



**ROI INSTITUTE®**

*The Value of Employee Engagement: The Direct Relationship between Employee Engagement and an Organization's Success*

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## Objectives

After attending this program, participants should be able to :

- Define engagement and explain its importance.
- Trace the different ways in which engagement has been justified in organizations.
- Identify five levels of outcomes from engagement initiatives.
- Show the monetary value of engagement.



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## Resources

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## Why are you interested in the value of engagement now?

- A. Top executives require impact and ROI. I must pursue this.
- B. I have pressure to justify my budget. I need to pursue this.
- C. I know I will need to demonstrate more value in the future.
- D. I want to show increased accountability for our expenditures.
- E. I want to experiment with and explore new techniques to measure program success.

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## Rationale for Pursuing Business Value

30%	Top executives are requiring ROI. I must pursue this!	Reactive
30%	I have pressure to justify my budget. I need this!	
25%	I know I will need to demonstrate more value in the future.	
10%	I want to show increased accountability for our expenditures.	
5%	I want to experiment with and explore, new techniques to measure program success.	

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## Why do executives invest in employee engagement?

ROI analysis (Micro Studies) Phase 3

Relationships between variables (Macro Analysis) Phase 2

Intangibles (Logic and Intuition) Phase 1

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## Phases of Accountability of Engagement

**Phase 1**

**Define it and measure it, using a scale.**  
"Our surveys show that our employees are engaged."

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## Phases of Accountability of Engagement

**Phase 2**

**Develop relationships and causation between engagement and other outcome variables.**  
"Engagement drives productivity."

**Phase 1**

**Define it and measure it, using a scale.**  
"Our surveys show that our employees are engaged."

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## Phases of Accountability of Engagement

**Phase 3**

**Show the impact and ROI of engagement projects.**  
"Our new engagement project realized 89% ROI."

**Phase 2**

**Develop relationships and causation between engagement and other outcome variables.**  
"Engagement drives productivity."

**Phase 1**

**Define it and measure it, using a scale.**  
"Our surveys show that our employees are engaged."

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The thought of  
disengaged employees  
is disturbing!

Let's invest in  
engagement programs  
and projects.



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## The Power of Engagement

Engagement links with:

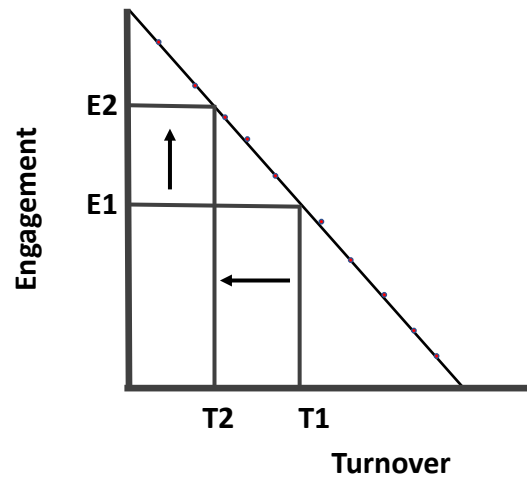
- Retention
- Productivity
- Quality
- Sales
- Customer satisfaction
- Innovation
- Safety...



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## Engagement vs Turnover



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Our engagement initiative costs \$600,000.

### What's the ROI?

Our stakeholders need to know if it's worth it?

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**Poll: What is your experience with ROI? Check all that apply.**

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- A. No experience with it.
- B. It's been suggested, but no action has been taken.
- C. I have attempted it.
- D. I have conducted an ROI study.
- E. I wish ROI would go away.

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## Six Categories of Data

Level	Measurement Focus	Typical Measures
<b>0 – Inputs and Indicators</b>	Inputs into the employee engagement programs and processes including indicators representing scope, volumes, times, costs, and efficiencies	<ul style="list-style-type: none"> <li>• Types of topics, content</li> <li>• Number of programs</li> <li>• Number of people</li> <li>• Hours of involvement</li> <li>• Costs</li> </ul>
<b>1 – Reaction and Planned Action</b>	Reaction to the engagement programs and processes including their perceived value	<ul style="list-style-type: none"> <li>• Relevance</li> <li>• Importance</li> <li>• Usefulness</li> <li>• Appropriateness</li> <li>• Intent to use</li> <li>• Motivational</li> <li>• Recommended to others</li> </ul>

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## Six Categories of Data

Level	Measurement Focus	Typical Measures
<b>2 – Learning</b>	Knowledge gained, learning how to develop concepts and how to become engaged at work	<ul style="list-style-type: none"> <li>• Skills</li> <li>• Learning</li> <li>• Knowledge</li> <li>• Capacity</li> <li>• Competencies</li> <li>• Confidences</li> <li>• Contacts</li> </ul>
<b>3 – Implementation</b>	Application and use of engagement concepts in the work environment, including progress with implementation	<ul style="list-style-type: none"> <li>• Behavior change</li> <li>• Engagement actions</li> <li>• Extent of use</li> <li>• Task completion</li> <li>• Frequency of use</li> <li>• Actions completed</li> <li>• Success with use</li> <li>• Barriers to use</li> <li>• Enablers to use</li> </ul>

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## Six Categories of Data

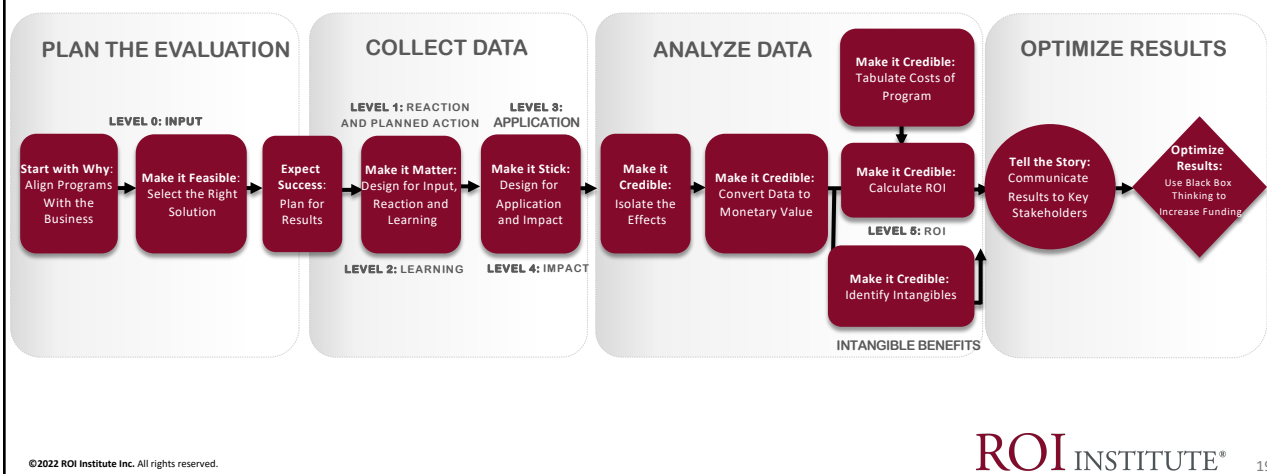
Level	Measurement Focus	Typical Measures
<b>4 – Impact</b>	The impact of the engagement expressed as business impact and effectiveness measures	<ul style="list-style-type: none"> <li>• Productivity</li> <li>• Revenue</li> <li>• Quality</li> <li>• Time</li> <li>• Efficiency</li> <li>• Accidents, incidents</li> <li>• Customer satisfaction</li> <li>• Retention</li> </ul>
<b>5 – ROI</b>	Comparison of monetary benefits from the program with program costs	<ul style="list-style-type: none"> <li>• Benefit Cost Ratio (BCR)</li> <li>• ROI (%)</li> <li>• Payback period</li> </ul>

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# The ROI Methodology Process Model

Designing for the Delivery of Business Results



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## What is ROI?

$$BCR = \frac{\text{Program Benefits}}{\text{Costs}}$$

$$ROI = \frac{\text{Benefits} - \text{Costs}}{\text{Costs}} \times 100$$

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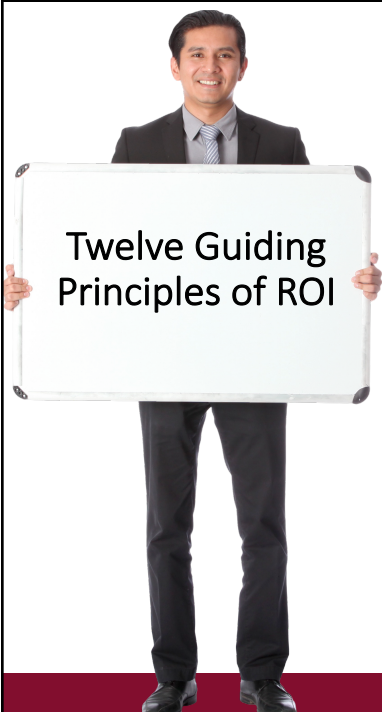
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## The ROI Methodology<sup>®</sup>

- Most used evaluation system in the world
- Endorsed by United Nations
- Endorsed by 26 federal governments
- Used by over 300 health care systems
- Used by over 150 colleges and universities
- Used by three-fourths of Fortune 500 organizations
- Used by major foundations such as the Gates Foundation


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## Twelve Guiding Principles of ROI

1. When conducting a higher-level evaluation, collect data at lower levels.
2. When planning a higher-level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analyzing data, use only the most credible sources.
4. When analyzing data, select the most conservative alternative for calculations.
5. Use at least one method to isolate the effects of a project.
6. If no improvement data are available for a population or from a specific source, assume that little or no improvement has occurred.
7. Adjust estimates of improvement for potential errors of estimation.
8. Avoid use of extreme data items and unsupported claims when calculating ROI.
9. Use only the first year of annual benefits in ROI analysis of short-term solutions.
10. Fully load all costs of a solution, project, or program when analyzing ROI.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. Communicate the results of ROI Methodology to all key stakeholders.

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**Measurement  
Targets**








Level	Recommended % of Programs	**Benchmarking %
0 Input	100%	100%
1 Reaction	100%	80%
2 Learning	80-90%	70%
3 Application	30%	49%
4 Impact	10%	37%
5 ROI	5%	18%

\*Percentage of programs evaluated at each level each year  
\*\*Benchmarking 2020

What is your status?

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## Characteristics of Programs Suitable for Impact & ROI

-  Cost of the program
-  Linkage of program to operational goals and issues
-  Importance of program to strategic objectives
-  Top executive interest in the evaluation
-  Visibility of the program
-  Size of target audience
-  Investment of time required

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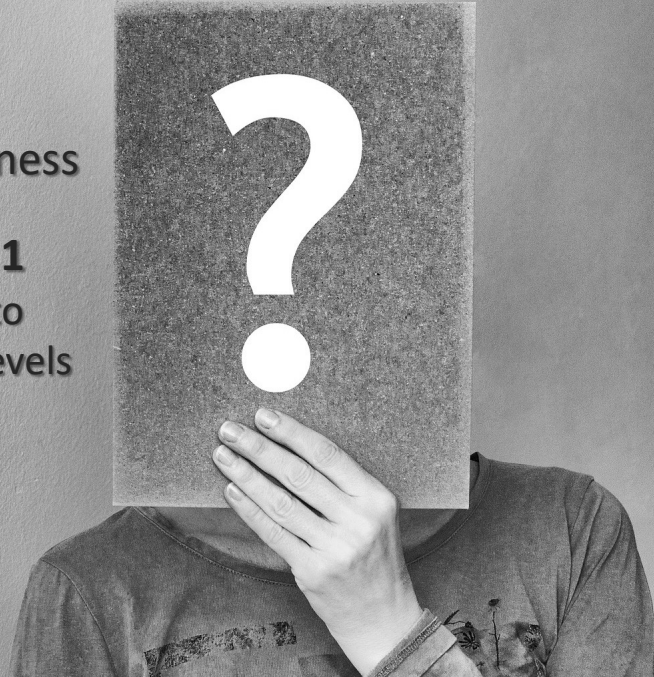
# Start with Why

## Align Programs with the Business

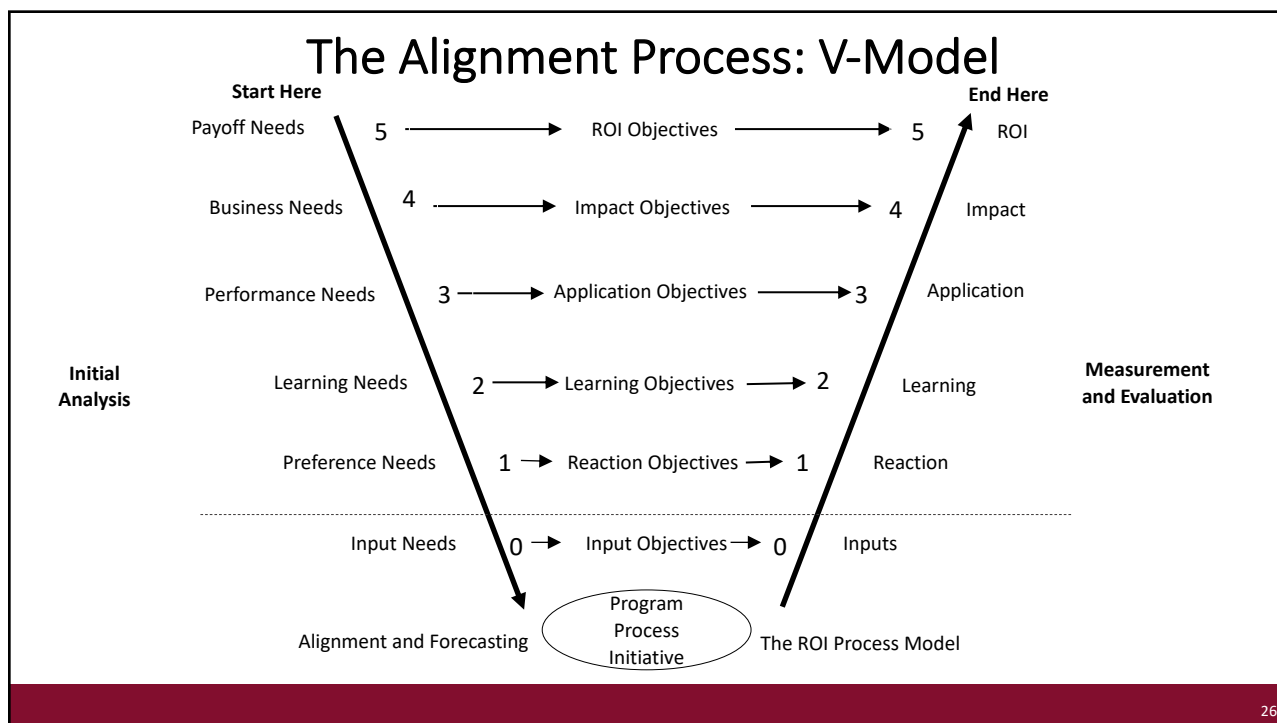
### Design Thinking Principle 1

A problem-solving approach to handle problems on a systems levels

- Alignment is the key.
- Is it a problem or opportunity?
- Need specific business measures.



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# Make It Feasible

Select the Right Solution

## Design Thinking Principle 2

A mind-set for curiosity and inquiry

- What are we doing (or not doing) that's influencing the business measure?
- How can we achieve this performance?



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## Is it the Right Solution?

1. Examine the data and records.
2. Initiate the discussion.
3. Reference a case study.
4. Use benchmarking from similar solutions.
5. Use evaluation as the hook.
6. Involve others in the discussion.
7. Discuss disasters in other places.



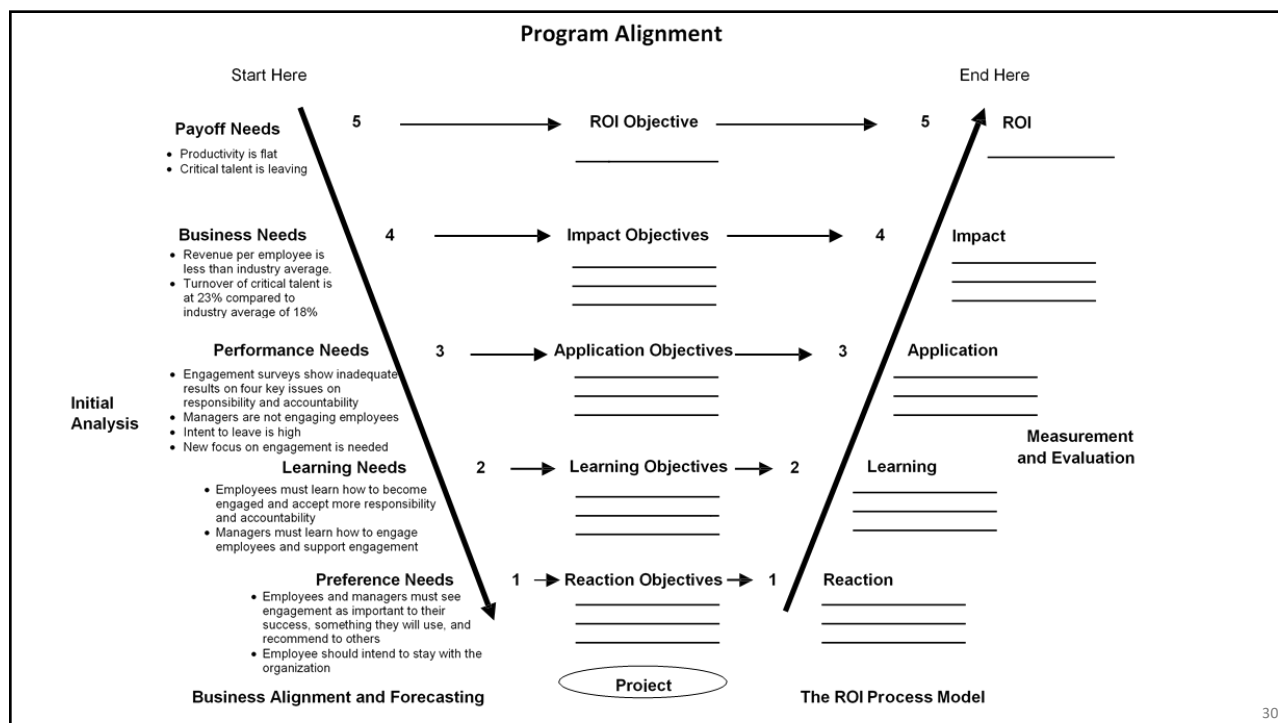
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## Have a Discussion and Use Diagnostic Tools

Feasible solutions evolve through the understanding of context, empathizing with the target audience, and identifying performance gaps. The next step is to identify learning needs and how best to deliver relevant information. Forecasting outcomes based on inputs is sometimes helpful.

- Statistical process control
- Brainstorming
- Problem analysis
- Cause-and-effect diagram
- Force-field analysis
- Mind mapping
- Affinity diagrams
- Simulations
- Diagnostic instruments
- Focus groups
- Probing interviews
- Job satisfaction surveys
- Engagement surveys
- Exit interviews
- Exit surveys
- Nominal group technique



# Expect Success

Design for Results

## Design Thinking Principle 3

A framework to balance needs and feasibility

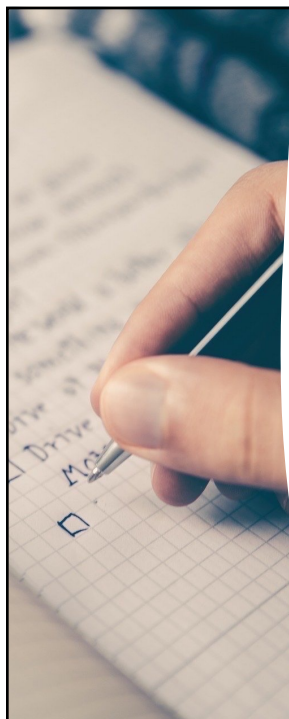
- Set objectives at multiple levels
- Redefine success of coaching
- Expand responsibilities

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## Developing Objectives for Each Level

Levels of Objectives	Focus of Objectives
Level 1, Reaction	Defines specific measures of expected reaction to the program as it is revealed and communicated to the stakeholders
Level 2, Learning	Defines specific measures of improvement in knowledge, information, contacts, and skills as the participants and other stakeholders learn how to make the program successful
Level 3, Application	Defines specific measures of actions taken that define success with application and implementation of the program
Level 4, Impact	Defines the specific impact measures that will change or improve as a consequence of the program's implementation
Level 5, ROI	Defines the minimum return on investment from the program, comparing program costs with monetary benefits from the program

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## Rules for Objectives

1. Must be measurable and represent minimum acceptable performance.
2. Fewer objectives are better than many objectives.
3. Involve subject-matter experts and key stakeholders.
4. Keep them relevant to the situation, program, and key stakeholders.
5. Create stretch objectives, but make sure they are achievable.
6. Allow for the flexibility to change as conditions change.
7. Failure is OK; process improvement is the key.
8. Objectives are tools for progress, not weapons for performance review.
9. Most objectives should be time-bound.
10. Objectives provide the focus for design, development, implementation, and evaluation.

These rules are from a combination of publications:

J. J. Phillips and P. P. Phillips. *Beyond Learning Objectives: Develop Measurable Objectives that Link to the Bottom Line*. Alexandria, VA: ASTD Press. 2008.

P. P. Phillips and J. J. Phillips. *10 Steps to Successful Business Alignment*. Alexandria, VA: ASTD Press. 2012.

J. Doerr. *Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs*. New York: Penguin. 2018.

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## Matching Evaluation Levels with Objectives

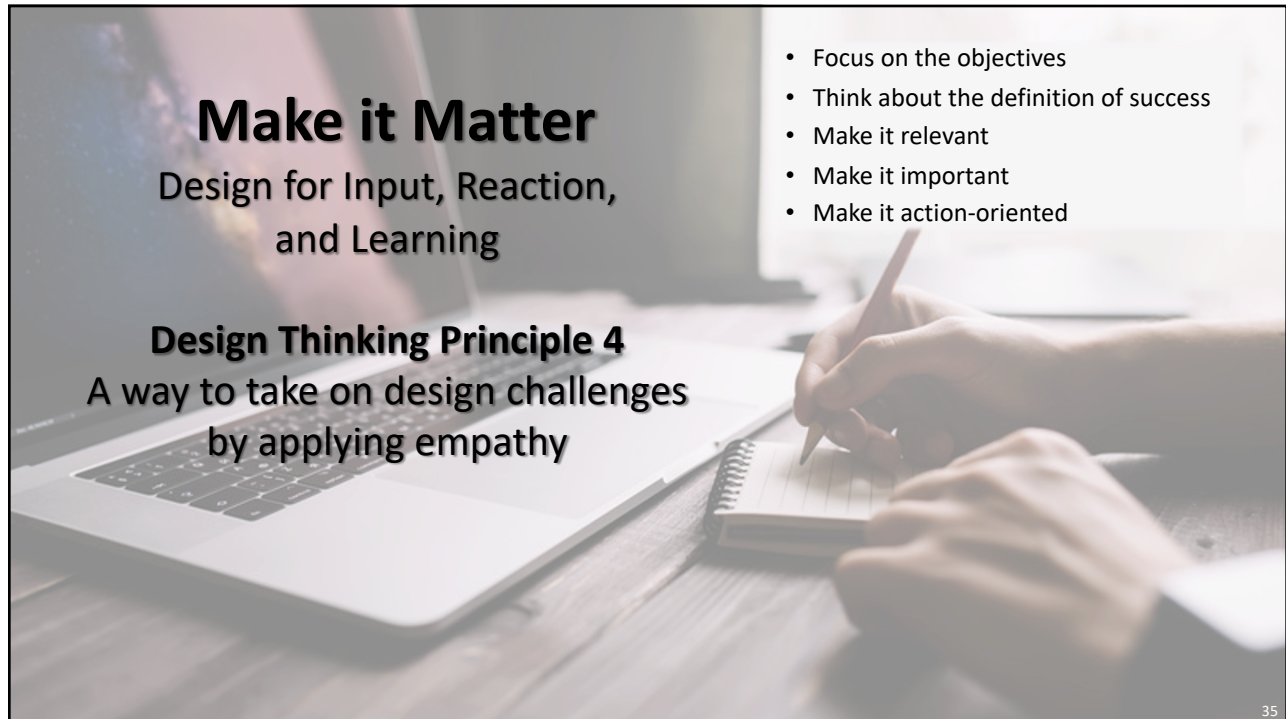
After completing this program, participants should:

1.	Decrease citizen complaints by 20% in one year.	4
2.	Use problem-solving skills to uncover product defect causes.	3
3.	Be able to demonstrate the five steps to calm an upset customer.	2
4.	Rate the facilitator 4 out of 5 on presentation skills.	1
5.	Decrease the amount of time required to develop a proposal.	4
6.	Achieve a 20% ROI one year after implementation of sales incentive system.	5
7.	Perceive the content to be relevant their situation (4.5 out of 5).	1
8.	Decrease security breaches by 25% in six months.	4
9.	Conduct a proper investigation using the seven-step process in 95% of complaint situations.	3
10.	Score an average of 75 or better on new strategy quiz.	2
11.	Complete a disclosure form each year as part of the new ethics policy.	3
12.	Use all 10 negotiation skills in at least 50% of negotiation situations.	3

**1 = Reaction    2 = Learning    3 = Application    4 = Impact    5 = ROI**

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**Make it Matter**  
Design for Input, Reaction,  
and Learning

**Design Thinking Principle 4**  
A way to take on design challenges  
by applying empathy

- Focus on the objectives
- Think about the definition of success
- Make it relevant
- Make it important
- Make it action-oriented

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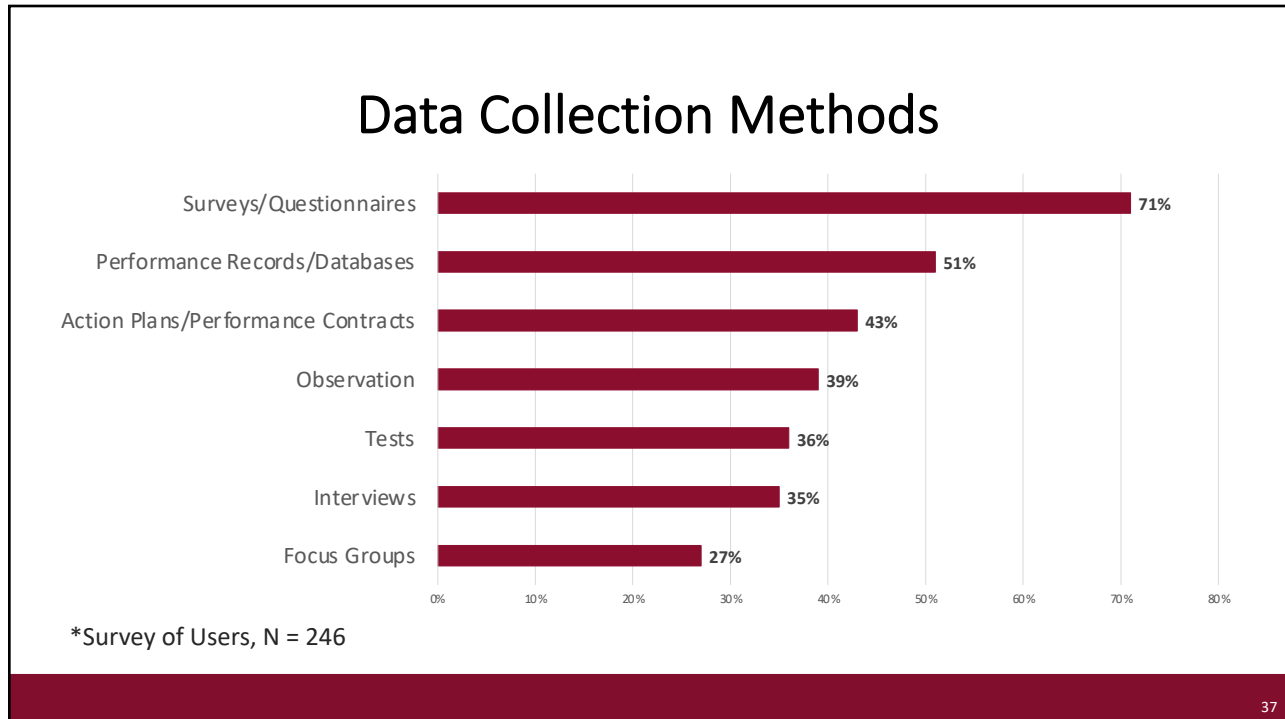
**Make it Stick**  
Design for Application and Impact

**Design Thinking Principle 5**  
A culture that fosters exploration  
and experimentation

- Collect data
- Focus on objectives
- Ensure transfer to the workplace
- Design for application

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## Make it Credible

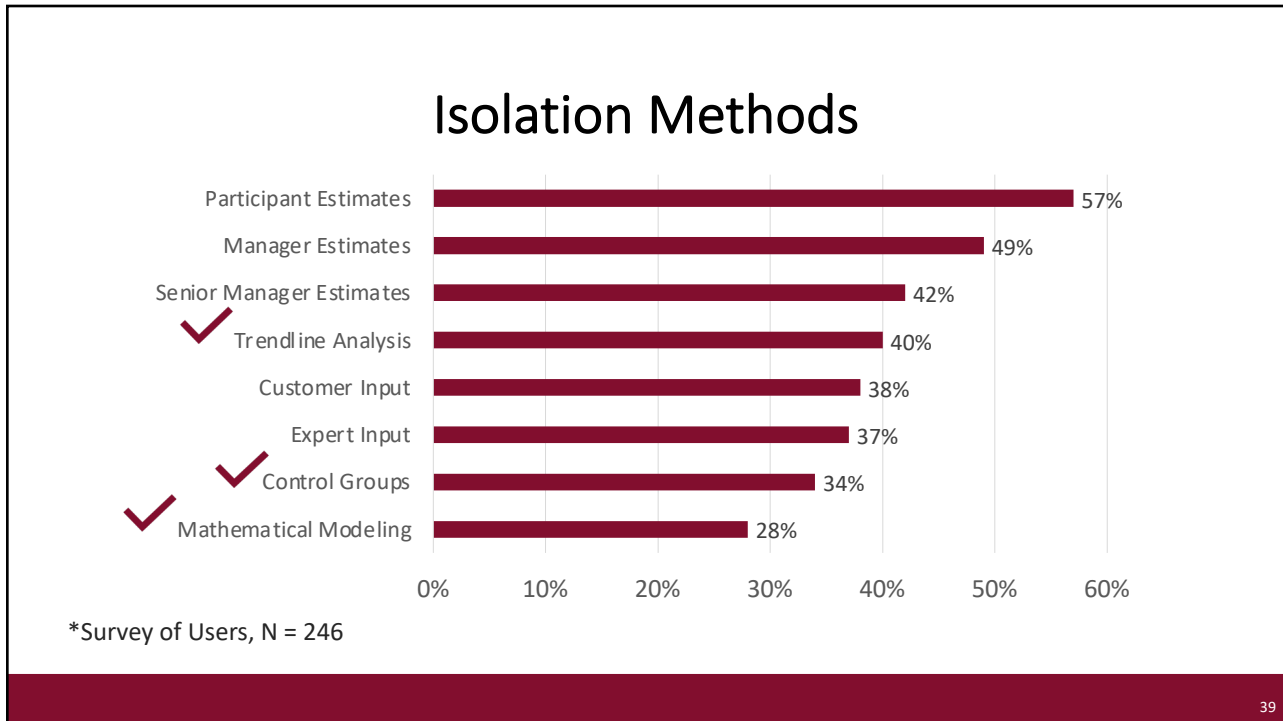
### Measure Results and Calculate ROI

### Design Thinking Principle 6

A fixed process and a tool kit

- Isolating the effects of the program
- Converting Impact data to money
- Identifying intangible benefits
- Tabulating cost of the program
- Calculating ROI

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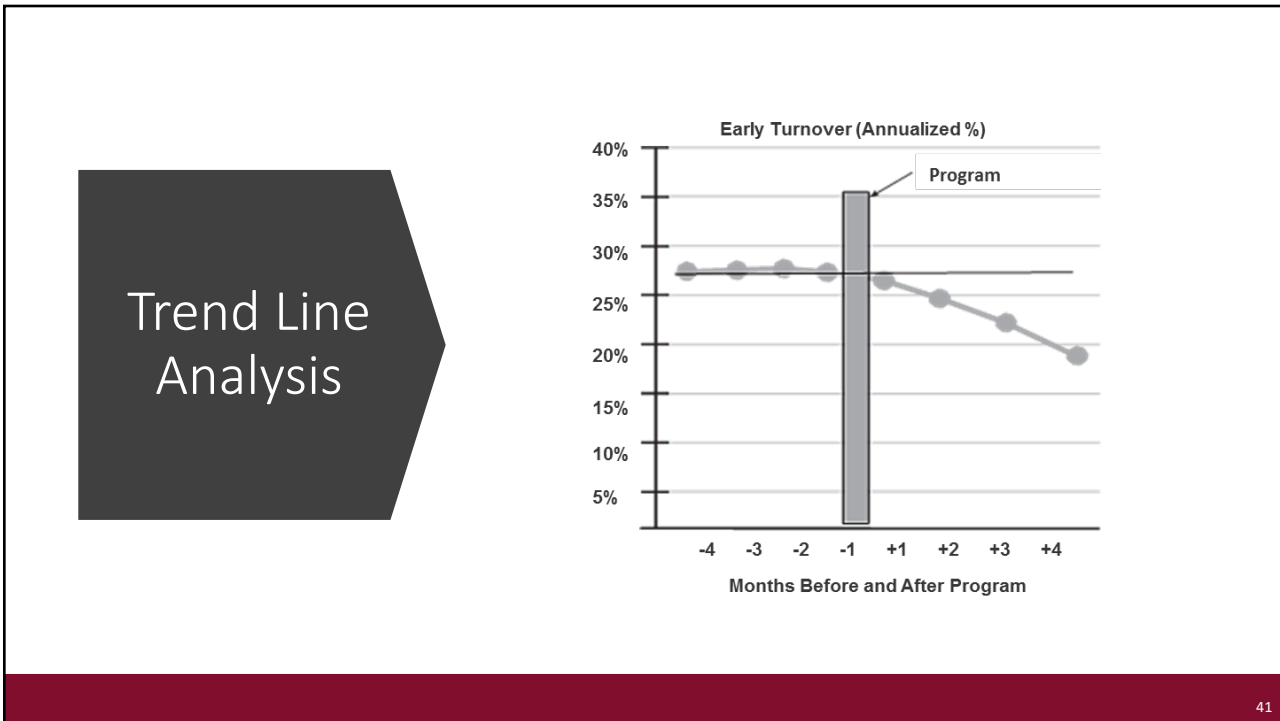


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### Control Group Arrangement

	Total Employees		Annual Production (Millions)		Variable Cost per Ton		Voluntary Turnover		Unplanned Absenteeism	
	Before	After	Before	After	Before	After	Before	After	Before	After
<b>Plants with New System</b>	126	125	8.5	8.6	\$3.19	\$2.88	18%	12%	7.4%	4.2%
<b>Plants Without New System</b>	132	130	8.9	8.9	\$3.22	\$3.17	19%	18%	7.8%	7.7%

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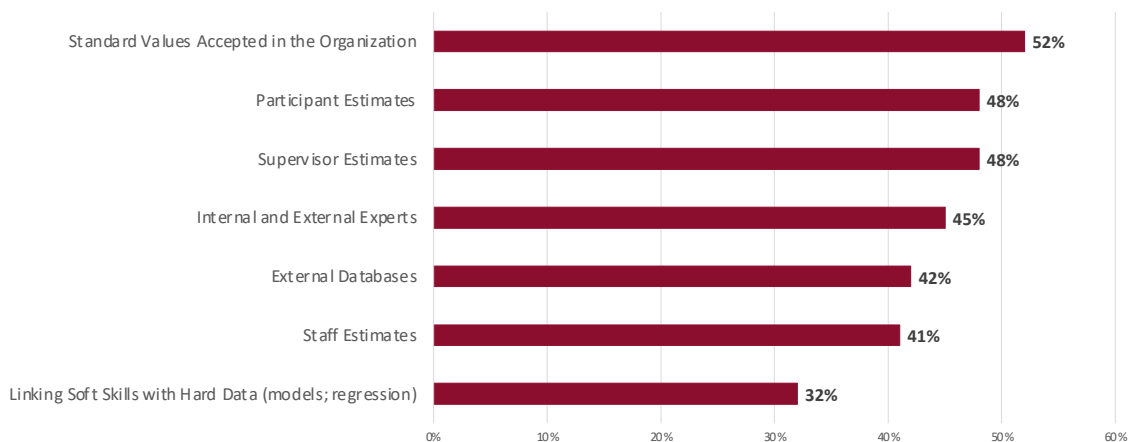
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## Isolation by Estimates

	Preceding Year	One Year After	Actual Difference	Contribution Factor	Confidence Estimate	Adjusted Amount	Unit Amount	First-Year Benefits	Two-Year Benefits
<b>Turnover</b>	271 (57%)	162 (35%)	109	84%	82%	75	\$21,150	\$1,586,250	\$3,172,500
<b>Staffing Levels</b>	480 (average)	463 (end of year)	17	100%	100%	17	\$28,200	\$479,400	\$ 958,800

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## Data Conversion Methods



\*Survey of Users, N = 246

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## Converting Data to Money

### EXAMPLE

Data Item	Value
New account	\$650
Sales with existing customers	20% margin
Store profit margin	All is value-add profit
Staff turnover	60% of annual salary
Product returns	10% of average sale
Inventory shrinkage	All is value-add profit
Store expenses	All is value-add profit
Customer complaints	\$500 per complaint
Compliance discrepancies	\$500-1500

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## Credibility of Conversion Methods

	Credibility	Resources Needed
Standard values	High	Low
Analysis of records/reports	High	High
Databases	Moderate	Moderate
Expert estimation	Moderate	Low

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## Typical Intangible Benefits

- Adaptability
- Awards
- Brand awareness
- Career minded
- Caring
- Collaboration
- Communication
- Conflicts
- Cooperation
- Corporate social responsibility
- Creativity
- Culture
- Complaints
- Customer response time
- Customer satisfaction
- Decisiveness
- Employee complaints
- Engagement
- Execution
- Image
- Innovation
- Job satisfaction
- Leadership
- Networking
- Organizational climate
- Organizational commitment
- Partnering
- Reputation
- Resilience
- Stress
- Talent
- Teamwork

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## Cost Categories

Cost Item	Prorated	Expensed
Needs assessment	✓	
Design and Development	✓	
Acquisition/Purchase (if applicable)	✓	
Delivery/Implementation		✓
Salaries/Benefits-Facilitator time		✓
Salaries/Benefits-Coordination time		✓
Program materials and fees		✓
Travel/Lodging/Meals		✓
Facilities		✓
Salaries/Benefits-Participant time		✓
Operating expenses		✓
Ongoing operations cost (if applicable)		✓
Evaluation		✓
Overhead	✓	

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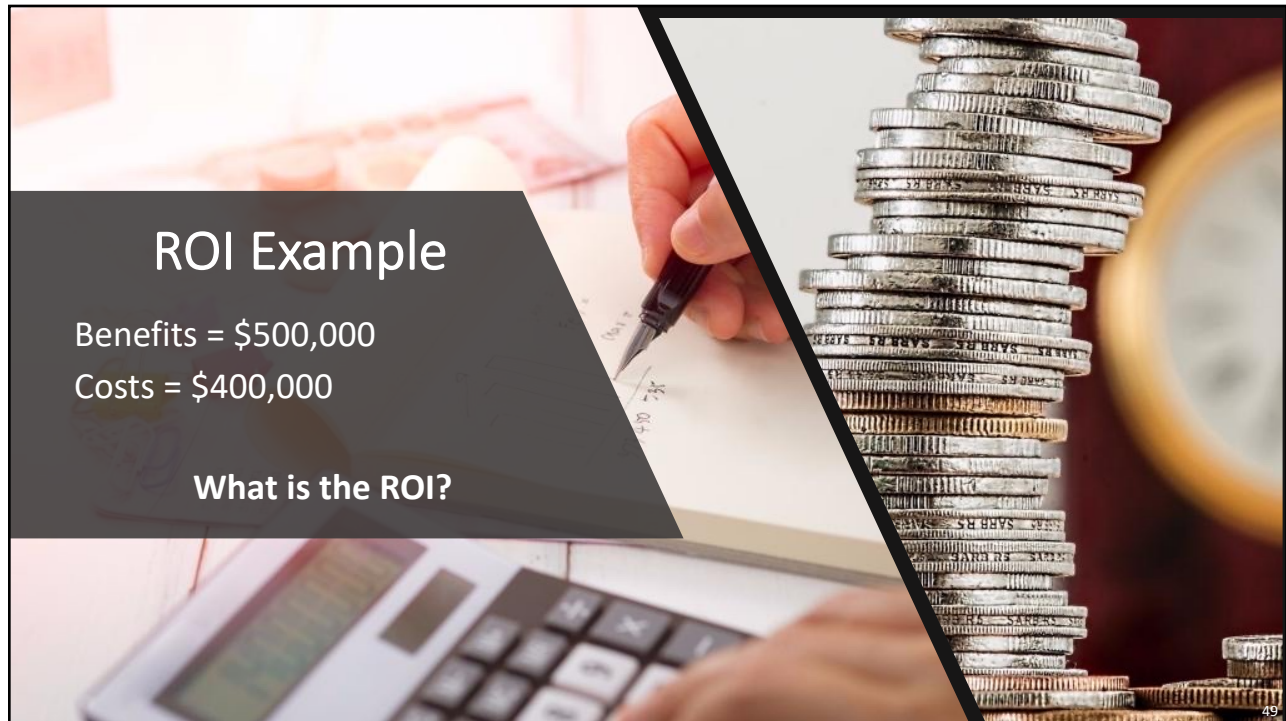
## ROI is Reported in Two Ways

$$\text{BCR} = \frac{\text{Program Benefits}}{\text{Program Costs}}$$

$$\text{ROI} = \frac{\text{Program Benefits} - \text{Program Costs}}{\text{Program Costs}} \times 100$$

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**ROI Example**

Benefits = \$500,000  
Costs = \$400,000

**What is the ROI?**

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## ROI Calculation

$$\text{BCR} = \frac{\$500,000}{\$400,000} = \boxed{1.25}$$
$$\text{ROI} = \frac{\$500,000 - \$400,000}{\$400,000} \times 100 = \boxed{25\%}$$

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**Tell the Story**  
 Communicate Results to Key Stakeholders

**Design Thinking Principle 7**  
 A storytelling process to inspire senior executives

- Define audience
- Identify why they need it
- Select method
- Move quickly
- Consider one-page summary

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## Methods of Communication

<p><b>Meetings</b></p> <ul style="list-style-type: none"> <li>• Executives</li> <li>• Management</li> <li>• Stakeholders</li> <li>• Staff</li> </ul> <p><b>Detailed Reports</b></p> <ul style="list-style-type: none"> <li>• Impact study</li> <li>• Case study (internal)</li> <li>• Case study (external)</li> <li>• Major articles</li> </ul>	<p><b>Brief Reports</b></p> <ul style="list-style-type: none"> <li>• Executive summary</li> <li>• Slide overview</li> <li>• One-page summary</li> <li>• Brochure</li> </ul> <p><b>Electronic reporting</b></p> <ul style="list-style-type: none"> <li>• Website</li> <li>• Email</li> <li>• Blog/Social media</li> <li>• Video</li> </ul>	<p><b>Mass Publications</b></p> <ul style="list-style-type: none"> <li>• Announcements</li> <li>• Bulletins</li> <li>• Newsletters</li> <li>• Brief articles</li> <li>• Press releases</li> </ul>
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What are your preferred methods?

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## Optimize Results

Use Black Box Thinking to Increase Funding

### Design Thinking Principle 8

A new competitive logic of business strategy

**EVALUATION**

Measure

➔

**OPTIMIZATION**

Improve

➔

**ALLOCATION**

Fund

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## Cost vs. Investment Perception: The Reality

	Perception	Actions	Consequences
<div style="border: 1px solid black; width: 100px; height: 100px; transform: rotate(45deg); margin: 0 auto; display: flex; align-items: center; justify-content: center;"> <p style="transform: rotate(-45deg);">Executive Perception of Programs</p> </div>	<p>It's a cost</p>	<ul style="list-style-type: none"> <li>Control it</li> <li>Reduce it</li> <li>Eliminate it</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships are rare</li> <li>Influence diminishes</li> <li>Support is lost</li> <li>Funding is curtailed</li> </ul>
	<p>It's an investment</p>	<ul style="list-style-type: none"> <li>Maintain it</li> <li>Enhance it</li> <li>Protect it</li> </ul>	<ul style="list-style-type: none"> <li>Business partnerships flourish</li> <li>Client relationships improve</li> <li>A seat at the table is earned</li> <li>Funding is easier</li> </ul>

How do your leaders view your programs? Costs or investments?

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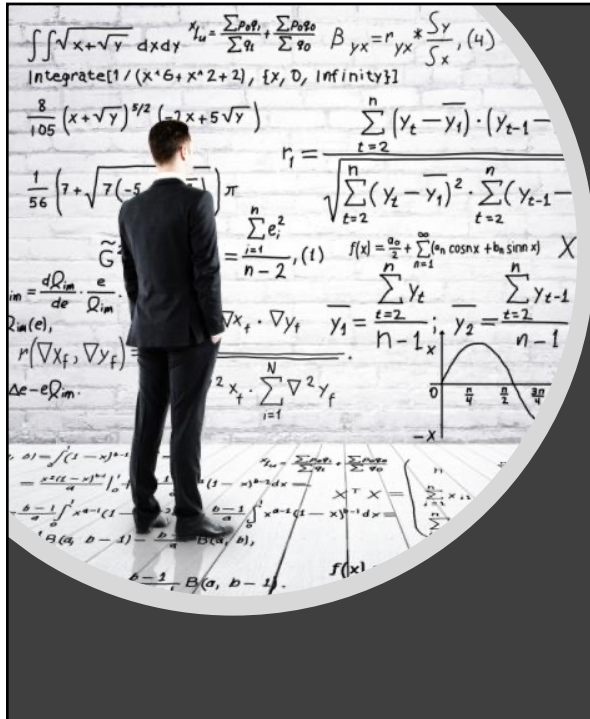


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## The Payoff

- Justify/defend budgets.
- Align projects to business needs.
- Show contributions of selected projects.
- Earn respect of senior management & administrators.
- Build staff morale.
- Improve support for projects.
- Enhance design and implementation processes.
- Identify inefficient projects that need to be redesigned or eliminated.
- Identify successful projects that can be implemented in other areas.
- Earn a “seat at the table”.

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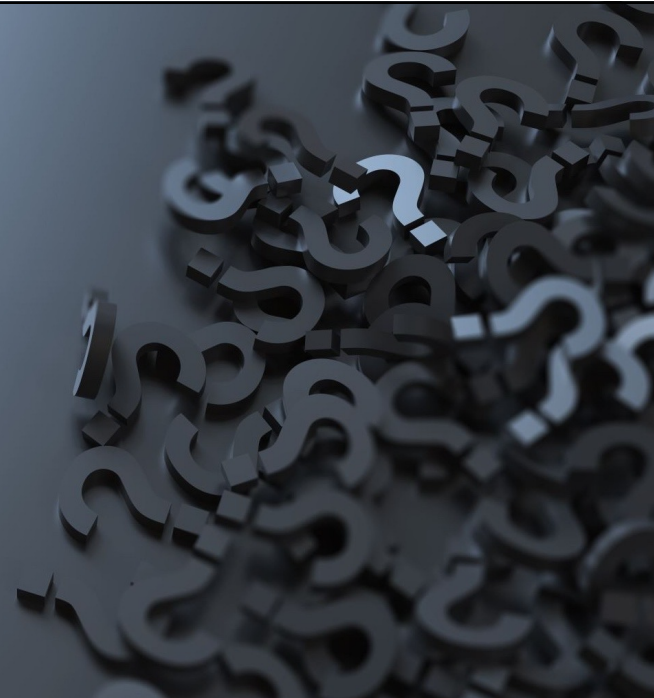
## ROI Myths

- ROI is too complex for most users.
- ROI is too expensive, consuming too many critical resources.
- If senior management does not require ROI, there is no need to pursue it.
- ROI is a passing fad.
- ROI is too subjective.
- ROI is for post-analysis only.

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### What happens if we do nothing?

- Budget?
- Influence?
- Image?
- Respect?
- Support?
- Other issues?



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## ROI Reality

- Clients and executives desire impact and ROI.
- The ROI process provides a balanced, credible approach with six types of data.
- All types of organizations routinely use ROI.
- You can implement the ROI process without draining resources.
- The impact and ROI process is a long-term goal for many organizations.

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## Southeast Corridor Bank Case Study: Measuring the ROI in Engagement Linked to Retention Improvement

Page 185 in  
reference text

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## SECOR Bank: The Why

<b>Payoff Need</b>	<ul style="list-style-type: none"> <li>Mergers and acquisitions taking out the competition.</li> <li>Financial institution facing operational issues.</li> <li>Customer service scores at an all time low.</li> <li>Overall turnover 57% compared to 26% for the industry.</li> <li>Cost of turnover ranges from 110% to 125% of salary.</li> </ul>
<b>Business Need</b>	<ul style="list-style-type: none"> <li>Voluntary turnover in branches is the biggest problem.</li> <li>Turnover is 71% or 336 employees voluntarily leaving each year.</li> <li>This contributes to the customer service problem.</li> <li>Cost of turnover per job is \$16,650 per person.</li> </ul>

**What would be your approach to determine the cause of turnover?**

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## SECOR Bank: The Solution

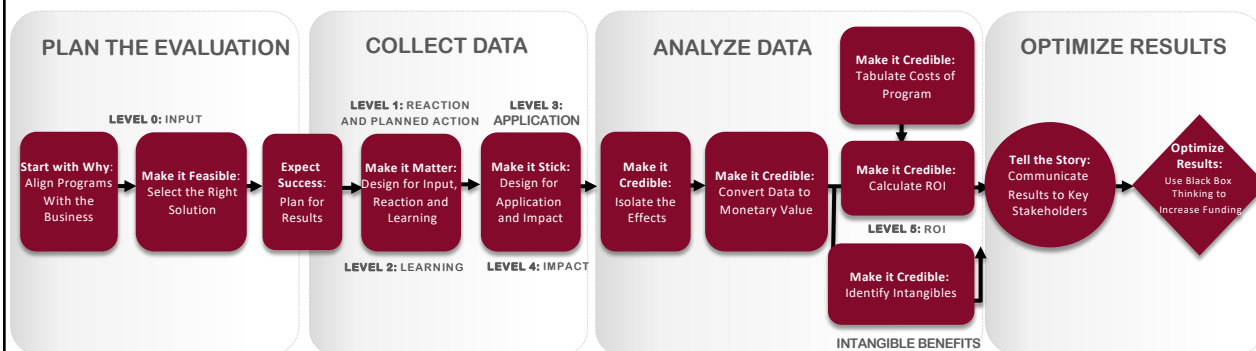
<b>Performance Needs</b>	<ul style="list-style-type: none"> <li>Exist interviews offered limited perspective.</li> <li>Nominal group technique used to discover cause of turnover.</li> <li>Results indicated the top five reasons for departure were:                             <ol style="list-style-type: none"> <li>1. Lack of opportunity for advancement</li> <li>2. Lack of opportunity to learn new skills and new product knowledge</li> <li>3. Pay level not adequate</li> <li>4. Not enough responsibility and autonomy</li> <li>5. Lack of recognition and appreciate</li> </ol> </li> <li>Solution: Skill-based Pay Program</li> </ul>
<b>Learning Needs</b>	<ul style="list-style-type: none"> <li>Why the initiative is underway</li> <li>Role of branch employees</li> <li>How the process works</li> <li>Target staff acquire certain knowledge and skills</li> <li>Managers learn how to coach to process</li> </ul>
<b>Preference Needs</b>	<ul style="list-style-type: none"> <li>Launch within each of the branches</li> <li>Ensure those who do not participate are not penalized</li> </ul>
<b>Investment</b>	<ul style="list-style-type: none"> <li>Estimate the program will prevent 60 turnovers in the first year, leading to a cost avoidance of \$999,000</li> <li>Initial investment of \$800,000</li> <li>Target ROI for year one is 25%</li> </ul>

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# The Approach: The ROI Methodology

Designing for the Delivery of Business Results

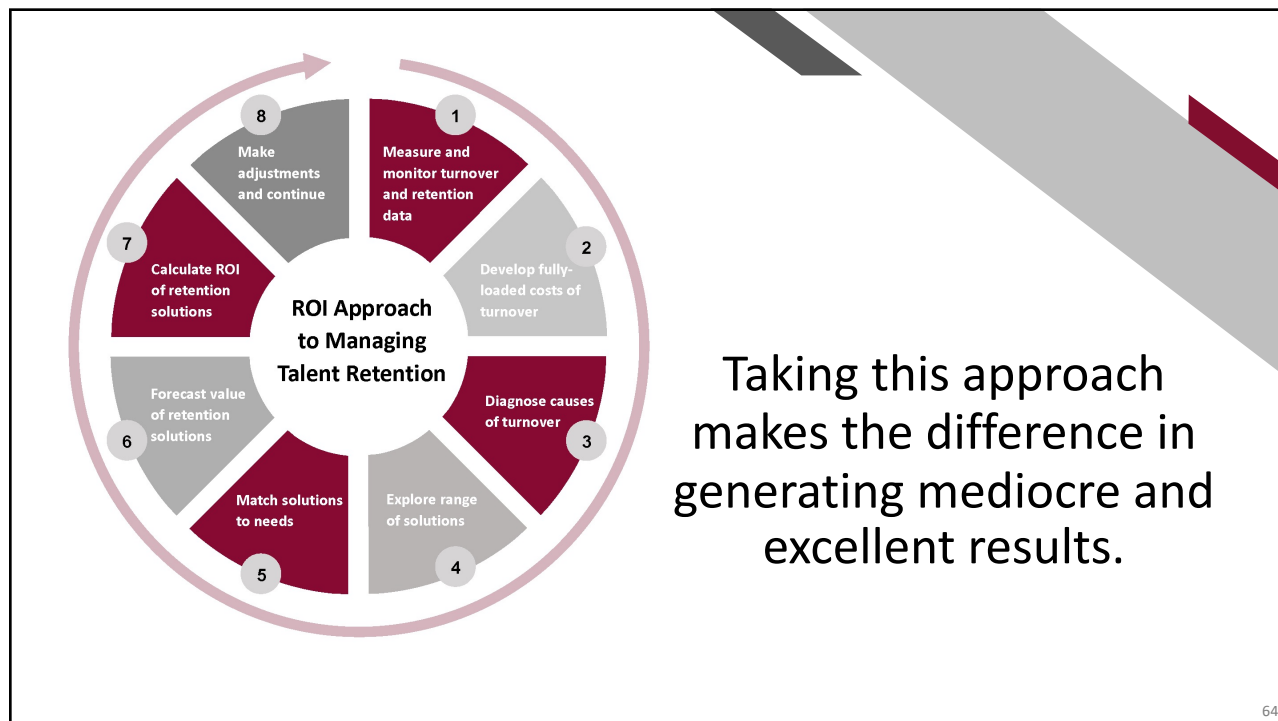


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Taking this approach makes the difference in generating mediocre and excellent results.

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Nominal Group Technique

Technique Analysis

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## Nominal Group Technique

<p><b>Six Focus Groups</b></p> <ul style="list-style-type: none"> <li>• 12 People Each</li> <li>• 72 People Total</li> </ul>	<ul style="list-style-type: none"> <li>• Describe the process.</li> <li>• Participants list reasons colleagues leave.</li> <li>• List reasons on a flip chart.</li> <li>• Consolidate similar reasons.</li> <li>• Participants identify top 10 reasons.</li> <li>• Participants rank order top 10 reasons.</li> <li>• Score reasons based on rank.</li> <li>• Total scores for each item.</li> <li>• Complete the process for all regions.</li> <li>• Total raw cores across regions.</li> </ul>
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## Level 3 Job Performance Needs

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- Lack of opportunity for advancement
  - Lack of opportunity to learn new skills and new product knowledge
  - Pay level not adequate
  - Not enough responsibility and empowerment
  - Lack of recognition and appreciation of work
  - Lack of teamwork in the branch
  - Lack of preparation for customer service problems
  - Unfair and unsupportive supervisor
  - Too much stress at peak times not enough flexibility in work schedules
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## Level 2 Learning Needs

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- Understand why the initiative is underway and how it will support employees
  - Know their role in addressing the job performance needs
  - Acquire knowledge/skills that will position them to perform new and more challenging jobs
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## Level 1 Preference Needs

- Focus on the first five needs initially
- Present the solution in a way that motivates and challenges employees
- Offer developmental opportunities that will assist employees in acquiring relevant knowledge/skills

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## The Solution: Engagement Linked With a Reward

Expand the scope of the employees' jobs with increased pay and a clear path for advancement and improvement to:

- Broaden employee responsibilities
- Empower excellent customer service



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## Designing the Program

Expand the scope of the employees' jobs with an increased pay and a clear path for advancement and improvement to:

- Broaden employee responsibilities
- Empower excellent customer service


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## Proposed Job Levels


Banking Representative Level	Job Duties	Hourly Wage Rate
I	Basic teller transactions (deposits, check cashing, etc.)	\$6.00
II	Same as above plus opening and closing accounts, CDs, savings bonds, special transactions, etc.	\$7.50
III	Same as above plus limited liability consumer loans, applications for all consumer loans, home equity loans, referrals for mortgage loans, etc.	\$9.00

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## Expected Benefits



Staffing Levels Were  
Expected to be Reduced



Improved Customer  
Service



“In Our Branch There  
Are No Tellers.”

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Level	Program Objectives
<b>1</b>	<p><b>Reaction/Satisfaction</b></p> <p><b>On a scale of 1 – 5 (1 disagree; 5 agree), participants rate the following 4.0 out of 5 regarding the skills-based pay program.</b></p> <ul style="list-style-type: none"> <li>• I am motivated to develop knowledge and skills that will help me take on additional responsibilities.</li> <li>• I perceive the skills-based pay program as a challenge.</li> <li>• I intend to take on the challenges presented by the skills-based pay program in order to progress in the company.</li> <li>• I view the skills-based pay program as a rewarding opportunity.</li> </ul> <p><b>On a scale of 1-5 (1 disagree, 5 agree), participants rate the following 4.0 out of 5 regarding training programs targeting knowledge and skills relevant to job progression.</b></p> <ul style="list-style-type: none"> <li>• The program is relevant to the job that I am pursuing.</li> <li>• The program should be useful to me as I progress toward advancement in the company.</li> <li>• I intend to apply the knowledge and skills learned in the program, even though I have not yet been promoted.</li> </ul>

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Level	Program Objectives
2	<p><b>Learning</b></p> <p><b>On a scale of 1 – 5 (1 disagree; 5 agree), participants rate the following 4.0 out of 5.</b></p> <ul style="list-style-type: none"> <li>• I understand why the skill-based pay program is being implemented.</li> <li>• I understand of what is required of me to be successful with the program.</li> <li>• I understand how promotion decisions are made.</li> <li>• I understand the timing of various aspects of the program.</li> </ul> <p><b>For each training program attended that targets job progression, participants will:</b></p> <ul style="list-style-type: none"> <li>• Acquire knowledge/skills as measured by that program.</li> <li>• Demonstrate abilities with skill pertinent to promotional level as measured by supervisor assessment</li> </ul>

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Level	Program Objectives
3	<p><b>Application/Implementation</b> (data collected one year post)</p> <ul style="list-style-type: none"> <li>• 100% participation in program</li> <li>• Increase in number of requests for training (45 per month baseline)</li> <li>• Review meetings with managers regarding developmental plan taking place</li> <li>• Increase in actual promotions (139 per year baseline)</li> </ul>
4	<p><b>Business Impact</b> (data collected one-year post)</p> <ul style="list-style-type: none"> <li>• Reduce branch employee turnover (baseline: 71%; 336 per year)*</li> <li>• Reduce branch staffing levels (baseline: average 480 total)*</li> <li>• Customer satisfaction</li> <li>• Job satisfaction</li> <li>• Deposits</li> <li>• Loan volume</li> <li>• New accounts</li> <li>• Transaction volume</li> <li>• Cross-selling</li> </ul>
5	<p><b>ROI 25%</b></p> <ul style="list-style-type: none"> <li>• Based on first year actual plus second year forecast.</li> </ul>

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## Isolation and Data Conversion Techniques

Data Item	Method of Isolating the Effects	Method of Converting Data
Employee Turnover	Branch Manager Estimation Staff Estimation	External Studies*
Staffing Levels	Branch Manager Estimation	Company Payroll Records
Customer Service	Customer Input	N/A
Job Satisfaction	Staff Input	N/A
Deposits, Loan Volume, New Accounts	Branch Manager Estimation	Standard Value (% Margin)
Transaction Volume Cross Selling	Branch Manager Estimation Staff Estimation	Standard Value (Average % Margin)

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## Actual Business Results

	Preceding Year	One Year After	Actual Difference	Contribution Factor	Confidence Estimate	Adjusted Amount	Unit Amount	First Year Benefits	Two Year Benefits
Turnover	271 (57%)	162 (35%)	109	84%	82%	75	\$21,150	\$1,586,250	\$3,172,500
Staffing Levels	480 (average)	463 (end of year)	17	100%	100%	17	\$28,200	\$479,400	\$ 958,800

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## Fully Loaded Project Costs

Project Costs	Year 1	Year 2
Initial analysis	\$14,000	---
Program development	22,500	---
Participant time	345,600	195,000
Branch manager time	40,800	30,200
Facilities	35,000	
Travel	17,000	
Salary increases	446,696	203,900
Administration/operation	14,000	4,100
Evaluation	6,000	
Total:	\$941,596	\$433,200

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## ROI Calculation

$$\text{BCR} = \frac{\$4,131,300}{\$1,374,796} = \boxed{3.01:1}$$

$$\text{ROI} = \frac{\$4,131,300 - 1,374,796}{\$1,374,796} \times 100 = \boxed{201\%}$$

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## Results—Intangible Benefits

Customers provided positive feedback on:

- New approach
- Service
- Intent to continue doing business with the bank

Job satisfaction scores improved in measures such as

- Advancement opportunities
- Chance to use skills
- Pay for performance

Increases in deposits loan volume new accounts transactions and cross selling were minimal

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## Be Proactive

Remember, when it comes to delivering results:

- Hope is not a strategy.
- Luck is not a factor.
- Doing nothing is not an option.

**Change is inevitable.**

**Progress is optional.**

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# Questions?

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