

Bankable assets

Some people argue that it isn't possible to measure returns on training investment. One US firm is simply doing it. And banking the cash

National City is a large financial services company based in Cleveland Ohio, USA. It had grown partly through acquisition in the 1990s, a period of consolidation in the market. It operates in six states. In 2000-01, it identified a problem with high staff turnover, which was linked to problems with customer retention and faltering revenue growth and margins.

Annualised staff turnover was as high as 60 per cent in some locations, and there was a marked tendency of new recruits to leave within the first 90 days.

Key Business Data: National City

Employees: 33,000

Assets: \$100bn (£53bn)

Bank branches: 1,200

Head office: Cleveland, Ohio, USA

The Intervention

In 2001, National City's chief executive David Daberko decided that a fundamental change in the way in which the company hired and developed its staff was needed. This was aimed at supporting a new culture aimed at always putting customers' needs first.

Mr Daberko warned investors in the 2001 annual report that there may be a short-term hit to earnings, but explained that this was a necessary investment that would yield returns.

Before deciding upon the way in which this would be executed, Mr Daberko ordered a thorough analysis of exactly how many people were leaving; where, and why. He employed Mercer HR Consulting to analyse the pattern of staff turnover and determine the underlying causes.

Based on this analysis, it was discovered that, among other factors, new staff had insufficient knowledge of the job they were about to undertake, and insufficient support once they began. This was linked with propensity to leave. Mercer recommended:

- A new induction programme
- More realistic job previewing
- A mentor programme
- The bank convened a project team comprising internal training and development professionals, agreed upon the following principles:
 - Recruiting the right person for the role
 - Heavy investment in career development

- Training of line managers in people management
- Creating a challenging environment
- Providing a peer mentor
- Encouraging work-life balance
- Fair compensation

The group introduced a training programme was known as 'Early Success' to implement these principles. It was based on the theory developed by training guru Donald Kirkpatrick, which incorporates four levels of evaluation: user's reaction; extent of learning during training; on-the-job behaviour and results. To this, the company added a fifth – return on investment. In total, the investment in Early Success was around \$2.5m (£1.3m).

Key Features

- Thorough analysis of staff movements before deciding upon the intervention
- Careful recording of data relating to new hires
- A control group established of people hired before the new strategy
- Statistical modelling based on data collected to compare new recruits with control group
- Costing of investment and measurement of return on investment

Return on Investment

Methodology involved statistical modelling aimed at stripping out, as far as possible, the impact of variables not related to the programme, such as commuting distance, age, part-time versus full-time status, and so on. Incorporating these calculations, and comparing the results of the post-programme hires with those recruited earlier, the firm quantified the following results:

- Newer hires were 50 per cent less likely to leave in the first three months. For an estimated retention of 141 staff over six months, annualised cost saving was \$1.35m (£720,000)
- Newer hires were 25 per cent less likely to be absent. Annualised cost saving: £306,000 (£160,000)
- Increased revenue from new hires was \$3.7m (£2m), with net income \$1m (£530,000)

As is now customary to note on this page, these returns are likely to be sustained or even improved over subsequent years, as they concern an embedded way of working. By contrast, some of the costs associated with establishing the programme were one-off.

It can be seen that the investment yielded a return within 12 months. The combined cost and productivity gains represented a return on investment of at least 6 per cent, National City reported.