Chapter 8

Measuring ROI in Engagement Linked to Retention Improvement

Southeast Corridor Bank

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This case study demonstrates how a retention improvement program at a regional bank generated an extremely high impact, including an impressive return on investment, using a strategic accountability approach to managing retention. By analyzing the turnover problem in branch bank operations, this case focuses on how the specific causes of turnover were determined, how the solutions were matched to the special causes, and how the calculation of the actual impact of the turnover reduction was developed. The strength of the case lies in the techniques used to ensure that the solutions were appropriate and that the turnover reduction represented a high-payoff solution.

BACKGROUND

Southeast Corridor Bank (SCB), a regional bank operating in four states with 60 branches, grew from a one-state operation to a multistate network through a progressive strategic campaign of acquisitions. As a result of its growth, the bank faced merger and integration problems, including excessive employee turnover: SCB's annual turnover was 57 percent, compared with an industry average of 26 percent. When he joined SCB, the new senior vice president for human resources (SVPHR) was faced with several important challenges, among them the need to reduce turnover. Although management

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

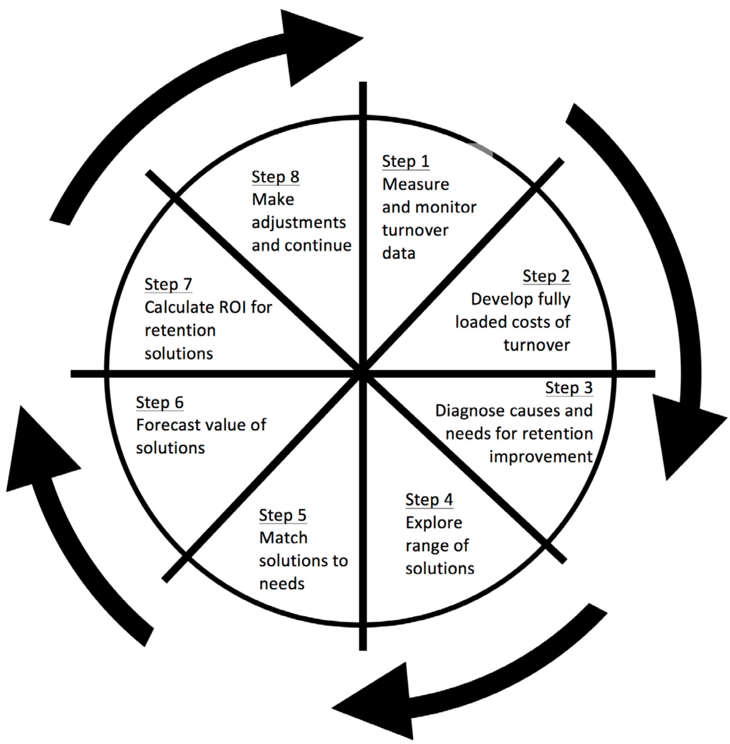
was not aware of the full impact of turnover, it knew turnover was causing operational problems, taking up staff and supervisor time, and creating disruptive situations for customers.

A STRATEGIC ACCOUNTABILITY APPROACH

Retention was a strategic issue for SCB because it makes the difference between mediocre and excellent profits. Thus, accountability was built into the process, allowing management to fully understand the cost of the problem, the cost of the solutions, the potential impact of the solutions, and the actual impact of the solutions, all in monetary terms. To uncover the causes of turnover, the strategic accountability approach, outlined in Figure 8-1, became the basic model for this case study.

This approach moves logically through a series of eight steps necessary to manage the process. It's easy to stay on track because, for the most part, each step has to be completed before moving to the next. This approach brings structure, organization, and accountability to the process, and helps organizations avoid implementing solutions without analysis.

Figure 8-1. Strategic Accountability Approach to Managing Retention



Step 1. Measure and Monitor Turnover Data

To properly monitor and measure turnover, there are several important steps:

- Define turnover consistently
- Report turnover rates by various demographics
- Report rates by critical job groups
- Include costs of turnover
- Compare turnover data with benchmarking targets
- Develop trigger points that stimulate action

Step 2. Calculate Fully Loaded Turnover Costs

The cost of turnover is one of the most underestimated and undervalued measures. It is often misunderstood because it is not fully loaded and does not reflect how much turnover actually costs a company. In addition, the impact of turnover is not regularly reported to the management team, keeping its members in the dark about the actual costs. However, when fully loaded costs of an organization's turnover are calculated for an entire year, the numbers can be extremely surprising.

When exploring turnover, the costs for recruiting, selecting, and training are typically considered because they are easily calculated. However, other costs are required to provide an accurate picture of the cost of turnover. A more comprehensive list includes 12 categories. The first seven are investments that are lost to some degree when an employee leaves:

- Exit expense
- Recruiting expense
- Employment expense
- Orientation expense
- Training expense
- Wage and salary expense while training
- Temporary replacement expense

The other five are related to the effect of turnover on conducting business:

- Lost productivity
- Quality problems

- Customer dissatisfaction
- Loss of expertise and knowledge
- Loss of management time because of turnover

Step 3. Diagnose Causes and Needs for Retention Improvement

Some causes of turnover may be obvious, but others can be extremely elusive. Collecting the appropriate data is often a challenge because of the potential for bias and the inaccuracies that can surface during data collection. Fortunately, a number of diagnostic processes are available, including:

- Demographic analysis
- Diagnostic instruments and mind mapping
- Focus groups and brainstorming
- Probing interviews
- Job satisfaction and organizational commitment surveys
- Exit interviews and surveys
- Nominal group technique
- Cause-and-effect diagrams and affinity diagrams
- Force field analysis

Step 4. Explore Possible Solutions

Many organizations are very creative in their approaches to retention problems, resulting in hundreds of excellent solutions. The critical point is to ensure that the solution is feasible for the organization. Most solutions fall into one of these categories:

- Offering a competitive total compensation package that includes salary, benefits, bonuses, incentives, awards, and recognition
- Building a great place to work, which champions teamwork, a healthy work environment, a supportive culture, and enabling systems
- Providing growth opportunities, such as work design, empowerment, career path development, training, and succession planning
- Creating a compelling future by creating a profitable organization with a competitive advantage, and developing a compelling mission, vision, and values

Step 5. Match Solutions to Needs

This step is related to Step 6, the need to forecast the value of the solutions. These two steps should be taken together because the solutions selected are assumed to meet specific needs, making the forecast of their anticipated value imperative. When attempting to match solutions to needs, consider these five key concerns:

- Avoid mismatches
- Only implement a minimum number of solutions
- Select a solution for a maximum return
- Verify the match early
- Check the progress of each solution

Step 6. Forecast the Value of the Solutions

Developing a forecast for a solution's value allows the team to establish priorities, work with a minimum number of solutions, and focus on solutions with the greatest return on investment (ROI). Difficult, challenging, and sometimes risky, forecasting is an expert estimation of what a solution should contribute. It is imperative to accumulate as much data as possible to back up the estimate and build credibility for the process. The payoff value can be developed if the percentage of expected turnover reduction can be related to it. For example, if the top cause of turnover is removed with a particular solution, what percentage of the turnover would actually be eliminated? Employees may be able to help with this when data are collected about the cause of turnover. This step may require several "what if" decisions that may result in various assumptions. This step may also involve building on previous experiences; in some cases, the experiences of other organizations can be helpful.

Step 7. Measure ROI for Retention Solutions

Another often-neglected step is calculating the actual financial impact of a turnover reduction strategy. This step is often omitted because it appears to be unnecessary. If accumulating a number of solutions is the only measure of success of turnover reduction or prevention, the impact of those solutions may be unimportant. But from a senior executive's point of view, accountability at least for major solutions is not complete until impact and ROI data have been collected. The ROI Methodology generates six types of data about the success of a turnover reduction strategy:

- Reaction to and satisfaction with the solution
- Skill and knowledge acquisition
- Application and implementation progress
- Business impact improvement
- Return on investment, expressed as an ROI formula
- Intangible measures not converted to monetary values

Step 8. Make Adjustments and Continue

The extensive set of data collected from the strategic accountability approach provides information for making adjustments and changes in turnover reduction strategies. It reveals the success of the turnover reduction solution at all levels, from reaction to ROI. It also examines barriers to success, specifically identifying what kept the solution from being effective or prevented it from becoming more effective. The approach also identifies the processes that enable or support a turnover reduction solution. This information helps determine whether the solution needs to be revised, discontinued, or amplified.

The next step in the process goes back to the beginning, monitoring the data to ensure that turnover levels continue to meet expectations . . . and the cycle continues.

MEASURING AND MONITORING TURNOVER

SCB monitored turnover in two categories, defining employee departures as either voluntary separations or terminations for performance. A voluntary termination occurred when an employee resigned at their own will. A termination for performance involved an important problem that might have been rectified if the performance deficiency had been recognized or prevented. Departures due to retirement or disability were not included in either definition.

The turnover rate was monitored by job group, region, and branch bank. Branches had the highest turnover, averaging 71 percent in the previous year, which far exceeded any expectations or industry averages acquired from other financial institutions and the American Bankers Association. Turnover was also considered excessive in a few entry-level clerical job classifications in regional and corporate offices.

Impact of Turnover

The impact of turnover was determined at the beginning of the study. External turnover studies in the banking industry showed fully loaded turnover costs for that year ranging from 75 percent to 125 percent of annual pay (Phillips and Edwards 2009). The fully loaded costs were developed using the 12 cost categories listed in Step 2. When reviewing the proposed program, the senior executive team suggested using the lower value for calculating the payoff (75 percent or 0.75 times an employee's annual pay) because it believed that turnover wasn't quite that expensive.

Determining the Cause of Turnover

Three basic techniques were used to pinpoint the actual cause of turnover. First, individual job groups and tenure within job groups were analyzed to give insight into where the turnover was occurring, the magnitude of the problem, and some indication of the cause. It was determined that much of the turnover occurred in the first six to 18 months of employment. Second, exit interviews with departing employees were examined to see if specific reasons for departure could be pinpointed. Accuracy was a concern with the exit data, as departing employees may give incomplete and inaccurate data when reporting their reasons for leaving in an effort to avoid burning bridges. Finally, the HR team used the nominal group technique to more precisely determine the actual causes of turnover.

Nominal Group Technique

The nominal group technique was selected because it allowed unbiased input to be collected efficiently and accurately across the organization. The team planned a focus group with 12 employees in each region, for a total of six groups representing all regions. In addition, two focus groups were planned for the clerical staff in corporate headquarters. This approach provided approximately a 10 percent sample, which was considered a sufficient number to pinpoint the problem.

Participants in the focus groups, who represented the areas in which turnover was highest, described why they believed their colleagues were leaving, not why they themselves would leave. Data was taken from individuals in a carefully structured format during two-hour meetings at each location, using third-party facilitators, and was integrated and weighted so the most important reasons were clearly identified. This process had the advantages of being low cost and highly reliable, as well as having a low degree of bias. Only two days of external facilitator time was needed to collect and summarize data for review.

The nominal group technique unfolded quickly in 10 steps:

1. The process steps were briefly described along with a statement of confidentiality. The importance of the participants' input was underscored so that they understood the consequences for the bank.
2. Participants were asked to list specific reasons why they believed their colleagues had left the bank or why others might leave. It was stressed that the question dealt with the actions or potential actions of employees other than themselves, although the bank realized that the participants' comments would probably reflect their own views (which were what was actually needed).
3. In a round-robin format, each person revealed one reason for turnover, which was then recorded on a flipchart. At this point, no attempt was made to integrate the issues, just to record the data. The list, containing as many as 50 or 60 items, was displayed on the walls.
4. The next step was to consolidate and integrate the list. Integration was easy when items contained the same words and meanings. However, it was important to ensure that the real reason behind the cause was the same before items were consolidated. (When this process was complete the list might have contained 30 or 40 different reasons for turnover.)
5. Participants were then asked to review all the items, carefully select those they considered to be the top 10 causes, and list them individually on index cards.
6. Next, participants ranked their top 10 items by importance, with the first item as the most important.
7. In a round-robin format, each individual revealed her number 1 item, and 10 points were recorded next to it on the flipchart. Then the next individual revealed his number 1 issue, and so on, until the entire group had offered a top reason. Next, the number 2 reason was identified, and nine points were recorded on the flipchart next to the

item. This process continued until all reasons had been revealed and points recorded.

8. After the numbers next to each item were totaled, it was determined that the item with the most points was the leading cause of turnover. The cause with the second-highest number of points was deemed the second most important cause of turnover, and so on, until the top 15 causes were captured from that group.
9. This process was completed for all six regional groups and the two clerical staff groups; trends began to emerge quickly from one group to the next.
10. The actual raw scores were then combined to integrate the results of the six regional focus groups and the two clerical groups.

The top 15 scores represented the top 15 reasons for turnover across all the branches and clerical groups.

Specific Needs

The following list shows the top 10 causes of turnover in the bank branches:

- 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.

A similar list was developed for the clerical staff, but the remainder of this case study focuses directly on the efforts to reduce turnover in the branch network.

Branch turnover was the most critical issue because it involved the highest turnover rates and the largest number of employees, and the focus group results provided a clear pattern of specific needs. Recognizing that not all causes of turnover could be addressed immediately, the bank's management set out to work on the top eight reasons while it considered a variety of options to address stress and work flexibility. These top eight reasons are representative of classic engagement requirements for employees, as reported in the Gallup Twelve Questions and Surveys from the Great Place to Work Institute as well as many other surveys.

Increasing salaries in proportion to increased responsibilities links monetary rewards to employee engagement. Consequently, jobs were redesigned, the promotion and advancement system was radically changed, and the compensation system was adjusted to allow for pay increases to become more "engaged."

SOLUTION: ENGAGEMENT LINKED WITH A REWARD

An improved employee engagement system addressed the top eight reasons for turnover, particularly when a salary increase was attached. The program was designed to expand the scope of the employees' jobs and responsibilities, with increases in pay for acquiring skills, and to provide a clear path for advancement and improvement. Jobs were redesigned from narrowly focused teller duties to an expanded job with a new classification: banking representative I, II, or III. The job descriptions were revised to provide more empowerment, teamwork, and innovation in decision making. Table 8-1 shows the basic job duties for each level. Having employees perform multiple tasks was expected to broaden their responsibilities and empower them to provide excellent customer service. Pay increases were put in place to recognize skill acquisition, demonstrated accomplishment, and increased responsibility as the employees became more engaged.

Table 8-1. Proposed Job Levels

Banking Representative Level	Job Duties
I	Basic teller transactions (deposits, check cashing, etc.)
II	Same as above, plus opening and closing accounts and processing CDs, savings bonds, special transactions, etc.
III	Same as above, plus processing limited liability consumer loans, applications for all consumer loans, referrals for mortage loans, etc.

A branch employee would be a banking representative I if he could perform one or two simple tasks, such as processing deposits and cashing checks. As an employee at the banking representative I level took on additional responsibilities and performed different functions, she would be eligible for a promotion to banking representative II. If the representative could perform all the basic functions of the branch bank, including processing consumer loan applications, a promotion to banking representative III was appropriate. Training opportunities and self-study information was available to help employees develop the necessary job-related skills, and structured on-the-job training was also provided through the branch managers, assistant managers, and supervisors.

Although increased engagement had some definite benefits from the employee's perspective, there were also benefits for the bank. Not only was turnover expected to decrease, but actual staffing levels were expected to be reduced in larger branches. In theory, if a branch's employees could all perform every duty, then fewer employees would be needed. Prior to this time, minimum staffing levels were required in certain critical jobs, and those employees were not always available for other duties.

In addition, the bank hoped to provide an improved customer service experience, because the new approach would prevent customers from having to wait in long lines for specialized services. For example, it was not unusual to see long lines for such special functions as opening a checking account, closing out a CD, or taking a consumer loan application, whereas such activities as paying bills and receiving deposits often required little or no waiting. If each employee could perform all the tasks, shorter waiting lines would not only be feasible, but expected.

The marketing department even created a publicity campaign around this new arrangement by including a promotional piece with checking account statements introducing the concept "In our branches there are no tellers." This document described the new process and stated that because all branch employees could perform every branch function, it would provide faster service.

MEASURING SUCCESS

Measuring the success of the new solution required collecting data at four levels. At the first level, reaction and satisfaction were measured during regularly scheduled training sessions and meetings with the employees. This measurement provided input on how well employees were accepting the new arrangement and the different elements of the program. Using brief surveys, the team collected data on a five-point scale. As expected, the results were positive, averaging a 4.2 composite rating. Three important measures stood out: important to my success (4.3), I would recommend to others (4.1), and I intend to make this program successful (4.7).

At the second level, learning was measured in two different ways. Skill acquisition and knowledge increase were calculated for each training and learning opportunity, and informal self-assessments were taken for many of the programs. A few critical skills required actual demonstration to show that employees could perform them (for example, documentation, compliance, and customer services). When learning measurements revealed unacceptable performance, participants were given the opportunity to repeat training sessions or take more time to practice. In a limited number of cases, a third opportunity was provided. After one year of operation, only two employees were denied promotions based on their poor performance in training programs. The second area of learning measurements involved learning how the program works (4.2 out of 5) and how to become more engaged (4.1 out of 5).

At the third level, application and implementation were measured by collecting five types of data, as shown in Table 8-2. Actual participation in the program reflected the willingness of individuals to pursue skill acquisition and increased engagement through a variety of efforts. The results were impressive.

In all, 95 percent of the branch employees wanted to participate in the program. The remaining 5 percent were content with the banking representative I classification and were not interested in learning new skills. Actual requests for training and learning opportunities were a critical part of the formal process. Employees had to map out their own developmental efforts, which were then approved by the branch manager. In all, some 86 requests were logged per month, almost overtaxing the system's ability to provide training and learning opportunities.

Reviews of the status and progress—to be considered for the promotion for the next level—were significant, as this review was the formal way of demonstrating the skills required for promotion. The number of actual promotions increased quickly: As the table shows, there were 139 promotions during the year before the program; this number increased to 257 during the year after the program was initiated.

The company had not used a separate engagement survey before—only a few questions on the annual feedback survey. As part of the new program, however, an engagement survey with 10 items was sent to all branch staff involved in the program six months after it began. The survey included typical engagement issues. In all, the results of the survey revealed an average of 4.1 out of 5.

Table 8-2. Selected Application and Implementation Data

	1 Year Before	1 Year After
Participation in program	N/A	95%
Requests for training	45 per month	86 per month
Review Situations	N/A	138
Actual promotions	139	257
Engagement Survey	N/A	4.1

N/A = not applicable

The categories of business impact measures that were monitored are shown in Table 8-3, along with their definitions. In all, nine categories of data were expected to be influenced to some degree by this project, although four—monthly branch employee turnover, staffing levels, customer satisfaction, and job satisfaction—were considered to be the primary measures.
Reduction in turnover was the most important, as that was the major thrust of the project. The company also believed that with more highly skilled and engaged employees, fewer staff should be needed, at least for the larger branches. This would be reflected in staffing levels. Customer service was expected to increase because fewer customers would be waiting in line or moving from one line to another. Job satisfaction would be reflected in employees who were more satisfied with their work, their jobs, and career possibilities.

An increase in loan volume was also expected to be attributed to the project, thanks to the decrease in the number of customers waiting in line. Consequently, customers would visit more often or would not leave in frustration because of delays. This was expected to result in an increase in the number of deposits, consumer loans, new accounts, and transactions, as well as increases in successful cross-selling. However, these last five categories were measures of each branch and were expected to move very little because of this project.

Table 8-3. Business Measures Influenced by the Project

Business-Impact Measures	Definitions
1. Branch employee turnover (monthly)	Avoidable turnover (total number of employees leaving voluntarily and for performance reasons divided by the average number of employees in the branch for the month). This number was multiplied by 12 to develop the annual turnover rate.
2. Staffing level	The total number of employees in the branch, reported monthly.
3. Customer satisfaction	Customer reaction to the job changes (faster service, fewer lines) measured on a 1-to-5 scale.
4. Job satisfaction	Employee feedback on selected measures on the annual feedback survey process
5. Deposits	Savings, checking, and securities deposits by type and product
6. Loan volume	Consumer loan volume by loan type.
7. New accounts	New accounts opened for new customers.
8. Transaction volume	Number of face-to-face transactions, paying and receiving, by major category.
9. Cross-selling	New products sold to existing customers.

Isolating the Effects of the Project

In almost any situation, multiple influences will affect specific business measures, so it's important to isolate the actual impact of the engagement program from other influences. To add credibility and validity to the analysis, the team used estimates from branch managers and staff to isolate the effects of the project for each data item used in the ROI calculation (Table 8-5). In brief group meetings, the staff were told the actual results of the turnover reduction and asked to allocate what percentage of the reduction was linked directly to the engagement effort. Each branch provided this information.

Branch team members also discussed whether any other factors could have contributed to turnover reduction (only two were identified). Then, in a focus group format, they were asked to discuss the link between each factor and the actual turnover reduction. This improved the accuracy of the estimation. The team also added an error adjustment to the estimates: Individuals were asked to indicate the level of confidence in their estimate using a scale of 0 to 100 percent, with 0 percent meaning no confidence and

100 percent meaning absolute certainty. This number was used to discount that employee's allocation. For example, if an individual allocated 60 percent of the turnover reduction to this specific project and was 80 percent confident in that allocation, the adjusted value would be 48 percent (.6 ´ .8 = .48). This method of isolation provided a conservative estimate for the effect of the program on turnover reduction.

Branch managers were asked to calculate improvements in staffing levels. As before, branch managers indicated the degree to which the engagement program had resulted in actual staff reductions. However, staff reductions had only occurred in the larger branches, so this estimate only involved those branch managers. Because no other factors seemed to have contributed to the staff reduction, credit for the entire reduction was given to the program.

Table 8-4 shows the method for isolating each measure that was a part of the planning for the study. Increases in deposits, loan volume, new accounts, transactions, and cross-selling were minimal and influenced by many variables other than the new program, so no attempt was made to isolate the effect or to use them in the ROI analysis. However, they were reported as intangibles to provide evidence that they were, at least to some degree, affected by the turnover reduction program.

Customer reactions were provided by survey cards, which the customer

Table 8-4. Business Measures and Planned Analysis

Data Item	Method of Isolating the Effects	Method of Converting Data
Employee turnover	Branch manager and Staff Estimation 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 (percent margin)
Transaction volume, cross-selling	Branch manager and Staff estimation	Standard value (average percent margin)

N/A = not applicable

could complete at the end of a transaction and deposit at the entrance to the branch.

The customers appreciated the new approach, liked the service delivered, and indicated that they would continue to use the branch. The annual employee job satisfaction survey showed that employees were pleased with the improvements in advancement opportunities, the chance to use skills, performance-based pay, and other related engagement issues. Because customer service and job satisfaction measures were not isolated or converted to monetary value, they were not used in the ROI calculation. However, these measures were very important and influential in the final evaluation and were listed as intangible benefits.

Converting Data to Money

Table 8-5 also shows the method used (or planned) to convert data to monetary value. Turnover was converted to monetary value starting with a value from external studies. The specific amount of one turnover was calculated using 0.9 multiplied by the annual salary. This value—developed and agreed to in a meeting with senior management during the planning phase of the project—was conservative; other studies used values ranging from .75 to 1.25 multiplied by annual earnings. Because the average annual salary of the branch bank staff was $28,200, an average savings of $21,150 was realized for each potential employee departure that was prevented ($28,200 x 0.75).

After one year of the engagement program, the company saw a turnover reduction of 109 (Table 8-6). That number was reduced to 75 prevented turnovers after adjusting for contribution factor and confidence error, which had been obtained in branch meetings, as described earlier. Then the average cost of a turnover ($21,150) was multiplied by 75 to yield an annual value of more than $1.5 million. At that point in data collection, the second-year value was unknown, so that amount was doubled to estimate the two-year savings.

Staffing levels were initially going to be converted to a monetary value using the actual salaries for the jobs that had been eliminated. However, as only a few branches were affected the actual number was multiplied by the average salary of the branch staff. The value was captured for one year using the same calculation process as for the turnover reduction, and then doubled to show a two-year benefit of nearly $1 million.

This program was not intended to be a short term solution and was

Table 8-5. Calculation of 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

expected to provide extended value. However, the team used a two-year timeframe because it is a conservative way to evaluate ROI (that is, one year of actual data and a forecast of one year), and additional benefits beyond the two years were excluded.

Analysis

The turnover reduction at the branches was significant, dropping from 71 percent to 35 percent in one year. Although some of the smaller branches did not see any changes in the staffing levels, the larger branches did have fewer staff members after a year. In all, 30 percent of the branches were able to reduce part-time or full-time staff levels by at least one member; 10 percent of the branches were able to reduce staff by two individuals.

As shown in Table 8-5 and outlined in the previous section, the total two-year benefits of the employee engagement program reached just over $3 million, with an addition savings of nearly $1 million in staffing levels.

Project Cost

Table 8-6 shows the fully loaded cost of the project. The initial analysis costs were included along with the time, direct costs, and travel expenses for the focus groups. The next two items were branch staff time, which represented an estimate of all the time employees and managers had to spend away from their normal work to understand the program and learn new skills, including a session on how to engage employees. Facilities cost and travel cost for meetings are also listed. Actual salary increases—the additional salaries in the branches as a result of promotions—were calculated. The total amount of staff salary increases or promotions during the first year ($977,600) was reduced by the rate of promotions that had occurred in the year before the program was implemented. This accounts for the change only.

The ongoing administration and operation costs involved the time required for the HR staff to administer the program. Finally, the evaluation costs represented the costs related to developing the study of the project's effect on the business. The total cost presented in this table includes several items that were involved only in the first year's actual cost one-year forecast; these costs are the totals for the project in those categories. Across all categories for two years, the total cost of the program is $941,596 + $433,200 = $1,374,796.

Table 8-6. 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	
	$941,596	$433,200

Calculating BCR and ROI

The two-year monetary benefits were combined with costs to develop the benefit-cost ratio (BCR) and the ROI. The solution benefit represents the total two-year benefits and is calculated by adding the total benefit from turnover to the total benefit from staffing levels ($3,172,500 + 958,800 = 4,131,300).

$$BCR = \frac{\text{Solution Benefits}}{\text{Solution Cost}} = \frac{\$4,131,300}{\$1,374,796} = 3.01$$

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

This BCR value indicates that for every $1 invested in the project, $3.01 is returned in monetary benefits. In terms of ROI, for every $1 invested, $2.01 is returned after the costs are captured. These results are excellent, since the ROI objective was 25%. The ROI was only one measure and should be considered in conjunction with other measures. However, because it was developed using a conservative approach, the ROI probably underestimated the actual return from this project.

Communicating Results

The results were communicated to the senior management team in an executive staff meeting, during which approximately 30 minutes were allocated to the project report. The discussion covered three points:

- The project was quickly reviewed, including the description of the solution.
- The methodology used for evaluating the project was described.
- The results were revealed one level at a time, presenting the:
  - Reaction of employees to the engagement program
  - Learning the system and how to use it
  - Application of the system
  - Business impact of engagement
  - ROI in engagement
  - Intangible measures linked to engagement.

This presentation provided a balanced profile of the project and was convincing to the senior management team. This was the first time an HR solution to a problem had been evaluated using a balanced measurement approach that included ROI. The intangible measures also were important, particularly the improvement in customer service. Overall, the senior management team was very pleased with the success of the project and impressed with the analysis.

Lessons Learned

Although this project arrived at the right solution, a few lessons were learned. First because forecasting is such an important step in the strategic accountability approach to managing retention, it may have been safer to forecast the ROI at the time the solution was developed. In particular, increasing the branch salaries to the extent planned for this solution was risky: It would have been difficult to retract this program had it not shown enough value to make it worthwhile. In addition, the branch and regional managers were not entirely convinced that improving employee engagement would add value, and additional effort was needed to capture their buy-in and help them understand the full cost of turnover. They needed to see how this system could alleviate many of their problems and add monetary value to the branches. A forecasted ROI could have provided more confidence before the program was put in place, but although this was considered, it was not pursued.

Finally, the team should have better estimated the time required of branch managers, who had to deal with numerous requests for training and juggle schedules to ensure the staff received the training they needed. The managers also had to provide additional training sessions and spend time assessing whether the bank representatives had obtained the skills necessary for promotion.

Questions for Discussion

1. This case study illustrates how the actual causes of turnover were determined. What is your reaction to this process?
2. Why do many organizations spend so little time determining the causes of turnover?
3. Calculating the ROI of an engagement program is rarely done, yet it can have tremendous benefits. Why is this step often omitted?
4. How can the data from this project be used in the future?
5. Critique the overall approach to this project, highlighting weaknesses and strengths.

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