

# ROI of Excellence: Talent Development through Assessment

**Booklet Purpose** Provide a basis for influencing decisions related to the use of assessment for development.

Provide a summary of key research on ROI related to assessment for development.

Provide a primer on key steps to consider when evaluating vendors for assessment for development services.

## Results

Businesses and organizations expect that development programs have the following outcomes:

- Increase capabilities of the workforce.
- Boost productivity at all levels.
- Improve learning rates through best practices.
- Enrich sources of innovation and creativity within organizations.

All of these goals rely on appropriate assessment of capabilities and alignment of these to the business strategy. If the assessment is poor, development will be lacking.

## Development

Individuals are expected to learn more quickly and more complex challenges in today's organization. This can more efficiently be accomplished by:

- Development strategies built on good science.
- Continuous benchmarking through assessment.
- Personalizing of development efforts.
- Appropriate alignment of talent with challenges.

## Programs

Development programs that have significant impact on the performance of organizations are as follows:

- Recruitment, Selection, and Retention.
- Building high performance teams.
- Career Development and Training.
- Feedback-rich development programs.

## Gold Standard

Review gold standard assessment tools in **Appendix C**.

Evidence

The evidence that development programs make a real difference is summarized below:

Researcher	Findings	Financial Value
Ernst & Young (2003)	Analyst evaluation of business value	35% of company value related to investment in development.
Spencer (2001)	Leadership development with feedback strategies; comparison study.	60% increase in profitability between those with and those without.
Brockbank (2002)	Comparisons of development activities among large companies.	10% increase in overall profit.
Dess and Pickens (1999)	Best practices in selection and training activities.	48% improvement in overall sales.
Pfeffer (1998)	Analysis of recruitment, leadership development training, and learning culture focus.	60% increase in sales per sales staff member.
Huselid et al (1998)	Development programs such as recruitment, selection, leadership development program comparisons.	Company value higher by \$73,000 per employee.
Schmidt & Judiesch (1990)	Sales analysis of 44 companies; high performers' value over typical employee.	123% better sales with training investment in high performers.
Dennison (1997)	Studied 42,000 organizations, looking employee involvement through training and development.	Depending on focus, development impacted sales, five year returns, and market share.

**Calculate your own program ROI using Appendix A.**

## Action Influencing

Process      Keep these steps in mind when influencing others regarding the use of assessment for development programs:

Step	Action	Consider
1	Plan to Win: Clarify Commitment Objective you are seeking.	Understand the current gap between talent needs and talent on hand as related to the business goals.
2	Use your people skills.	Understand before being understood.
3	Ask the best questions.	Understand the decision maker's position.
4	Agree on the need.	
5	Sell the company supporting the tool, process, or training resource.	Have your supporting documentation ready.
6	Sell the product.	See our downloads describing programs for supporting materials.
7	Ask for commitment.	
8	Confirm the sale/the commitment.	
9	Replay the call.	

Think through the Positions

When influencing others, think about your position, the process of rapport, and your “customer’s” position (*especially when that customer is your boss!!*).

Your Position	Rapport & Interest	Customer’s Position
<p>Competition</p> <ul style="list-style-type: none"> <li>• Other programs</li> <li>• Other vendor relationships</li> <li>• Likes/Dislikes</li> <li>• Preferences about development perspectives.</li> </ul> <p>Time frame</p> <ul style="list-style-type: none"> <li>• Degree of urgency</li> <li>• Decision time frame</li> <li>• Funding time frame</li> </ul> <p>Buying Influences</p> <ul style="list-style-type: none"> <li>• Who decides</li> <li>• How is decision made</li> </ul> <p>Commitment to objective</p> <ul style="list-style-type: none"> <li>• Evaluate level of interest</li> </ul> <p><b><i>(Evaluate vendor proposals using Appendix B to arm yourself.)</i></b></p>	<p>Vendor/Resource</p> <ul style="list-style-type: none"> <li>• How you learned about it.</li> <li>• How evaluated.</li> <li>• Location.</li> <li>• Flexibility and experience.</li> <li>• Follow up information.</li> </ul> <p>Program objective</p> <ul style="list-style-type: none"> <li>• Organizational impact</li> <li>• Range of use of vendor services</li> <li>• Expected outcomes</li> </ul>	<p>Decision maker</p> <ul style="list-style-type: none"> <li>• Vision for development programs.</li> <li>• Previous experience with vendor and program design.</li> <li>• Expectations for the program.</li> </ul> <p>Program/Vendor Issues</p> <ul style="list-style-type: none"> <li>• Ease of access.</li> <li>• Financial stability.</li> <li>• Risk protection.</li> <li>• Previous experience with company.</li> <li>• Previous evaluations.</li> <li>• Demonstrated performance.</li> <li>• Delivery methods (blended learning)</li> </ul> <p>Budget issues</p> <ul style="list-style-type: none"> <li>• Anticipated ROI.</li> <li>• Expenditure per employee.</li> </ul>

Appendix A

**The Return on Investment**

Analysis Worksheet—Costs when Training and Development are Ignored

If your training is targeted and aligned with business goals, the following should be considerations regarding the ROI of activities in your business. Inefficiency, lost revenue, and performance to benchmark differences are costly and can only be reduced through training. What is the investment worth on an annual basis given the cost without it?

**Turn over**

Management staff calculation is 2.3 X salary for replacement cost \_\_\_\_\_  
(Sum for the number of managers X salary X 2.3 for total)

**Worker satisfaction**

Sales performance \_\_\_\_\_  
(revenue per employee-ideal/high efficiency revenue per  
employee X number of employees to get total)

Workers' compensation claims and premium \_\_\_\_\_  
(dollar increase during the last year per employee)

Employee lawsuit settlements during year \_\_\_\_\_

**Productivity**

Current benchmark (files served, units created, calls made,  
or other index of performance) – expected level of  
performance X current cost per unit \_\_\_\_\_

Known project loss (i.e. product late to market due to  
Poor communication, teaming skills, etc.) \_\_\_\_\_

Total annual loss due to poor leadership and low human development  
investment is the total from all lines above: \_\_\_\_\_

Can you afford this much loss?

**Example: Brick Builders Inc.**  
(250 Employees)

**Turn over**

3 Vice Presidents left due to unresolved upper level conflicts  
2.3 X 125,000 x 3

(Sum for the number of managers X salary X 2.3 for total) \$862,500

**Worker satisfaction**

Sales performance  
\$ per employee is \$350 but projections indicate that  
it should be \$398.  
48\$ x 250 x monthly 12 \$144,000

Workers' compensation claims and premium  
250 x 45 (increase) \$11,250  
(dollar increase during the last year per employee)

Employee lawsuit settlements during year 0

**Productivity**

Current benchmark (files served, units created, calls made,  
or other index of performance) – expected level of  
performance X current cost per unit x monthly  
1000 –1200=200 x 12= 2400x 15 \$36,000

Known project loss (i.e. product late to market due to  
Poor communication, teaming skills, etc.) \$75,000

Total annual loss due to poor leadership and low investment in human  
development and performance training.

\$1,128,250

Appendix B  
**Evaluating Vendor Proposals**

**Purpose**

Evaluating vendor proposals is an important element in making decisions regarding the best assessment for development services. Vendor relationships are important and costly so it is vital that selection is based on realistic, concrete measures.

**Criteria**

Apply the following criteria to proposals:

Criteria	Description-- The proposal should:
<b>Purpose/ Outcome</b>	Define overall purpose of the business relationship and work.
<b>Scope</b>	Give specific parameters regarding the scope of the project involved.
<b>Change Orders</b>	Outline procedures and costs associated with changes in scope or purpose.
<b>Deliverables</b>	Delineate each deliverable in terms of the anticipated outcome and measurable value to our business.
<b>Stages</b>	Provide a stage chart that identifies each stage of the project, time involved, and personnel working on those associated tasks.
<b>Data Collection</b>	Explain the type of data and how data will be collected, procedures used and how the data will be evaluated in terms of reliability and validity to the purpose and outcomes of the project.
<b>Data Analysis</b>	Identify criteria for analyzing data, how the analysis will relate to the purpose and outcomes of the project, and review of the overall methodology to be used.
<b>Market Value</b>	Explain the value of the project in terms of value to the long-term viability of our business; explore the tactical and strategic value of the project in terms of business objectives.
<b>Fees</b>	Outline calculation for fees—time, resources, tasks. Evaluate proposed fee in relation to expected return.
<b>Vendor Evaluation</b>	Identify on-going evaluation of vendor and methods of correction.