CHAPTER 14

Measuring ROI in Leadership Development

Global Car Rental

This case describes how one organization—a leading car rental corporation—implemented a program to improve profitability and efficiency by developing leadership competencies for first-level managers. The learning and development team was asked to identify measures influenced by this program and link these competencies to job performance and business impact. However, the team was faced with a difficulty challenge because it was not given the time, resources, or encouragement to conduct a comprehensive analysis to link the need for leadership development to business needs. Could the participants themselves help with this task?

Background

Global Car Rental (GCR) operates in 27 countries with 27,000 employees. The U.S. division has 13,000 employees and operates in most major cities in the United States. The auto rental business is very competitive, and several major firms have been forced into bankruptcy in the last few years. The industry is price sensitive, and customer service is critical. Operating costs must be managed carefully to remain profitable. Senior executives were exploring a variety of ways to improve GCR, and they perceived that developing leadership competencies for first-level managers would be an excellent way to achieve profitable growth and efficiency.

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

The Need

A recent needs assessment for all functional areas conducted by the learning and development (L&D) staff determined that several leadership competencies were needed for first-level managers. The needs included typical competencies such as problem solving, counseling, motivation, communication, goal setting, and feedback. In addition to developing these competencies, the L&D staff attempted to link the competencies to job performance needs and business needs.

The senior management team, however, did not want the L&D staff to visit all locations to discuss business needs and job performance issues. The senior executives were convinced that leadership skills are needed and that these skills should drive a variety of business measures when applied in the work units. The L&D team was challenged to identify the measures influenced by this particular program. Additionally, top executives were interested in knowing the impact and maybe even ROI for a group of U.S. participants in this program.

This challenge created a dilemma. The L&D staff members realized that for a positive ROI study to be generated, the program should be linked to business needs. They knew, though, that they did not have the time, resources, or the encouragement to conduct a comprehensive analysis linking the need for the leadership development to business needs. The team was faced with the challenge of connecting this program to business impact. They thought that perhaps the participants themselves could help with this task.

Attempting to address the needs, the L&D staff developed a new program, the Leadership Challenge, designed for team leaders, supervisors, and managers who are responsible for those who actually do the work (the first level of management). Program participants were located in rental offices, service centers, call centers, regional offices, and headquarters. Most functional areas were represented, including operations, customer service, service and support, sales, administration, finance and accounting, and information technology. Essentially, this was to be a cross-functional program in the organization.

The Leadership Challenge involved four days of off-site learning with input from the immediate manager who served as a coach for some of the learning processes. Before attending, the program participants had to complete an online pretraining instrument and read a short book. Because few senior executives at GCR had challenged the L&D staff to show the business impact of a program, two groups were evaluated with 36 participants total (i.e., 18 in one group and 18 in the other).

Business Alignment

To link the program to business and job performance needs, prior to attending the program, each manager was asked to identify at least two business measures in the work unit that represent an opportunity for improvement. The measures were available in operating reports, cost statements, or scorecards. The selected measures had to meet an additional two-part test:

1. They had to be under the control of the team when improvements were to be considered.
2. They had to have the potential to be influenced by team members with the manager using the competencies in the program. A description of the program was provided in advance, including a list of objectives and skill sets.

A needs assessment appeared appropriate for the situation, even though there was some concern about whether it could be thorough. The initial needs assessment on competencies uncovered a variety of deficiencies across all the functional units and provided the information necessary for job descriptions, assignments, and key responsibility areas. Although basic, the additional steps taken to connect the program to business impact were appropriate for a business needs analysis and a job performance needs analysis.

Identifying two measures in need of improvement was a simple business needs analysis for the work unit. Restricting the selected measures to only those that could be influenced by the team with the leader using the skills from the program essentially defines a job performance need. (In essence, the individual leader is identifying something that is not currently being done in the work unit that could be done to enhance the business need.) Although more refinement and detail would be preferred, the results of this assessment process should have sufficed for this project.

Objectives

The L&D staff developed the following objectives for the program:

1. Participants will rate the program as relevant to their jobs
2. Participants will rate the program as important to their job success
3. Participants must demonstrate acceptable performance on each major competency
4. Participants will use the competencies with team members on a routine basis
5. Participants and team members will drive improvements in at least two business measures

ROI Appropriateness

With the business and job performance needs analyses complete, this program became a good candidate for the ROI. Without these two steps, it would have been difficult to conduct a successful ROI study. A consideration for conducting the ROI study was identifying the drivers for ROI analyses. In this case, the senior team was challenging the value of leadership development. An ROI study should provide convincing evidence about a major program. Also, this was a highly visible program that merited evaluation at this level because it was strategic and expensive. Consequently, the L&D staff pursued the ROI study, and an ROI objective of 20 percent was established.

ROI Planning

Data Collection Plan

Figure 1 shows the completed data collection plan. Although several data collection methods were possible, the team decided to use a detailed follow-up questionnaire to reflect the progress made with the program. Focus groups, interviews, and observations were considered too expensive or inappropriate. The L&D team explored the possibility of using the 360-degree feedback process to obtain input from team members but elected to wait until the 360-degree program was fully implemented in all units in the organization. Therefore, the questionnaire was deemed the least expensive and least disruptive method.

The questionnaire was sent directly to the participant 3 months after program completion. At the same time, a shorter questionnaire

Figure 1. Data Collection Plan for the Leadership Challenge Program

Purpose of This Evaluation ______________________________

Program: ____________________ **Responsibility:** ____________________ **Date:** ____________

Level	Objective(s)	Measures/Data	Data Collection Method	Data Sources	Timing	Responsibilities
1	**Reaction/Satisfaction** • Participants rate the program as relevant to their jobs. • Participants rate the program as important to their job success	• 4 out of 5 on a 5-point rating scale	• Questionnaire	• Participants	• End of Program	• Facilitator
2	**Learning** • Participants demonstrate acceptable performance on each major competency	• 2 out of 3 on a 3-point scale	• Observation of skill practices • Self-assessment via questionnaire	• Facilitator • Participants	• End of Program • End of Program	• Facilitator • Facilitator
3	**Application/Implementation** • Participants utilize the competencies with team members routinely	• Various measures (ratings, open-ended items, and so forth)	• Questionnaire • Questionnaire	• Participants • Participants' managers	• 3 months	• L&D staff
4	**Business Impact** • Participants and team members drive improvements in at least two business measures	• Various work unit measures	• Questionnaire	• Participants	• 3 months	• L&D staff
5	**ROI** Achieve a 20 percent ROI	Comments: ______________________				

was sent to the participants' immediate manager. Initially, a 6-month follow-up was considered instead of the 3-month follow-up shown on the data collection plan. However, the L&D staff thought that 6 months was too long to wait for results and too long for managers to make the connection between the program and the results.

Questionnaire Topics

Figure 2 shows the email questionnaire used with this group. Important areas explored included application of skills, impact analysis, barriers to application, and enablers. A similar questionnaire that explored the role of the manager in the coaching process was sent to the next level managers without the questions on the impact data.

To achieve a response rate of 81 percent, the L&D team used 12 different techniques:

1. Provide advance communication about the questionnaire
2. Clearly communicate the reason for the questionnaire
3. Indicate who will see the results of the questionnaire
4. Show how the data will be integrated with other data
5. Communicate the time limit for submitting responses
6. Review the questionnaire at the end of the formal session
7. Allow for responses to be anonymous or at least confidential
8. Provide two follow-up reminders, using a different medium each time
9. Have the introduction letter signed by a top executive.
10. Enclose a giveaway item with the questionnaire (pen)
11. Send a summary of results to the target audience
12. Have a third party collect and analyze the data

Another important techniques was to review the questionnaire with participants—question by question—at the end of the four-day workshop to clarify issues, create expectations, and gain commitment to provide data. Third-party collection was achieved by using automated external data collection. Essentially, the data was sent by email to the data collector's server.

Figure 2. Questionnaire for leaders.

FOLLOW-UP QUESTIONNAIRE

Program Name ____ **End Date of Program** ________________

Our records indicate that you participated in the above program. Your participation in this follow-up survey is important to continuously improve this program. Completion of this survey may take 45 to 60 minutes. Thank you in advance for your input.

Currency

1. This survey requires some information to be completed in monetary value. Please indicate the currency you will use to complete the questions requiring monetary value. ______________________________

Program Completion

2. Did you: ❑ complete ❑ partially complete ❑ not complete the program? If you did not complete, go to the final question.

Reaction

	Strongly Disagree 1	2	3	4	Strongly Agree 5	Not Applicable
3. I recommended the program to others.	❑	❑	❑	❑	❑	❑
4. The program was a worthwhile investment for my organization.	❑	❑	❑	❑	❑	❑
5. The program was a good use of my time	❑	❑	❑	❑	❑	❑
6. The program was relevant to my work.	❑	❑	❑	❑	❑	❑
7. The program was important to my work.	❑	❑	❑	❑	❑	❑
8. The program provided me with new information.	❑	❑	❑	❑	❑	❑

Learning

	Strongly Disagree 1	2	3	4	Strongly Agree 5	Not Applicable
9. I learned new knowledge/skills from this program.	❑	❑	❑	❑	❑	❑
10. I am confident in my ability to apply the knowledge/skills learned in this program.	❑	❑	❑	❑	❑	❑

11. Rate your level of improvement in skill or knowledge derived from the program content. (0% = no improvement; 100% = significant improvement. Check only one.

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

Figure 2. Questionnaire for leaders *(continued)*

Application

	None 1	2	3	4	Very Much 5	Not Applicable
12. To what extent did you apply the knowledge/skills learned during the program?	❑	❑	❑	❑	❑	❑

	Infrequently (unacceptable) 1	2	3	Frequently (exceptional) 4	5	Not Applicable
13. How frequently did you apply the knowledge/skills learned during the program?	❑	❑	❑	❑	❑	❑

	Low 1	2	3	4	High 5	Not Applicable
14. What is your level of effectiveness with the knowledge/skills learned during the program?	❑	❑	❑	❑	❑	❑

	Low 1	2	3	4	High 5	Not Applicable
15. Rate the effectiveness of the coach.	❑	❑	❑	❑	❑	❑

	Not Critical 1	2	3	4	Very Critical 5	Not Applicable
16. How critical is applying the content of this program to your job success?	❑	❑	❑	❑	❑	❑

	Not Well 1	2	3	4	Very Well 5	Not Applicable
17. To what extent did you stay on schedule with your planned actions?	❑	❑	❑	❑	❑	❑

18. What percent of your total work time did you spend on tasks that require the knowledge/skills presented in this program? Check only one.

0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
❑	❑	❑	❑	❑	❑	❑	❑	❑	❑	❑

Barriers/Enablers To Application

19. Which of the following deterred or prevented you from applying the knowledge/skills learned in the program? (Check all that apply).

No opportunity to use the skills	❑
Lack of management support	❑
Lack of support from colleagues and peers	❑
Insufficient knowledge and understanding	❑
Lack of confidence to apply knowledge/skills	❑
Systems and processes within organization will not support application of knowledge/skills	❑
Other	❑

20. If you selected "other" above, please describe here. ____

____

21. Which of the following supported you in applying knowledge/skills learned in the program? (Check all that apply).

Opportunity to use the skills	❑
Management support	❑
Support from colleagues and peers	❑
Sufficient knowledge and understanding	❑
Confidence to apply knowledge/skills	❑
Systems and processes within organization will support application of knowledge/skills	❑
Other	❑

22. If you selected "other" above, please describe here. ____

____

Results – 1st Measure

23. Please define the first measure you selected and its unit for measurement. For example, if you selected "sales," your unit of measure may be "one closed sale."

____

24. For this measure, what is the monetary value of improvement for one unit of this measure? For example, the value of a closed sale is sales value times the profit margin ($10,000 x 20% = $2,000). Although this step is difficult, please make every effort to estimate the value of a unit. Put the value in the currency you selected, round to nearest whole value, and enter numbers only (for example, $2,000.25 should be entered as $2,000).

____

Figure 2. Questionnaire for leaders *(continued)*

25. Please state your basis for the value of the unit of improvement you indicated above. In the closed sale example, a standard value, profit margin, is used, so "standard value" is entered here.

    ____

26. For the measure listed as most directly linked to the program, how much has this measure improved in performance? If not readily available, please estimate. If you selected "sales," show the actual increase in sales (for example, four closed sales per month, enter the number 4 here). You can input a number with up to one decimal point. Indicate the frequency base for the measure.

    _____ ❑ daily ❑ weekly ❑ monthly ❑ quarterly

Return On Investment – 1st Measure

27. What is the annual value of improvement in the measure you selected above? Multiply the increase (Question 26) by the frequency (Question 26) times the unit of value (Question 24). For example, if you selected "sales," multiply the sales increase by the frequency to arrive at the annum value (for example, four sales per month x 12 x $2,000=$96,000). Although this step is difficult, please make every effort to estimate the value. Put the value in the currency you selected, round to nearest whole value, enter numbers only (for example, $96,000.50 should be entered as $96,000).

    ____

28. List the other factors that could have influenced these results. ____________________

    ____

29. Recognizing that the other factors could have influenced this annual value of improvement, please estimate the percentage of improvement that is attributable to the program. Express as a percentage. For example, if only 60% of the sales increase is attributable to the program, enter 60 here.

    _________%

30. What confidence do you place in the estimates you have provided in the questions above? 0% means no confidence, and 100% is certainty. Round to nearest whole value, and enter a number only (for example, 37.5% should be entered as 38).

    _________%

Results – 2nd Measure

31. Please define the second measure you selected and its unit for measurement. For example, if you selected "sales," your unit of measure may be "one closed sale."

    ____

32. For this measure, what is the monetary value of improvement for one unit of this measure? For example, the value of a closed sale is sales value times the profit margin ($10,000 x 20% = $2,000). Although this step is difficult, please make every effort to estimate the value of a unit. Put the value in the currency you selected, round to nearest whole value, and enter numbers only (for example, $2,000.25 should be entered as $2,000).

    ____

33. Please state your basis for the value of the unit of improvement you indicated above. In the closed sale example, a standard value, profit margin, is used, so "standard value" is entered here.

    ____

34. For the measure listed as most directly linked to the program, how much has this measure improved in performance? If not readily available, please estimate. If you selected “sales,” show the actual increase in sales (for example, four closed sales per month, enter the number 4 here). You can enter a number with up to one decimal point. Indicate the frequency base for the measure. _______________

❑ daily ❑ weekly ❑ monthly ❑ quarterly

Return On Investment- 2nd Measure

35. What is the annual value of improvement in the measure you selected above? Multiply the increase (Question 34) by the frequency (Question 34) times the unit of value (Question 32). For example, if you selected “sales,” multiply the sales increase by the frequency to arrive at the annum value (for example, four sales per month x 12 x $2,000=$96,000). Although this step is difficult, please make every effort to estimate the value. Put the value in the currency you selected, round to nearest whole value, and enter numbers only (for example, $96,000.25 should be entered as $96,000).

____

36. List the other factors that could have influenced these results. ______________________________

____

37. Recognizing that the other factors could have influenced this annual value of improvement, please estimate the percentage of improvement that is attributable to the program. Express as a percentage. For example, if only 60% of the sales increase is attributable to the program, enter 60 here.

_________%

38. What confidence do you place in the estimates you have provided in the questions above? 0% means no confidence, and 100% is certainty. Round to the nearest whole value, and enter a number only (for example, 37.5% should be entered as 38%).

_________%

39. What other benefits have been realized from this program? _________________________________

____

40. Please estimate your direct costs of travel and lodging for your participation in this program. Put the value in the currency you selected, round to nearest whole value, and enter numbers only (for example, $10,000.49 should be entered as $10,000).

____

41. Please state your basis for the travel and lodging cost estimate above. _________________________

____

Feedback

42. How can we improve the training to make it more relevant to your job?

____

____

____

____

Thank you for taking the time to complete this survey!

ROI Analysis Plan

The completed ROI analysis plan is shown in Figure 3. This plan details the specific issues that must be addressed and the particular techniques selected to complete the ROI analysis.

Method of Isolation

The method the L&D team used to isolate the effects of the program proved to be a challenge. Because the managers represented different functional areas, there was no finite set of measures that could be linked to the program for each participant. Essentially, each manager could have a different set of measures as he or she focused on specific business needs in the work unit. Consequently, the use of a control group was not feasible. In addition, the trend-line analysis and forecasting methods proved to be inappropriate for the same reason.

Therefore, the evaluation team had to collect estimations directly from participants on the questionnaire. Question 29 isolated the effects of this program using an estimate. Question 30 adjusted for the error of the estimate. The challenge was ensuring that participants understood this issue and were committed to provide data for the isolation.

Converting Data to Monetary Value

The participants provided estimates for converting their selected measures to monetary values. In the planning, the L&D team assumed that there were only a few feasible approaches for participants to place monetary value on measures. Because there was little agenda time to discuss this issue, the L&D staff had to rely on easy-to-obtain data using three options. The good news was that in GCR, as with many other organizations, standard values have been developed for the measures that matter and they were the first option. If a measure is something that the company wants to increase, such as productivity or sales, someone already will have placed a value on that measure to show the contribution of the improvement. If it is a measure the company wants to reduce, such as turnover, accidents, or absenteeism, someone has more than likely placed a monetary value to show the impact of these critical measures. Consequently, the participants were asked to use standard values if they were available.

If these were not available, as a second option participants could

Figure 3. The ROI analysis plan

Program: ______________ **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
• Varies, depending on measures selected	• Participant estimate	• Standard value • Expert value • Participant estimate	• Needs assessment (prorated) • Program development (prorated) • Facilitation fees • Promotional materials • Facilitation and coordination • Meals and refreshments • Facilities • Participants' salaries and benefits for time away from work • Managers' salaries and benefits for time involved in program • Cost of overhead • Evaluation costs	• Job satisfaction for first-level managers • Job satisfaction for team members • Improved teamwork • Improved communication	• Participants (first-level managers) • Participants' managers • Senior executives • L&D staff • Prospective participants • L&D council members	• Several process improvement initiatives are going on during this program implementation	• Must gain commitment to provide data • A high response rate is needed

call on an internal expert who knew more about that particular measure. In many cases, this person was an individual from the department furnishing a particular report because the data came directly from the operating reports. Essentially this was expert input. If no standard was available or experts identified, the last option was for the participants to estimate the value. Because this was a measure that mattered to the participant, he or she should have some perception about the value of improving it.

The actual amount was entered on Question 24. Then, Question 25 provided the basis for showing the details for how that value was developed. Question 25 is critical. If omitted, the business impact measure was removed from the analysis under the guiding principle of not using an unsupported claim in the analysis. Incidentally, the participants were informed about this principle as the questionnaire was reviewed with them at the end of the workshop.

Costs

The costs for the program were typical—analysis, design, development, and delivery components—and represented the fully loaded costs containing both direct and indirect categories.

Other Issues

The L&D team anticipated some intangible benefits and, consequently, added a question to identify improvements in these intangible benefits (Question 39). To ensure that all the key stakeholders were identified, the evaluation team decided which groups should receive the information in the impact study. Six specific groups were targeted for communication. The remainder of the ROI analysis plan listed other issues about the study.

Results

Twenty-nine questionnaires were returned for an 81 percent response rate. Participants provided a rich database indicating success at each level of evaluation.

Reaction

Table 1 shows the reaction data obtained from the follow-up questionnaire. Although some initial reaction was collected at the end of the workshop using a standard reaction questionnaire, the team decided to collect and present to the senior team the reaction obtained in the follow-up. Each of the reaction measures exceeded the goal of a 4.0 rating, except for the issue about the amount of new information, which was slightly less than the desired level.

Table 1. Reaction data from participants.

Issue	Rating*
Recommended to others	4.2
Worthwhile investment	4.1
Good use of time	4.6
Relevant to my work	4.3
Important to my work	4.1
Provided me with new information	3.9

*Rating scale: 1 = Strongly disagree; 5 = Strongly agree

Learning

Although several skill practices and self-assessments were taken during the workshop to measure learning, the team decided to present the learning data directly from the follow-up questionnaire. As shown in Table 2, the learning measures met or exceeded expectations in terms of the amount of new skills and knowledge and confidence in using them. Also, the average skill or knowledge improvement was 48 percent (Question 11).

Table 2. Learning Data from Participants

Issue	Rating*
Learned new knowledge/skills	4.3
Confident in my ability to apply new knowledge/skills	4.1

*Rating: 1 = Strongly Disagree; 5 = Strongly Agree

Application

Table 3 shows application data obtained in the follow-up questionnaire. The applications exceeded expectations, and the effectiveness of the coach rating was a particular highlight. The percentage of time spent on tasks requiring the use of the acquired knowledge/skills averaged 43 percent (Question 18). The participants' managers received the questionnaire primarily about the coaching component, and they reported success. They routinely coached the participants when requested and frequently reinforced the use of the skills.

Table 3. Application Data from Participants

Issue	Rating*
Extent of use of knowledge/skills	4.3
Frequency of application of knowledge/skills	3.8
Effectiveness with using knowledge/skills	4.3
Effectiveness of coach	4.7
Criticalness to job	4.2
Stay on Schedule	4.1

*Rating:1 = Lowest; 5 = Highest

Barriers and Enablers

Much to the surprise of the staff, the barriers were minimal and the enablers were strong. The program enjoyed good management support and was tailored to the job environment. Therefore, few barriers prevented the transfer of learning, and the enablers were built into the program. Tables 4 shows the barriers and enablers.

Business Impact

Business impact data (Level 4) is shown in table 14-5. This table shows specific improvements identified directly from the questionnaire, by participant number, for the first 15 participants. To save space, the remaining 14 participants are included as a total. Usually, each participant provided improvements on two measures. The total for the second measure is shown at the bottom of Table 5.

The top row of Table 5 reveals the linkage between the questions on the questionnaire and the columns in this table. The total annual improvement for each measure is reported first. Incidentally, the specific measure was identified and could be reported as well, but to reduce confusion only the measure categories were reported. The

Table 4. Top Five Barriers and Enablers Identified by Participants

Barrier	Frequency
No Opportunity to Use Skills	14%
Lack of Support from Colleagues and Peers	14%
Insufficient Knowledge and Understanding	10%
Lack of Management Support	7%
Lack of Confidence to Apply Learning	3%
Enablers	**Frequency**
Management Support	55%
Opportunity to Use Skills	52%
Confidence to Apply Learning	38%
Support from Colleagues and Peers	34%
Sufficient Knowledge and Understanding	34%

heading "Converting Data to Monetary Value" shows the extent to which the three options were used to convert data to monetary value. Most participants selected "Standard" because standard values were readily available. The column of "Other Factors" indicates the number of other factors that contributed to the results. In most cases several factors were present. No more than four other factors were identified in any section. In a few cases, there were no other factors. In summary, the standard values were used 71 percent of the time, and other factors were identified 85 percent of the time.

ROI Analysis

The total cost of the program, using a fully loaded analysis, is shown in Table 6. The needs assessment was prorated over 4 years, based upon the anticipated life cycle of the project. A thousand managers in the United States would attend this program in the four-year time period before another needs assessment was conducted. Program development was prorated over three years assuming that the delivery could change significantly in that time frame. The remainder of the costs were directly charged and included the delivery expenses, the salaries for the participants (the first level man-

Table 5 Business Impact Calculations

Participant Number	Annual Improvement (Q27)*	Measure (Q23)*	Converting Data to Monetary Value (Q25)*	Contribution from Program (Q29)*	Other Factors (Q28)*	Confidence Estimate (Q30)*	Adjusted Value†
1	$ 13,100	Sales	Standard	60%	3	80%	$ 6,288
3	41,200	Productivity	Expert	75%	1	95%	29,355
4	5,300	Sales	Standard	80%	1	90%	3,816
6	7,210	Cost	N/A	70%	2	70%	3,533
9	4,215	Efficiency	Standard	40%	3	75%	1,265
10	17,500	Quality	Expert	35%	4	60%	3,675
12	11,500	Time	Standard	60%	2	80%	5,520
14	3,948	Time	Standard	70%	1	80%	2,212
15	14,725	Sales	Standard	40%	3	70%	4,123
17	6,673	Efficiency	Estimate	50%	3	60%	2,002
18	12,140	Costs	N/A	100%	0	100%	12,140
19	17,850	Sales	Standard	60%	2	70%	7,497
21	13,920	Sales	Standard	50%	3	80%	5,568
22	15,362	Cost	N/A	40%	4	90%	5,530
23	18,923	Sales	Standard	60%	1	75%	8,515
						Total for the items above	$ 101,039
						Total for the next 14 items	$ 84,398
						Total for 2nd measure	$ 143,764
						Total Benefits	$ 329,201

* Question numbers in Figure 2 Questionnaire.
† Total Monetary Benefits = Q27 x Q29 x Q30.

agers), as well as their managers (second level). The training and education overhead was allocated using a figure of $312 per day of training.

Table 6. Summary of Fully Loaded Costs

Cost of Item	Cost
Needs assessment (prorated over 4 years)	$ 900
Program development (prorated over 3 years)	2,000
Program materials ($120/participant)	4,320
Travel, meals, and Lodging ($1,600/participant)	57,600
Facilitation and coordination ($4,000/day)	32,000
Facilities and refreshments ($890/day)	7,120
Participants salaries (plus benefits) for time and program	37,218
Manager salaries (plus benefits) for time involved in program	12,096
Training and education overhead (allocated)	2,500
ROI evaluation costs	5,000
Total for 36 participants	$ 160,754

The BCR was calculated as follows:

$$\text{BCR} = \frac{\text{Total Benefits}}{\text{Total Costs}} = \frac{\$329,201}{\$160,754} = 2.05$$

The ROI was calculated as follows:

$$\text{ROI} = \frac{\text{Net Total Benefits}}{\text{Total Costs}} = \frac{\$329,201 - \$160,754}{\$160,754} \times 100 = 105\%$$

Major Issues

The data were perceived to be credible by both the L&D staff and senior management group. Credibility rests on seven major issues:

1. The information for the analysis was provided directly from the new managers. The managers had no reason to be biased in their input.
2. The data was provided anonymously because no one had to provide his or her name on the questionnaire. Anonymity

helped eliminate the possibility of bias.

3. The data collection process was conservative under the assumption that an unresponsive individual has realized no improvement. This concept—no data, no improvement—is an ultraconservative approach to data collection.
4. The L&D staff did not assign complete credit to this program. The participants isolated a portion of the data that should be credited directly to this program.
5. The data was adjusted for the potential error of the estimate. Estimates were used to isolate the effects of the program.
6. Only the first year of benefits were used in the analysis. Most of the improvement should result in second- and third-year benefits.
7. The costs of the program were fully loaded. All direct and indirect costs were included, including the time away from work for the participants and managers.

The data represents a balanced profile of success. Very favorable reaction, learning, and application data was presented along with business impact, ROI, and intangibles. Collectively, these issues made a convincing case for the program.

Communication Strategy

To communicate appropriately with the target audiences outlined in the ROI analysis plan, the L&D team produced three specific documents. The first report was a detailed impact study showing the approach, assumptions, methodology, and results using all six data categories. In addition, barriers and enablers were included in the study, along with conclusions and recommendations. The second report was an eight-page executive summary of the key points, including a one-page overview of the methodology. The third report was a brief, five-page summary of the process and results. These documents were presented to the different groups according to the plan presented in Figure 4.

Because this was the first ROI study conducted in this organization, face-to-face meetings were conducted with the executives. The purpose was to ensure that executives understood the methodology, the conservative assumptions, and each level of data. The barriers, enablers, conclusions, and recommendations were an important part

Figure 4. Distribution plan for Leadership Challenge evaluation reports

Audience	Document
Participants	Brief summary
Managers of participants	Brief summary
Senior executives	Complete study, executive summary
L&D staff	Complete study
L&D Council	Complete study, executive summary
Prospective participants	Brief summary

of the meeting. In the future, after two or three studies have been conducted, this group will receive only a one-page summary of key data items. A similar meeting was conducted with the L&D council. The council members were advisors to the L&D department who are usually middle- and upper-level executives and managers. Finally, a face-to-face meeting was held with the learning and development staff where the complete impact study was described and used as a learning tool.

Lessons Learned

This case study shows how the evaluation process can be accomplished with minimal resources. The approach shifted much of the responsibility for evaluation to the participants as they collected data, isolated the effects of the program, and converted the data to monetary values—the three most critical steps in the ROI process. The results were easily communicated to various target groups through three specific documents. L&D staff and senior management perceived the data to be credible. The ROI was positive, and the program showed important connections with business results.

Discussion Questions

1. Is this approach credible? Explain.
2. Is the ROI value realistic?
3. What types of programs would be appropriate for this approach?
4. What additions or revisions could be made to the evaluation strategies provided?
5. What evaluation strategies other than the questionnaire could be used in this situation?