSI) is a large international retailer with four major brands. The retailer operates stores in more than 50 countries with more than 100,000 employees. Store managers, who are considered to be the critical talent in the organization, manage the stores. The retailer has plans for tremendous growth, with a goal to have stores in more than 100 countries and to be the most profitable retail store chain. While all employees are considered to be important talent, the store managers are considered critical for achieving these two goals. To make this growth and profitability a reality, FSI wants to invest in leadership development for store managers. Moving beyond the current manager training program, sales training, and other types of learning and

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development opportunities offered to this group, this new program is aimed at developing leaders who can develop high-performance teams that will drive superior results for the stores.

The Analysis

Meeting the needs of the executives to develop this program required the leadership development team to focus on two important areas. The first is to determine the specific competencies necessary for high-performance teams and to ensure that those competencies are needed in the stores. The second important area of the process is to ensure that this program directly aligns with very specific business metrics.

The first part of the analysis included a review of the literature on leadership development for high-performance teams to determine some of the common threads between high-performance workplaces. Next, through interviews with the senior executives and regional store executives, the competencies were further tuned and customized to the company's situation and culture. In addition, a dozen store managers participated in a focus group to understand how these competencies fit into the structure and culture of the stores. The discussion also focused on the extent to which the current store managers currently possessed those competencies. This led to further adjustments, and 10 competencies and skills of high-performance teams were determined to be directly related to this culture and type of business:

1. Identifying opportunities for improvements
2. Addressing challenges and road blocks
3. Building trust and confidence
4. Setting clear goals and expectations
5. Managing conflicts and differences
6. Recognizing and rewarding team members
7. Improving average performers
8. Fostering open and clear communications
9. Providing feedback and support
10. Action planning, reflecting, and adjusting

With these competencies identified, the next phase was to determine the best way to deliver the program and achieve business alignment.

Program Design

As with most retail organizations, taking managers away from their work for an extensive period of time was nearly impossible. Presently, the learning and development team and the leadership development team were using a variety of different types of technology-based learning methods. After reviewing the effectiveness of the different learning delivery methods, and considering the cost and convenience, a learning design was developed that would include e-learning modules, the use of a learning

portal, classroom learning, coaching support, and the use of 360-degree feedback—all focused on achieving business impact. Figure 8-1 shows the program design.

FIGURE 8-1. Program Design: Leadership for Performance

	Awareness and Alignment	Learning, Engagement, and Practice	Application, Impact, and Reporting
	Technology Based	Classroom Two Days	On the Job

30 min e-learning	• Awareness
	• Decision to improve
		• Expectations and commitment
		• 360-degree feedback
		• 10 skills of high-performance teams
		• Skill videos
		• Realistic practice
		• Engagement and reflection
		• Skill-impact linkage
		• Planning
		  – Business impact
		  – Behaviors or action
			• Connect with manager and coach

30 min e-learning	• Program design • Process flow		• Implement actions • Make adjustments
30 min e-learning	• Customization • Learning styles • Cultural adjustment		• Review videos • Use tools • Use portal
30 min e-learning survey	• 360-degree feedback • Use • Rules		• Impact capture • Analysis • Documentation
30 min e-learning	• Alignment • Business impact measures • Making the connection		• Reporting • Sharing

The program begins with five 30-minute e-learning modules that participants complete before attending the program. The first module focuses on the awareness of the process, the need to improve results, and how the program is designed to increase store performance, which usually attracts the interest of the store managers. The next module focuses on the program design and how it will flow through the different module segments and components. The third module indicates how the program is customized to their needs, designed around various learning styles, and adapted to cultural differences. This is connected to HR data using a process that matches the individual's learning style, as well as the culture of the store and country. The fourth e-learning module presents the 360-degree feedback process, which describes its purpose, use, and particular rules and conditions. Participants will take the survey shortly after this module is completed. Finally the last, and perhaps most critical, is the fifth e-learning module, which covers the alignment process. It starts with the business impact measures in the store by asking each store manager to select at least two measures that would need to improve using the competencies in the program. This begins with the end in mind, with the end defined as business performance improvement.

With these modules complete, participants are scheduled to attend a two-day workshop near their store. These workshops are offered in major cities, or in countries and regions where fewer stores are located.

The two-day workshop is relevant, engaging, and reflective. The workshop starts with expectations and commitments and moves into a review of the 360-degree feedback. From that, the individuals identify actions where improvement is needed. The 10 skills for high-performance teams are explored in detail. Videos, developed for the skill sets, are very powerful and used to reinforce each skill. Individuals then participate in realistic practice sessions focusing on a particular problem area or opportunity as defined by the business measure. The skill practices involve conversations with employees who can make a difference in the particular measure. The learning is engaging with much time for reflection on what actions are needed. The linkage between the high-performance skills and business impact are also discussed, and the two-day workshop ends with developing at least two action plans. Figure 8-2 shows a typical action plan that is used for this particular project.

The program is not complete at the end of the two-day workshop—five more components of the program are now put in place to be managed on the job. The first is the appointment for the individuals to reconnect with their manager about the measures selected for improvement, give feedback on the program, and secure manager support going forward. There is also an appointment to connect with a coach that was selected by the store manager (the participant). The coach is prepared to assist them along the way, providing guidance and support as needed to make the process work. The second component is to implement actions and make adjustments when necessary. After discussing the issues with the manager and coach, there may be some adjustments in both the business measure and the specific actions necessary to improve the measures.

The third component of the project's application is using the videos and tools provided in the learning portal. This includes reviewing the videos, checklists, and job aids that might be helpful in working with the team using the competencies. A fourth component, which is a very important part of the process, is to record the impact improvement, conduct an analysis, isolate the effects of the program from other influences, and calculate the monetary value of each process. The information and tools for this were provided in the workshop and are available to them online and from store databases. The summary information was recorded on each action plan. Finally, the last component is to report results to the leadership development team. This information is then shared with the rest of the group.

The program components, shown in Table 8-1, represent a tremendous amount of variety, all designed to enhance learning, encourage engagement, facilitate application, and drive business impact. Technology use is significant, with much of the program operating virtually. E-learning is an important part of this program, with five

FIGURE 8-2. Action Plan Template

Action Plan

Participant: _____ Manager: _____ Program Manager: _____

Objective: <u>Increase sales with existing clients by 20 percent</u> Evaluation Period: <u>January to March</u>

Improvement Measure: <u>Monthly Sales</u> Current Performance: <u>$56,000/mo.</u> Target Performance: <u>$67,000</u>

Action Steps		Analysis
Meet with key clients to discuss issues, concerns, opportunities.	Jan. 31	A. What is the unit of measure? <u>Monthly sales, existing clients</u>
Review customer feedback data—look for trends and patterns.	Feb. 1	B. What is the value (cost) of one unit? <u>25% profit margin</u>
Counsel with "at-risk" clients to correct problems and explore opportunities.	Feb. 2	C. How did you arrive at this value? <u>Standard value</u>
Develop business plan for high-potential clients.	Feb. 5	D. How much did the measure change during the evaluation period (monthly value)? <u>$13,000</u>
Provide recognition to clients with long tenure.	Routinely	E. What other factors could have contributed to this improvement? <u>Changes in market, new promotion</u>
Schedule appreciation dinner for key clients.	Feb. 15	F. What percent of this change was actually caused by this program? <u>30%</u>
Encourage marketing to delegate more responsibilities.	Feb. 20	G. What level of confidence do you place on the above information? (100% = Certainty and 0% = No confidence) <u>60%</u>
Follow up with each discussion and discuss improvement and plan other action.	Routinely	
Monitor improvement, provide support when appropriate.	March 15	
Intangible benefits: <u>Client satisfaction, loyalty</u>		Comments: <u>Excellent, hard-hitting program</u>

modules serving as the prelude to the classroom. The classroom is supplemented with a coach, support, and tools that are available virtually. The learning portal provides a variety of tools, templates, process checklists, and the videos used in the workshop—all of which are aimed at reinforcing, explaining, and enhancing performance as the managers use the competencies and drive store performance. In addition, the program has the flexibility of being adapted to different learning styles and can be adjusted culturally to the different countries where the program is conducted.

TABLE 8-1. Program Components

1.	E-learning
2.	Learning portal
3.	360-degree assessment
4.	Classroom involvement and engagement
5.	Practice in real situations
6.	Learning, reflection, and action
7.	Cultural adjustment
8.	Learning styles
9.	Realistic videos
10.	Coaching support

The leadership development team was in charge of this project from the very beginning. They engaged with external vendors for needs assessment, the program design, and a separate production company for the videos. Finally, an external firm was involved in the evaluation.

THE EVALUATION APPROACH

Eventually, this program will be available to 4,000 managers. Although it is required, if managers are convinced that they have the necessary skill sets, they have the option to skip the classroom portion, but they still have to take on the part of the process that involves application and impact. It is anticipated that very few, if any, will opt out of this process because they will understand the need for the program and realize that it is aimed at improving store performance.

To understand how well the program is working and to see if adjustments are made, the organizers targeted about 100 people for the initial evaluation, with representatives from one workshop in each of the four largest markets in the company—the United States, South America, Asia, and Europe. An early workshop will be offered in those areas if possible, and it is anticipated that approximately 25 participants will

attend each workshop. However, attendance numbers may be higher or lower depending on availability and the concentration of managers in the area.

Because of the cost of the program and its link to the success of the business and strategic objectives, the management team would like the evaluation to include both the impact and the ROI. The leadership development team engaged the services of the global leader in ROI evaluation to provide oversight, guidance, support, and advice for the evaluation. Its role was planning the evaluation, data collection and analysis, and presentation to the senior executives. In addition, the ROI expert worked hand-in-hand with the leadership development team to develop this level of evaluation capability internally for future projects.

Data Collection

Figure 8-3 shows the data collection plan for this program. The plan starts with the objectives and defines the measures, data collection method and source, timing, and responsibilities. This is a classic plan for ROI analysis.

ROI Analysis Plan

Figure 8-4 presents the ROI analysis plan for this project, and represents a very common approach to this type of analysis. It begins with the business impact measures that will be influenced by the program. Each participant selects at least two measures to improve, using the competencies and skills for high-performance teams. The method of isolation is the participant's estimate. A comparison group would be best; however, experimental versus control group comparison is not possible because participants may have selected different measures. With participant estimates, the data are collected in a nonthreatening, nonbiased way, and there are adjustments for error in their estimates. The method used to convert data to money is using standard items (presented later) provided to participants in the two-day workshop or through experts.

RESULTS

A total of 93 participants attended the workshop and applied the competencies. A variety of data collection methods were used, including questionnaires, action planning, and observation to provide the results organized by different levels.

Level 1 (Reaction) Results

Table 8-2 shows how participants reacted to the program. This was done one month after the workshop to give individuals an opportunity to clarify their reactions and provide responses. The group's average reaction was meeting or exceeding expectations (four out of five on a five-point scale). A total of 89 responded to this

FIGURE 8-3. Data Collection Plan

Program/Project: _____   Responsibility: _____   Date: _____

Level	Broad Program Objective(s)	Measures	Data Collection Method/Instruments	Data Sources	Timing	Responsibilities
1	**SATISFACTION/PLANNED ACTION** Participants will rate the following reactions: • The program was important to my success • My coach was helpful • Content is relevant • The technology was effective • I will use the content with my team • The classroom session was valuable • I would recommend this program to others • The program is easy to follow • The action plan was valuable	4 out of 5 on a 5-point scale	Questionnaire	Participants	2 to 4 months from start of program (some items collected one month after end of workshop)	Leadership development team
2	**LEARNING** Demonstrate successful use of the following skill sets: • Identifying opportunities for improvement • Addressing challenges and road blocks • Building trust and confidence • Setting clear goals and expectations • Managing conflicts and differences • Providing feedback and support • Recognizing and rewarding team members • Improving average performers • Fostering open and clear communication • Action planning, reflecting, and adjusting	3 out of 4 on a 4-point scale	Observation	Facilitator	At the end of the workshop	Facilitator

Level	Broad Program Objective(s)	Measures	Data Collection Method/Instruments	Data Sources	Timing	Responsibilities
	Participants will know how to: • Increase effectiveness as a leader • Build high-performance teams • Build self-assessed learning change	4 out of 5 on a 5-point scale	Questionnaire	Facilitator	At the end of the workshop	Facilitator
3	**APPLICATION/IMPLEMENTATION** Participants will: • Complete the action plan within 4 months • Use the coach • Use the learning portal • Apply the 10 leadership skills • Use the 10 skills frequently • Will achieve success with the 10 skills	• Checklist • 4 out of 5 on a 5-point scale	Questionnaire Action Plan	Participants	2 months	Leadership development team
4	**BUSINESS IMPACT** Participants will make improvements in at least two of the following measures: • Increased sales with existing customers • New customers • Staff turnover • Store profit margin • Inventory shrinkage • Product returns • Store expenses • Customer complaints • Staff sick leave • Other:		Action plan	Participants	4 months after workshop	Leadership development team
5	**ROI** 20%	Comments:				

FIGURE 8-4. Sample ROI Analysis Plan

ROI ANALYSIS PLAN
Program/Project: _____

Purpose of this evaluation: _____
Responsibility: _____ **Date:** _____

Data Items (Usually Level 4)	Methods for Isolating the Effects of the Program/Process	Methods of Converting Data to Monetary Values	Cost Categories	Intangible Benefits	Communication Targets for Final Report	Other Influences/ Issues During Application	Comments
At least two measures selected by participant	Participant's estimate	Standard values or expert input	• Initial analysis and assessment • Development of solutions • Implementation and application • Salaries and benefits for LD team • Salaries and benefits for participants' time • Salaries and benefits for coaches' time • Program materials • Hardware and software • Travel, lodging, and meals • Use of facilities • Administrative support and overhead • Evaluation and reporting	• Job engagement • Career satisfaction • Net promoter score • Image • Reputation • Brand	• Top executives • Regional store managers • HR team • Participants • Leadership development team • Prospective participants		

questionnaire, representing a 96 percent response rate. The technology effectiveness question (question four) had a lower than expected result. There were a few technology glitches that got in the way and some managers had difficulty following the program's different modules and processes. Otherwise, the reaction to the program was quite good, with "intent to use" being the star measure.

TABLE 8-2. Reaction Results

The program was important to my success.	4.2
My coach was helpful.	3.7
Content is relevant.	4.1
The technology was effective.	3.9
I will use the content with my team.	4.7
The classroom session was valuable.	4.4
I would recommend this program to others.	4.3
The program was easy to follow.	3.9
The action plan was valuable.	4.3

*Using a 5-point scale

Level 2 (Learning) Results

The first measure of learning was the observation of the skill practices. Because they had repeated practices if the skills were unsatisfactory, all participants scored satisfactory, as reported by the facilitators. Additional learning results were connected, as displayed in Figure 8-3, with the individuals rating the extent to which the program changed their knowledge and use of skills. This was completed during the one-month follow up after the workshop. In addition, they were asked two knowledge questions regarding being a more effective leader and knowing how to build high-performance teams. In both cases, the results exceeded expectations. A total of 89 responded.

TABLE 8-3. Learning Results

I know more about my effectiveness as a leader.	4.7
I know how to build a high-performance team.	4.5
10 skill self-assessment on learning change.	4.1

*Using a 5-point scale

Level 3 (Application) Results

Application results were collected two months after the workshop. It begins with the percent of individuals completing action plans (86 percent), which is a very high

number considering the detail involved in the actual planning process. The percent using coaching was a little less than expected (72 percent), as well as those using the learning portal (54 percent). Although there were no objectives set for portal use or coach use, it was expected that almost all the participants would use both. Pre- and post-feedback showed gains, although the skill sets were already there for many participants. The pre-feedback score of 3.82 is close to where it needs to be for success (four out of five). On the post-assessment, the results moved to 4.6 for total skill assessment. For extent of use, on a five-point scale, this result just barely met the objective (4.2), and was lower for frequency and success with use (3.8 and 3.9, respectively). The most valuable skill was improving the average performer, the least valuable skill was managing conflicts and differences, and the most difficult skill was fostering open and clear communications. These results were what would be expected for this kind of process.

Barriers and Enablers

Table 8-4 shows the barriers and enablers to use. As expected, there were not many barriers. The greatest barrier was not enough time, and this was anticipated given the time constraints for the e-learning and virtual modules. The other noted barriers were minor, ranging from technology to lack of support, although lack of support was in the acceptable range. Overall, barriers were not a problem.

Also, as expected, the enablers were present with many of the participants. This is encouraging because there was high use of the skill and follow-through on the action plans. The greatest enabler was the content, which was relevant for the managers. Following this was regional manager support. It was anticipated that the coach would be rated higher, but the learning portal was rated a little higher than expected. The 360-degree feedback did not seem to be much of an enabler to manager success.

TABLE 8-4. Barriers and Enablers

Barriers to Use	Percent responding	Enablers to Success	Percent responding
1. Not enough time to do it properly	14%	1. Great content	72%
2. Technology problems	11%	2. Regional manager support	85%
3. Lack of support from regional manager	7%	3. Convenient to participate/use	58%
4. Program was too complicated	6%	4. Effective design	45%
5. Doesn't fit the culture	5%	5. Videos were helpful	32%
6. Too difficult to use the skills	3%	6. Coaching was effective	19%
7. Other	7%	7. Learning portal	18%
		8. Other	14%

Level 4 (Impact) Results

Table 8-5 shows the impact results in terms of the particular measures chosen by the participants. Each participant was asked to select at least two measures to improve using the competencies in the program. As expected, the number one measure was increasing sales in existing customers—taking extra effort to up-sell, cross-sell, and entice existing customers to come in the store more often and provide excellent service to make them buy more (38 percent of the managers selected this measure). The next most often selected measure was acquiring new customers. FSI provided mechanisms to reach out to individuals who are not current clients and that was important for the managers who selected that particular measure for improvement (27 percent). Not surprisingly, staff turnover came in third with 24 percent, although turnover at FSI is lower than typical retail stores.

Increasing the store profit margin was the next measure (20 percent), which was improved by controlling expenses, limiting waste, and avoiding price discounting or the need to give discounts to compensate problems. Inventory shrinkage was another important measure for consideration with 18 percent. Product returns were reduced and 15 percent selected this measure. Returns occur when customers aren't fully satisfied with the product they have purchased or the product has not lived up to expectations. Good customer service can reduce returns. Controlling costs and reducing customer complaints were the next two measures (15 percent and 12 percent, respectively). Cost control is related to store profit margin and was not that difficult to tackle. Recognizing that there are fewer complaints at the store—and the goal was to have zero complaints—a few of the managers took on complaints as an opportunity for reduction.

Finally, some managers addressed the sick leave measure (11 percent). The store pays employees when they are on sick leave unless it becomes excessive. However, some employees were taking too many sick days, which was a costly and disruptive process. There were several other miscellaneous measures that were either unique to a particular store or an unusual problem that was not one of the main measures. A few ambitious managers selected more than two measures and one manager selected four measures for improvement.

TABLE 8-5. Impact Results

Business Measures Selected	Percent Selecting
Increased sales with existing customers	38%
New customers	27%
Staff turnover	24%
Store profit margin	20%
Inventory shrinkage	18%
Product returns	15%
Store expenses	15%
Customer complaints	12%
Staff sick leave	11%
Other	28%
Each manager was required to select at least two measures. A total of 176 usable measures were selected. A few managers selected three measures. One participant selected four measures. n = 85	

Isolating the Effects of the Program

To have a credible analysis, initial steps had to be taken to isolate the effects of the program from other influences. Given the sales and marketing metrics that were used, there are many other factors that affect these measures, which often leaves a program like this with only a minor part of improvement. While several processes were considered, such as setting up a control group or using simple trend-line analysis, the team settled on using estimates from the participants.

The estimates would be collected on the action-planning document with explanation in the classroom as to what was involved and how important the issue was to the final analysis. In addition, the estimate was adjusted for error using a confidence estimate. Research has shown that estimates from credible people are accurate and conservative.

Converting Data to Money

To determine the monetary benefits, each individual data item has to be converted to money for use. This has to be profit-added, costs reduced, or costs avoided. The measures that are driven in this program are shown in Table 8-6 with the monetary value. These monetary values were provided to the participants in the program, so it took almost no effort on their part to locate and use them in their action plan.

TABLE 8-6. Converting Data to Money

Data Item	Value
Sales to existing customers	23% margin
New account	$745
Staff turnover	50% of annual salary
Store profit margin	All is value add
Inventory shrinkage	All is value add
Product returns	5% of average sale
Store expenses	All is value add
Customer complaints	$550 per complaint
Sick leave	$150 per day

For the first measure, sales to existing customers, the store operating profit margin is the value add, which is averaging 23 percent. For new accounts the marketing analytics section calculated the value based on the profit from the customer over the lifetime of the customer. This number appears to be low, but is accepted by executives. In essence, if the customer stays active with the company for an average of five years, the company will make $745 in profit during that time.

The staff turnover figure comes from external studies in the cost of turnover for the retail industry—it totals 50 percent of annual pay and this number is accepted within the company as a credible, conservative number. This figure includes all recruiting, selection, and onboarding, as well as the disruption cost of the exit.

The store profit margin is already converted to money and any increases in value are benefits. The operations department used 5 percent of the average sale to calculate inventory shrinkage cost. The cost is based on the assumption that the items may be damaged and cannot be resold, the items always need to be restocked, and sometimes there is an alteration or adjustment made.

Store expenses are direct cost reductions, and are value added directly into the calculation. Customer complaints come from the customer relations division in marketing, where complaints are investigated locally, regionally, and globally if needed. The group uses a model that estimates it costs the company $550 per complaint. This assumes the time to deal with the complaint, the cost of making the customer happy (which sometimes includes waiving part or all of the charge), and the ill will caused by the complaint.

The human resources department provided a standard value of $150 lost for each day that a person uses a sick day. Although sick days are allowed, ideally, they only want them to be taken when a person is really sick. Some employees abuse this, and the company wants to prevent excessive sick leave days.

Monetary Benefits

When the changes in impact measures, identified in Table 8-5, are adjusted for the effect of the program and converted to monetary values using the data in Table 8-6, the monetary benefits are developed. The amount of improvement is different from one store manager to another—96 people completed the workshop and every manager's task was to improve at least two measures. Ideally, approximately 192 measures would be influenced by this program. Unfortunately, for a variety of reasons not fully known by the team, 11 out of the 96 store managers did not provide an action plan after completing the two-day workshop. Although it would be helpful to find out what happened to these individuals, in terms of the analysis, there is a very specific rule for addressing missing data. Guiding Principle 6 indicates that missing data get a zero in the process. Thus, the total benefits are adjusted based on the 85 individuals who provided data, but the cost will be based on all 96 store managers. Table 8-7 shows a one-page sample of 12 pages of data showing the improvements connected to this program. This table represents only 14 measures, illustrates the variety of data represented in the program, and shows how the adjustments are made.

Next, the first year value of this measure is developed using the data conversion numbers in Table 8-6. Although there could be some argument to suggest that this is a long-term program and that benefits should be considered for a longer period, only the first year of benefits are calculated. This means that after the impact has occurred, when the action plans were delivered, the amount is extrapolated for the entire year. Some may suggest that this is not credible because the data might not continue at that level for the entire first year. However, when considering that the vast majority of the store managers will still be in their jobs the second, third, and perhaps, even a fourth year, there should be some benefit from this program as long as they are in that job. Because it is possible to take the prework, attend the two-day workshop, and work the virtual process in the weeks after the live session, this could be considered a two-year solution. But, to be conservative, Guiding Principle 9 is applied and only one year of benefits are considered for a short-term solution. Table 8-7 shows the monetary value for one year.

TABLE 8-7. Business Impact Data

Participant	Annualized Improvement ($Values)	Measures	Other Factors	Contribution Estimate From Program	Confidence Estimate	Adjusted $ Value
1	39,000	Sales-Existing	3	30%	60%	7,020
2	17,880	New Accounts	2	50%	85%	7,599
3	90,000	Turnover	2	40%	70%	25,200
4	50,200	Sales-Existing	3	35%	70%	12,299
5	12,000	Product Returns	1	40%	60%	2,880
6	26,870	New Accounts	2	30%	80%	6,449
7	1,800	Sick Leave	0	100%	90%	1,620
8	28,000	Store Expense	0	100%	80%	22,400
9	18,300	Inventory	1	50%	80%	7,320
10	6,600	Customer Complaints	1	40%	70%	1,848
11	68,000	Turnover	2	30%	70%	14,280
12	55,600	Store Profit	4	25%	85%	11,815
13	46,250	Sales-Existing	2	40%	80%	14,800
14	43,550	Store Expenses	1	60%	80%	20,904

Total this group $156,439

The contribution factor is the allocation to this program, as the store manager gave a particular percent of the improvement directly to the Leadership for Performance program. The next column is the confidence, which reflects the error in the allocation. Following the process, particularly with Guiding Principle 7, the three values are multiplied to provide an adjusted value. When these are calculated for all 85 participants, including both measures, the total is 170 measures improved, at least by some amount, with a few minor exceptions, as some people suggested that the measure did not improve or could not properly estimate the improvement connected to this program. However, some managers provided three measures and one manager provided four measures. With all of these totaled, the improvement is based on 176 measures and valued to be $1,341,970.

The Costs

Table 8-8 shows the costs allocated to this program. Some costs were prorated just to this sample size. For example, the needs assessment cost was estimated to be approximately $15,000. That amount involves all of the upfront analysis necessary to decide on the specific need for this program. The most significant cost was the development. Some content was purchased from a major supplier for leadership development, an outside production company produced the videos, and other content was developed under contract with freelancers or by the L&D team. In total, the development and production costs for the workshops and videos totaled $478,000.

The content for the learning portal was developed for approximately $60,000. The learning portal was already operational, but its development costs ($45,000) were allocated entirely to this program. The development of each e-learning module represented about $12,000, totaling $60,000. These costs were prorated over the 4,000 managers to develop a cost per participant. The total costs allocated to this sample of 96 represent the cost per participant multiplied by 96. Table 8-8 shows the prorated costs for these items.

The coach's time was allocated at a half day per participant, because not all of the participants used their coach and others used the coach for more than half a day total. For the participants, the costs were calculated by their time for the two days, the time away from work for the e-learning modules, and the other virtual activities (this totaled three days of time). Most store managers also required a travel expense. And a very nominal amount was included for the use of their devices to access the virtual materials and the e-learning modules. Although some would question whether that should even be included, a very nominal amount (6 percent) was included for the workshops to be completely transparent in all costs.

In addition, there was an overhead cost for the total learning development team, including the L&D leadership not directly involved in the program. This was at $400 per day or $800 for the program, totaling $3,200 for the four programs. The cost of

the evaluation, which included the planning, data instrument design, data collection, analysis report writing, and briefings, was $40,000. The total cost of the briefings with travel was $25,000. When all of the costs are included, the total as indicated in Table 8-8 is $576,865.

TABLE 8-8. Program Cost Summary

Needs assessment (prorated over all sessions) 15,000/4,000 = 3.75 x 96	360
Program development and production costs (prorated over all sessions) 478,000/4,000 = 119.50 x 96	11,472
Content development for learning (prorated over all sessions) 60,000/4,000 = 15 x 96	1,440
Learning portal (prorated over all sessions) 45,000/4,000 = 11.25 x 96	1,080
E-learning programs (prorated over all sessions) 60,000/4,000 = 15 x 96	1,440
Devices used by participants	670
Program materials 120 x 96	11,520
Travel and lodging (participants) 982 x 96	94,272
Facilitation and coordination 19,000 x 4	76,000
Facilities and refreshments 8 days at 250	2,000
Participants' salaries, plus benefits 2,674.62 x 96	256,763
Coaches' salaries, plus benefits 538 x 96	51,648
Overhead	3,200
ROI evaluation 40,000 + 25,000	65,000
Total	**$576,865**

ROI Calculation

When the total monetary benefits from Table 8-8 are compared with the total fully loaded costs from Table 8-8 the calculations are as follows:

$$\text{BCR} = \frac{\$1,341,970}{\$576,865} = 2.33$$

$$ROI = \frac{\$1,341,970 - \$576,865}{\$576,865} \times 100 = 133\%$$

This is a very impressive ROI that greatly exceeds the objective of 20 percent. For every dollar invested in this program, the dollar is returned plus another $1.33 in monetary benefits.

Intangible Benefits

The following intangibles were connected with this project:
- job engagement
- career satisfaction
- net promoter score
- image
- reputation
- brand.

The participants were asked to indicate the extent to which these intangibles were influenced by this program. In order to be included on this list, at least 10 percent of participants had to identify the influence as at least three out of five on a five-point scale.

These intangibles represent an important data set for executives. If they were converted to monetary value, there would be even more value from this program and a higher ROI.

Credibility of the Data

When leadership development is connected to the business in a program like this, there are always questions about the credibility of data. Here is what makes these data credible:

1. The business impact, which drives the ROI, represented actual store measures. They can be identified directly to the store, tracked, and validated if necessary.
2. The participants selected the measures that were important to them with input from their immediate manager.
3. Store managers had a desire to improve the measure and took ownership in this program as they connected the skills of developing high-performance teams to those important measures.
4. For participants who did not provide data, (12 individuals in this case), there was an assumption that they received no value from the program. In reality, some of these individuals changed stores, either through promotion or transfer, and actually added value despite not completing the project. The conservative approach is to use zero for them.

5. Only one year of improvement was recognized in the calculation. In reality, the significant behavior change, which was validated with the data collection at Level 3, should provide some value for the second, third, and even fourth year. However, to be conservative, only the first year was used.

6. All of the costs were included, including time away from work. Some of these costs are debatable, but to be credible, every cost category was included.

7. Using participant estimates to isolate the effects of the program was not the most favored approach, but it is credible. The estimation was collected in a very nonthreatening, unbiased way, and was adjusted for error. This credible method is backed by much research as a conservative approach representing an understatement of the actual results.

8. A balanced profile of financial and nonfinancial, quantitative and qualitative data was presented. This provided executives with a great data set to make decisions about the future implementation.

COMMUNICATION OF RESULTS

With the results in hand, the data was communicated to the groups according to the communication plan. First, a live briefing was conducted with top executives and those responsible for the implementation of the program. Because of the dispersion of the groups in the study, this briefing was held at four locations in North America, Europe, South America, and Asia. In addition, briefings were conducted with regional executives during normal meetings and with the HR team. A three-page summary was sent to all store managers. The participants received a summary of the results shortly after they submitted them, as well as a summary of the changes made as a result of the program.

Based on the briefings with the executive team, the following adjustments were made:

- Improvements were made to the technology to make it easier and more reliable.
- The role of the participant's manager was strengthened to make sure that proper measures are selected and any needed support is provided.
- The role of the coach was diminished.
- Some efforts were taken to strengthen the link between the 360-degree feedback and the rest of the program. There was concern that the 360-degree feedback was not tightly integrated into the program.

LESSONS LEARNED

In this program several important lessons were learned:

- The power of connecting this program directly to business was phenomenal. The store managers saw this as a way to improve store performance, which was something they wanted and needed to do.
- The concept of developing a high-performance work team was intriguing to these individuals and was partially responsible for the good results that followed.
- The program design, using a mix of learning approaches, delivery mechanisms, and customization options, made it a workable project across cultures and countries.

QUESTIONS FOR DISCUSSION

1. Critique the credibility of this study.
2. Do you think these results are CEO and CFO friendly? Explain.
3. Could there be alternative ways to isolate the effects of the program? Explain.
4. Would it have been better if all store managers addressed the same measure? Explain.
5. Why are leadership development directors reluctant to connect leadership development to business, as illustrated in this case?

ABOUT THE AUTHORS

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