

The *REAL* ROI of Leadership Development: Classroom vs. Web-based vs. Blended

Create

Inspire

Excite

Deliver

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American Express
Talent Acquisition and Development
March 13, 2007

Introducing Today's Speakers



Ninth House and American Express



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Today's Agenda



Ninth House and American Express

1. Creating an Effective Manager/Employee Development Climate
2. The American Express Talent Strategy and Leadership Environment
3. Leadership ROI Measurement Results
 - Study Methodology
 - Levels 1-5 by Delivery Alternative
 - Cost Benefit Analysis
4. “Winning No Matter What” – Criteria for a Successful Climate
5. Questions & Answers

Ninth House Overview

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Blended Leadership & Management Development

Ninth House offers organizations a fresh approach to highly effective yet scalable leadership & management development

Great Content

• Ken Blanchard • Peter Senge • Tom Peters • Jon Katzenbach • William Bridges • David Bradford & others

Great Delivery

• Interactive video simulations • online • classroom
• blended • custom development • assessment & measurement • reinforcement & sustainability tools

Great Results

• 150+ Customers • 50% 3-YR Annual Sales Growth
• Industry-Leading ROI and behavioral change rates



THE AMERICAN
BUSINESS AWARDS™
2006 Winner



**2006 SIIA
//CODiE//
WINNER**

Gartner

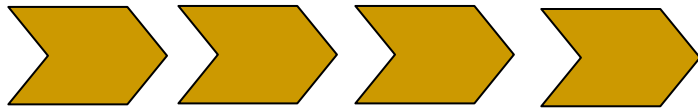


Creating an Effective Development Climate



Integrating an Employee Learning / Manager Support Relationship

Integrated Development Support —————> Manager

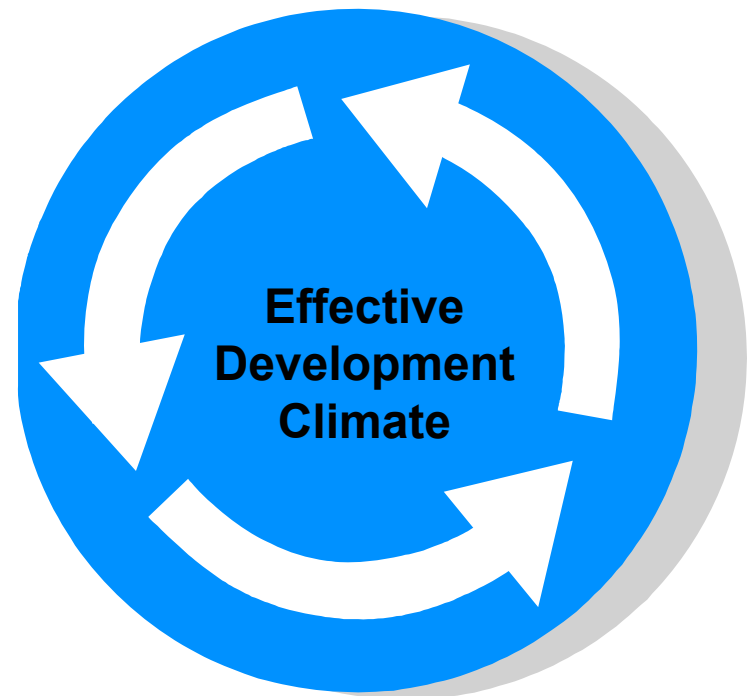


Launch tools, discussion guides, 1:1 follow-through

Assessments, online courses, classroom workshops



Blended Learning Events —————> Employee



Why Measure Leadership Development ROI?



 Lack of quantifiable research on what drives a positive ROI

Current Studies Available:

Measurement	Study	Key Findings
✓ Level 0: Usage	Bersin “What Works” ‘04	75% vs. 20% online completion rates
✓ Level 1: Reaction	US Dept of Justice ‘04	64% improve perf; 71% prefer online
✓ Level 2: Knowledge	US Navy (CNA) ‘04	44% improvement in comprehension
✓ Level 3: Behavior	US Navy (CNA) ‘04	Statistically significant impact (n=350)
✓ Level 4: Impact	Knowledge Advisors ‘06	80% > emp sat; 65% > productivity

? Level 5: ROI *Limited research on blended leadership development ROI*

? ROI of Delivery Method *Not available*

? ROI of Climate Criteria *Not available*



American Express Background

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Corporate Highlights

- 65,000 employees globally; \$64B market value; 45 countries
- 4 Billion transactions & 400 million statements issued / yr
- Vision: ***“Become the most respected service brand in the world”***
- Focus: Innovation, Talent Management, and Engaging Employees
- Fortune’s 2005 Most Admired in Top 20
- Fortunes “Best Places To Work”
- Multi-Year Awards from Diversity, Inc, NAFE, Hispanic Magazine, Human Rights Campaign, Working Mother



American Express Leadership Model



OUR INTENT

Leading the marketplace through innovation
Brand promise and superior customer service
through rational and emotional engagement
Top-tier performance



THE OUTCOMES

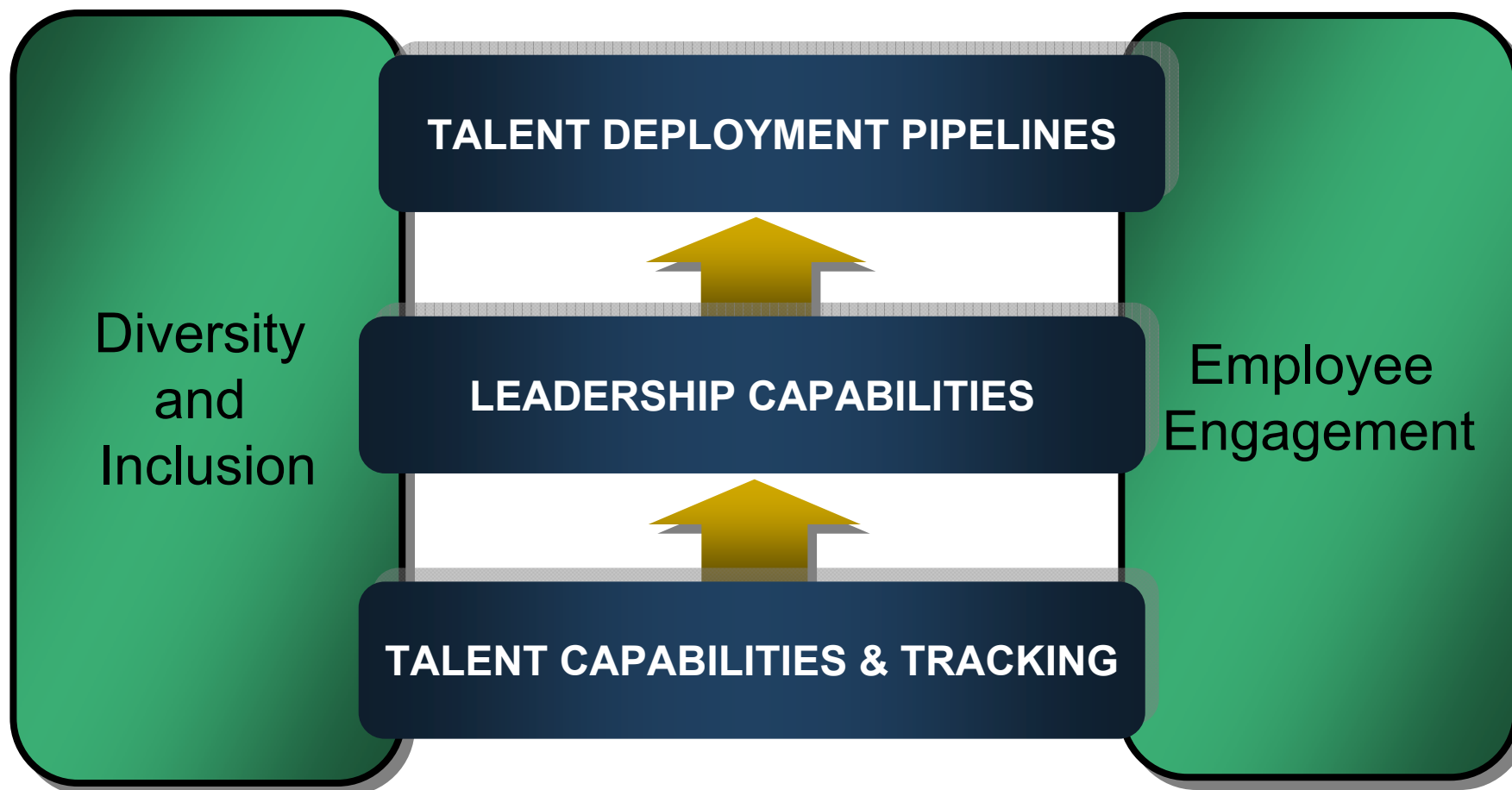
Business gains share globally
Brand is stronger and share price higher
Employee engagement is second to none
More opportunities for employees to grow and develop
AXP among the most admired companies in the world



American Express Talent Strategy



Leadership Development and Talent Deployment Tied to Key Outcomes



American Express Leadership Development



Ensuring systemic leadership development: Mandated training

Participants

**Senior
Leaders**

“Leadership: Inspiring Employee Engagement”

**People
Leaders**

“Situational Leadership II” (all Band Levels)

“Authentic Leadership”

“Valuing Diversity & Promoting Inclusion”

**New and/or
Transitioning
Leaders**

“Leadership Foundations” (new people leaders)

“First 90 Days” (leaders transitioning to VP and above roles)



Selecting the Solution

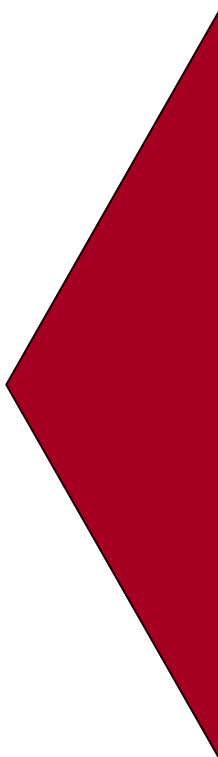


Competency Alignment and Content Selection

Situational Leadership II[©]

3 of American Express' Leadership Competencies:

- Drives Results
- Builds Diverse Talent
- Communicates Effectively



- Identifies different levels of competency & commitment individuals apply to each task
- Diagnoses development needs for different individuals on different tasks
- Applies distinct levels of direction & support appropriate to each individual's need
- Partners with direct reports to define development plans and action items
- Reinforces partnership with regular 1:1 mtgs to provide ongoing coaching & support
- Delegates tasks when appropriate and creates new challenges for top performers



3 Leadership Development Delivery Alternatives



Comparing the Best of Both Worlds: Scalability and Effectiveness

1



Ninth House Online

(learners access LMS and take
NH-Style online course with no
formal supporting events)

2



Instructor-Led Training

(1 and 2-day classroom training
with no online course or other
formal supporting events)

3



Ninth House Blended




1. classroom or webex kick-off event led by Amex biz leader;
2. self-directed online NH course;
3. classroom or webex application session led by Amex biz leader



3 Leadership Development Delivery Alternatives



2 Variables: Delivery Methodology & Manager Support

Manager Support	High	High	High
	?	?	?
Learning Events	Low	Low	Low
	<p>1</p>  <p>Ninth House Online</p>	<p>2</p>  <p>Instructor-Led Training</p>	<p>3</p>  <p>Ninth House Blended</p>



ROI Research Methodology and Design



How do we evaluate leadership programs?

Measurement	Method of Evaluation
Level 1: Reaction	Learner responds to survey upon completion of learning event (satisfaction with experience)
Level 2: Knowledge	Learner responds to survey upon completion of learning event (new knowledge and skills acquired)
Level 3: Behavior	Assessment completed by manager, self, and direct reports 3 months after learning event (observed improvement in leadership skills)
Level 4: Impact	Assessment completed by manager, self, and direct reports 3 months after learning event (improved productivity of direct reports)
Level 5: ROI	Cost vs. Benefit analysis based on increase in sales productivity of direct reports over 3 months

Challenge: How do we find out what will **SUSTAIN** impact over time?

Answer: Include a **Transfer Climate Index**** within the **Level 3 & 4** surveys



ROI Research Methodology and Design



Level 1-5 Measurement Process

(1) SLII© selected for (a) flexible delivery; (b) address 3 core leadership competencies:

- Drives Results
- Builds Diverse Talent
- Communicates Effectively



(2) Participants completed SLII© learning experience*:

- Online (n=105)
- Instructor-Led (n=1,479)
- Blended (n=550)



(3) **Level 1-2 Surveys**

- Learner Satisfaction
- Knowledge Transfer

3
months

Level 3 & 4

(4) Self Assessment (n=2134)

- Improvement in Competencies
- Assess PMP Practices
- Assess Transfer Climate Factors
- Open-ended Comments

(5) Direct Report Assessment (n=2056)

- Improvement in Competencies
- Assess PMP Practices
- Assess Improvements in specific SLII behaviors
- Open-ended Comments
- Measure changes to productivity

(6) Leader Assessment (n=486)

- Improvement in Competencies

(7) **Level 5**
• ROI Study

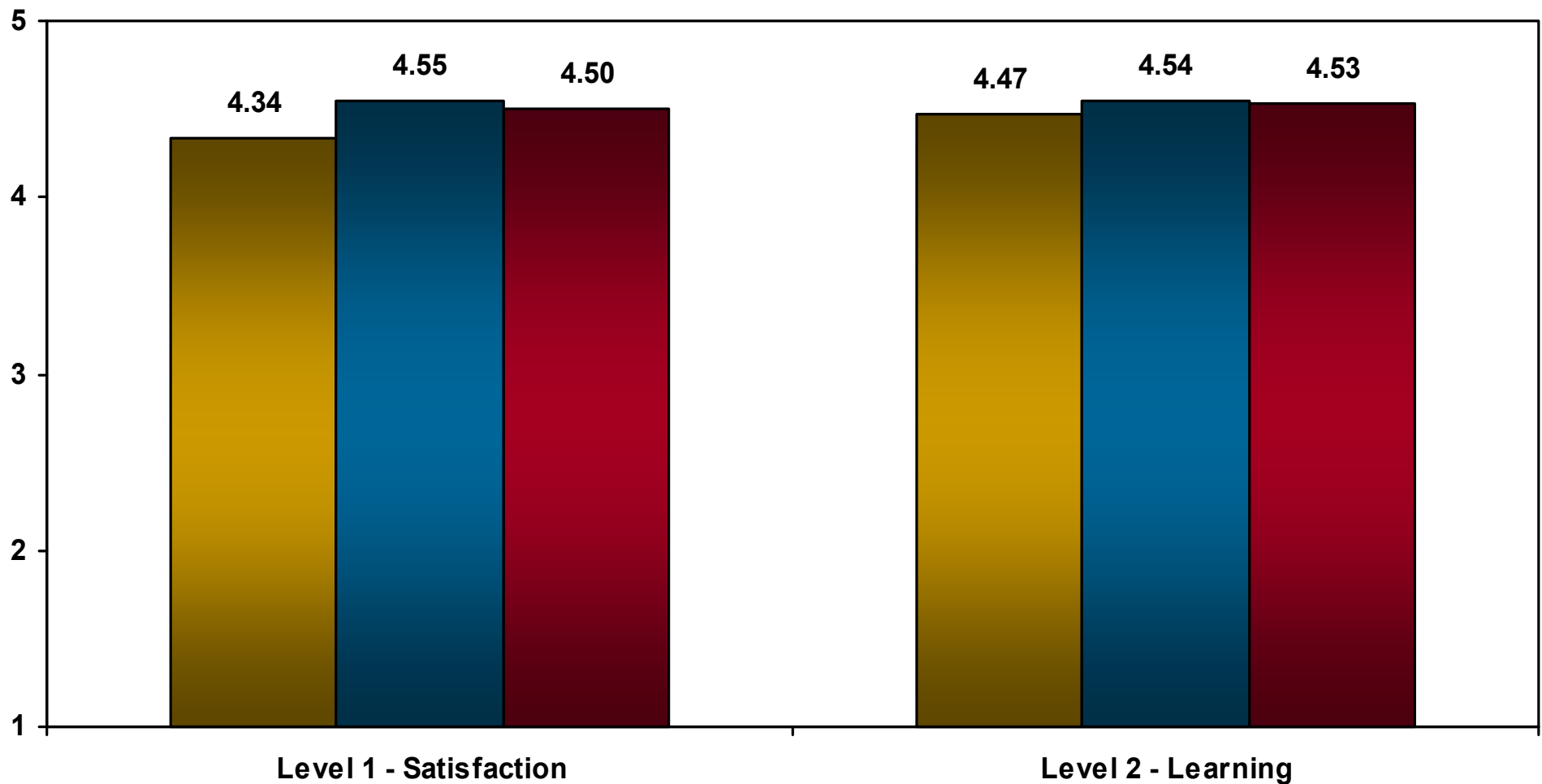
*n = employees who participated in the study



Level 1 + 2 – Satisfaction and Learning



Comparison of All 3 Learning Delivery Methodologies



Online Instructor-led Blended

Level 3 – Leader Behavior Change



Level 3 – Training Impact on Observed On-the-job Leadership Behavior

Measured by Observations from Participant, Direct Reports, and Leader
3 Amex competencies specifically targeted by Situational Leadership II:

Drives Results

- ✓ Assesses new circumstances or information and evolves plans accordingly.
- ✓ Translates broad goals and strategies into executable business plans.
- ✓ Demonstrates a personal energy and commitment to achieve required outcomes.

Builds Diverse Talent

- ✓ Is accessible to direct reports – makes time for “one on one” mtgs to discuss performance.
- ✓ Diagnoses the strengths and development opportunities within the team.
- ✓ Is quick to provide praise and recognition for a job well done.

Communicates Effectively

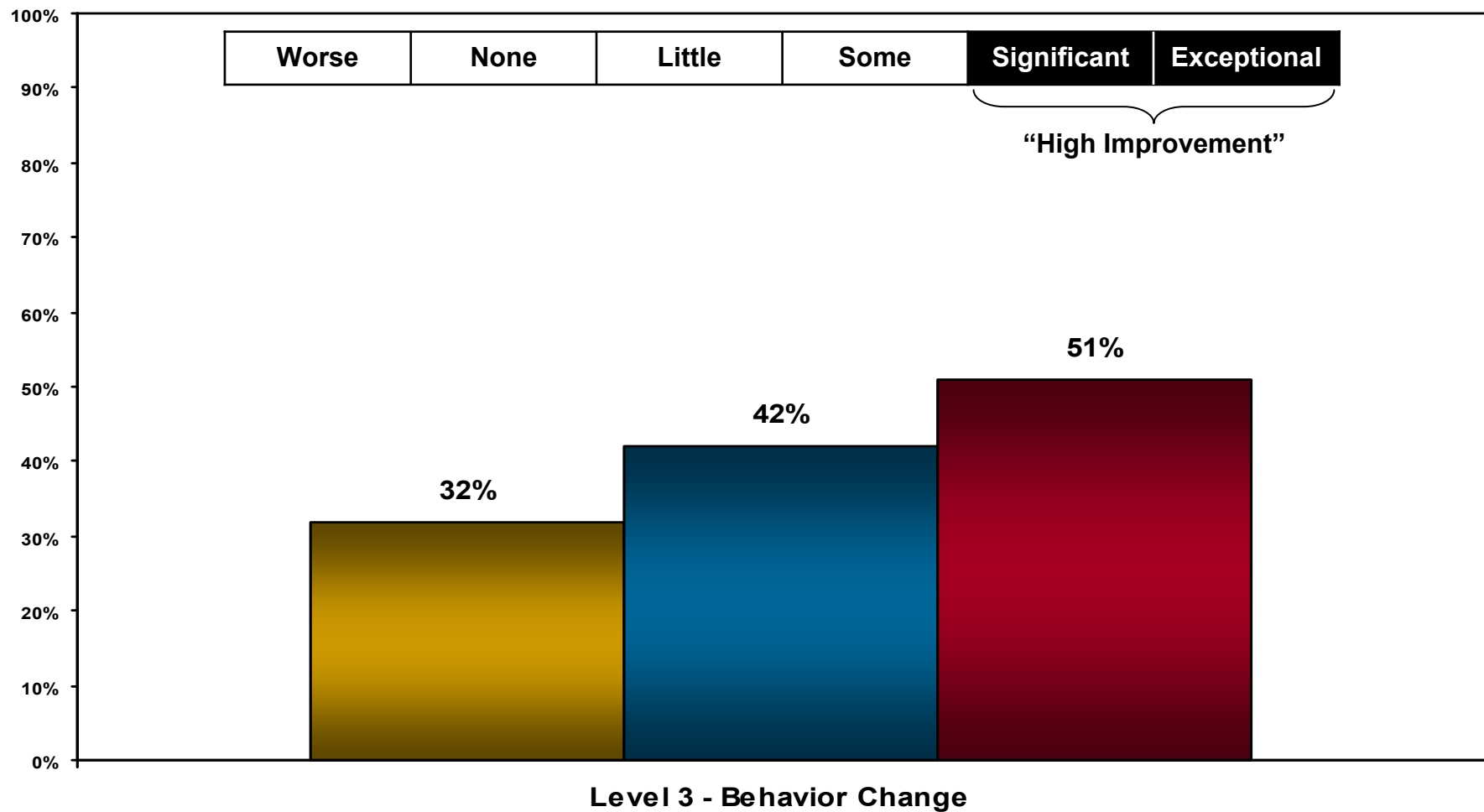
- ✓ Actively listens and incorporates input from others.
- ✓ Is clear and persuasive when delivering key messages
- ✓ Can adapt style of communication to suit the audience.






Level 3 – Behavior Change



 % of Participants showing “High Improvement” in leadership competencies



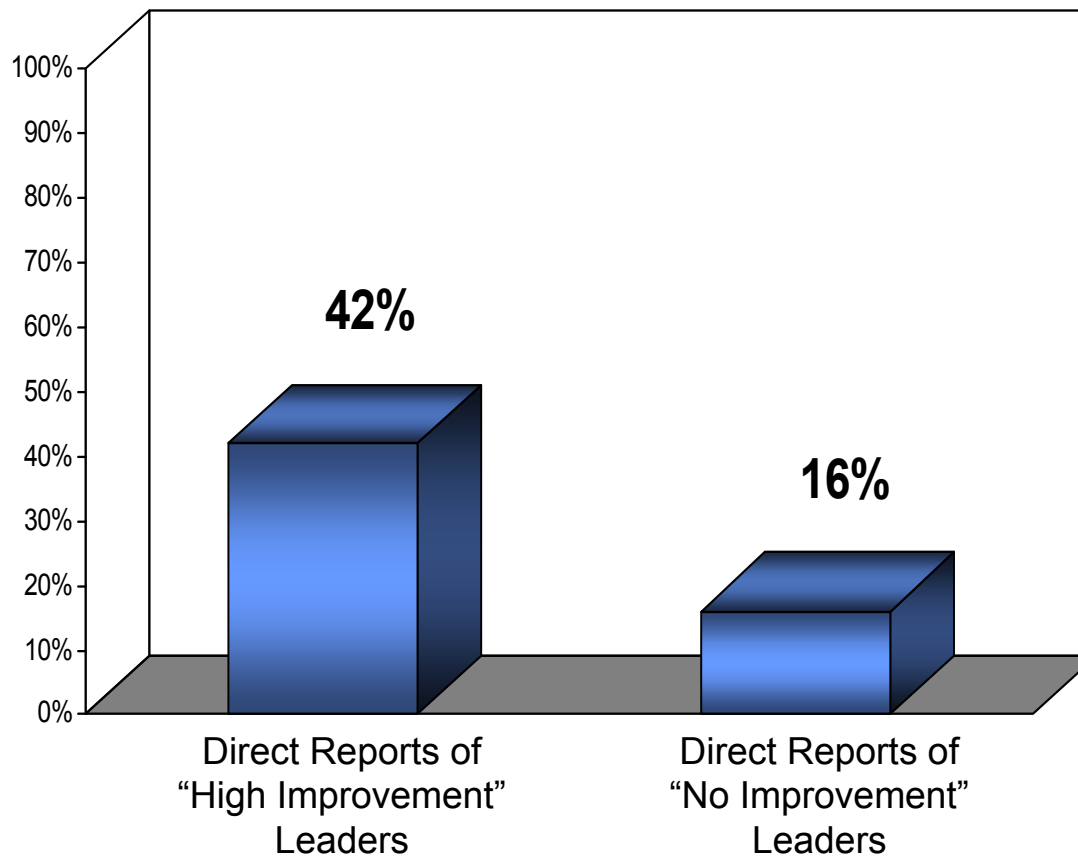
 Online  Instructor-led  Blended


Level 4 - Business Impact



What does “High improvement” leadership mean to the business?

Productivity Increase of Direct Reports



 Productivity increases reported through the following metrics:

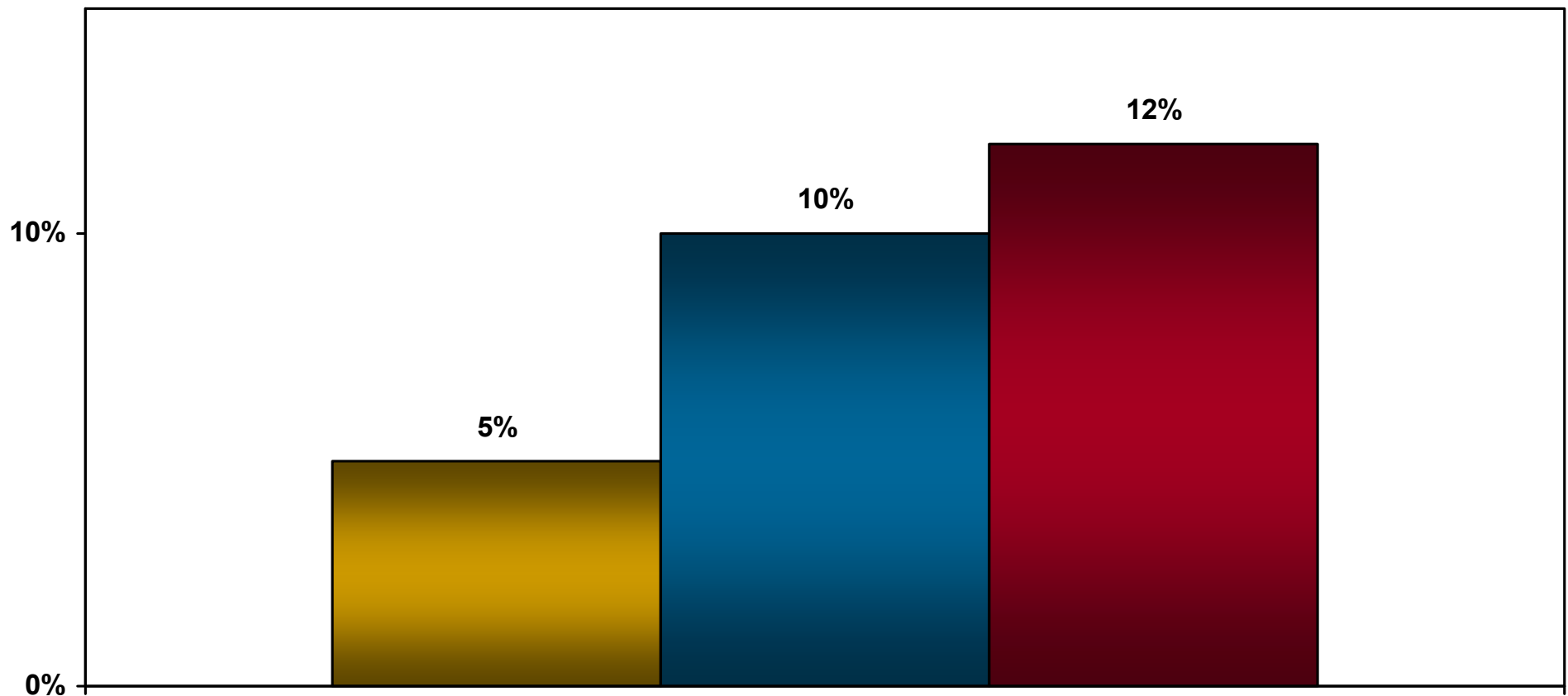
- Cycle Time
- Conversion rates
- Fund Asset
- Revenue
- Forecast Accuracy
- Sales
- TBASS (Customer Sat)
- AHT (Handle Time)



Level 4 – Business Impact



 % Increase in Direct Report productivity directly attributable to leader training



Level 4 - Business Impact

 Online  Instructor-led  Blended

Level 4 calculation:

% DR productivity
lifted by leadership

X

% leadership lifted
by SLII (Self Survey)



Level 5 - ROI



Based on study of 193 Amex Sales Specialists over 3 months

Potential ROI through Alternative Delivery

	Instructor- Led Training	Online Learning	Blended Learning
Individual Sales Specialist - Estimate Sales Contribution (3 mos)	\$ 50,000	\$50,000	\$50,000
Increase in Productivity	10%	5%	12%
Impact on Individual Contribution	\$5,000	\$2,500	\$6,000
# of Sales Specialists per Leader	5.6	5.6	5.6
Total Impact on Contribution	\$28,000	\$14,000	\$33,600
Cost of Training per Leader*	\$2,611	\$1,368	\$1,766
Return on Investment	972%	923%	1,599%

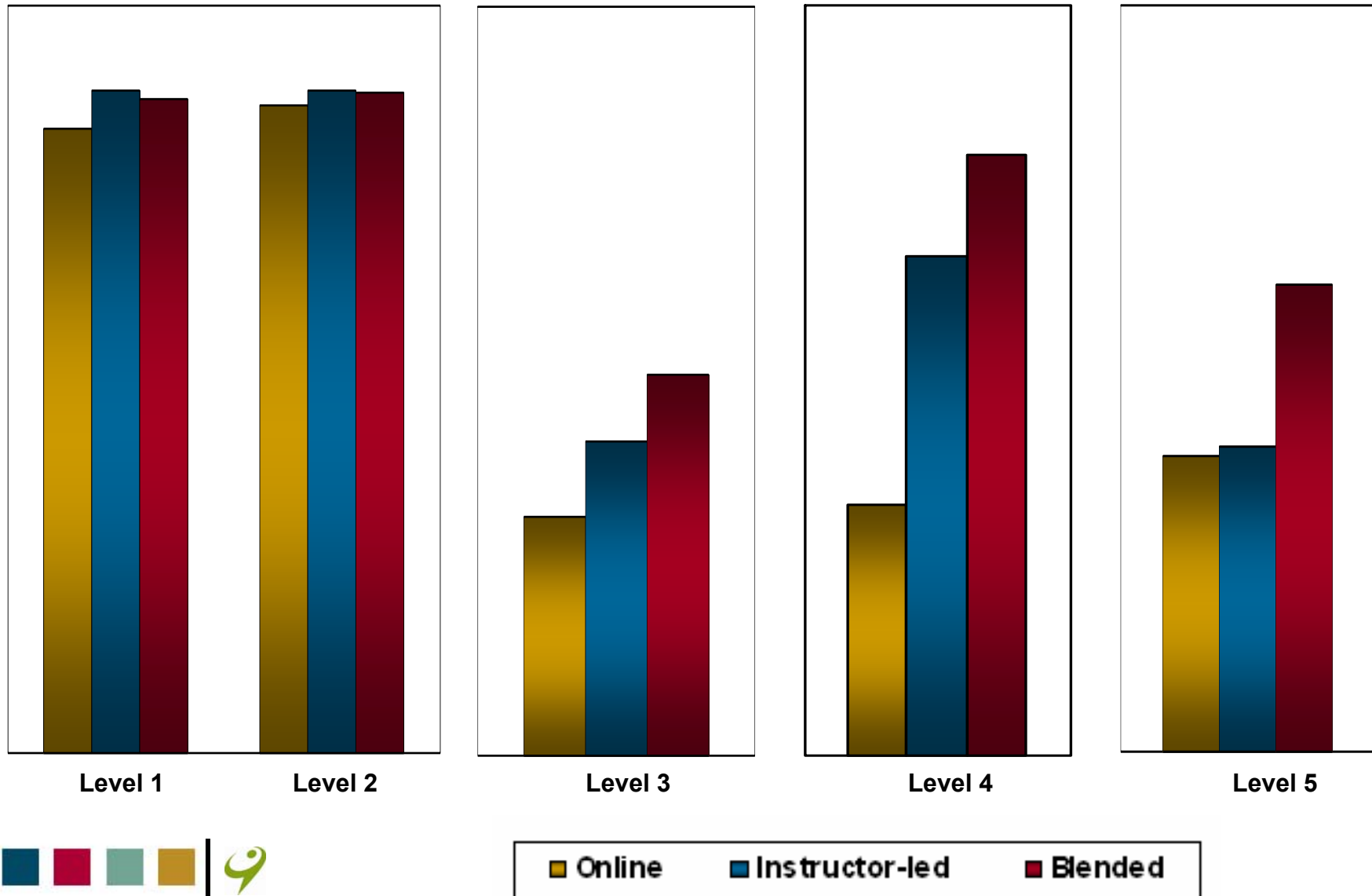
* Includes: Cost of 1-Day program (materials, instructor, venue), time off the job, and \$500 travel allocation.



All 5 Levels with Modes of Delivery Comparison



Impact of SLII at American Express






 Does the delivery mode REALLY matter?

**What is it about the blended solution
that makes it more effective?**

3 Leadership Development Delivery Alternatives



2 Variables: Delivery Methodology & Manager Support

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Transfer Climate



Defining 'High' and 'Low' Manager Support Climate

Question:

What “climate” or environmental factors influence how much learning participants will bring back to the job?

- and -

Which will maximize the application and sustainability of your training?

The Survey's Transfer Climate Index showed 3 factors significantly predict sustained improvements in the leadership competencies:

1. “I have one on one meetings with my leader to discuss how I can apply SLII on my job.” ($r=.56$)*
2. “My leader supports training and believes it has a positive impact on my performance”. ($r=.47$)*
3. “I believe I will be recognized and rewarded for my performance improvements”. ($r=.42$)*

* Pearson Product Moment Correlation Analysis. N=194, $p<.05$ level of significance.

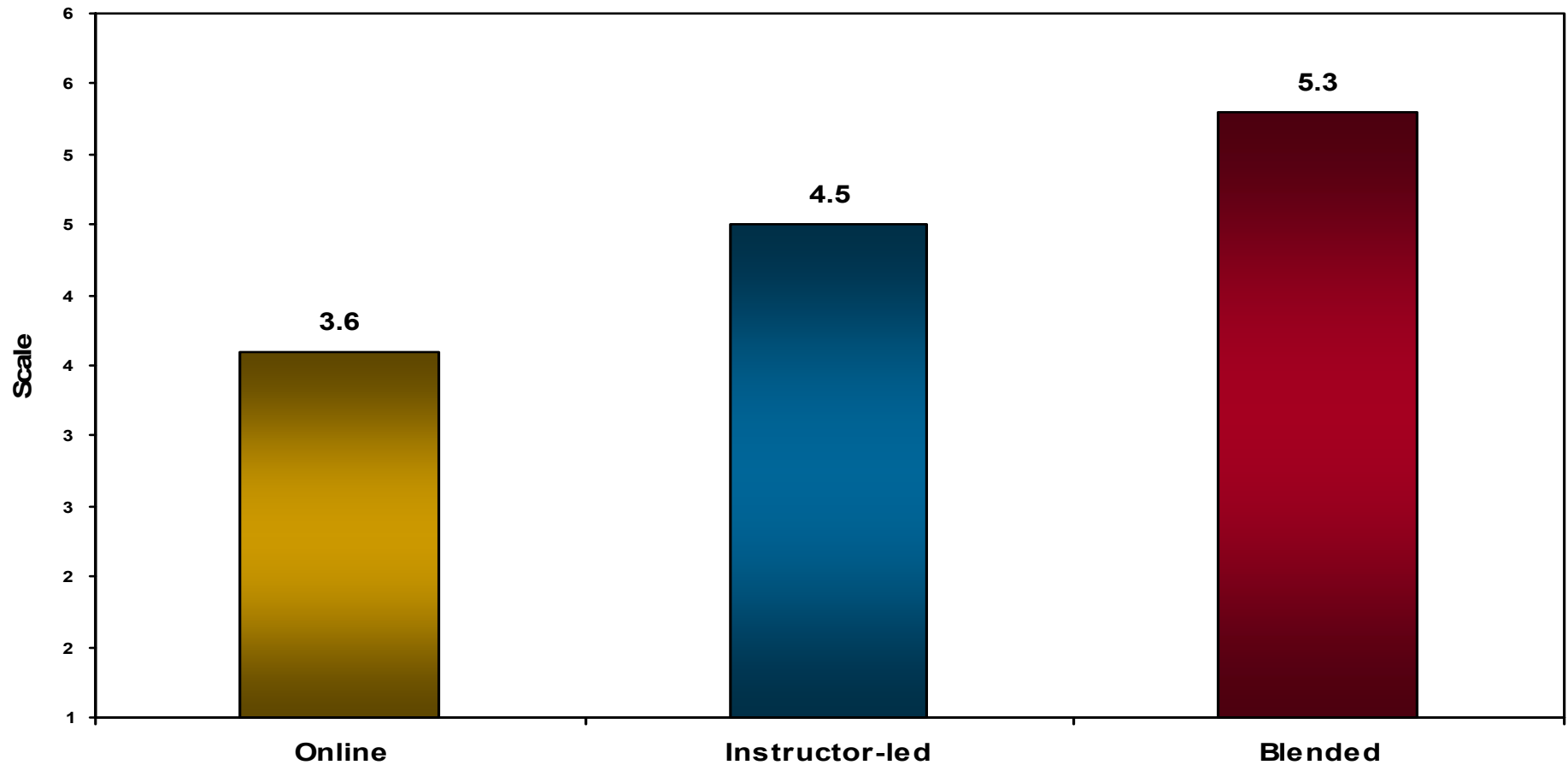


Transfer Climate and Sustainability



 Climates compared across modes of delivery

Which delivery mode had the highest “climate”?

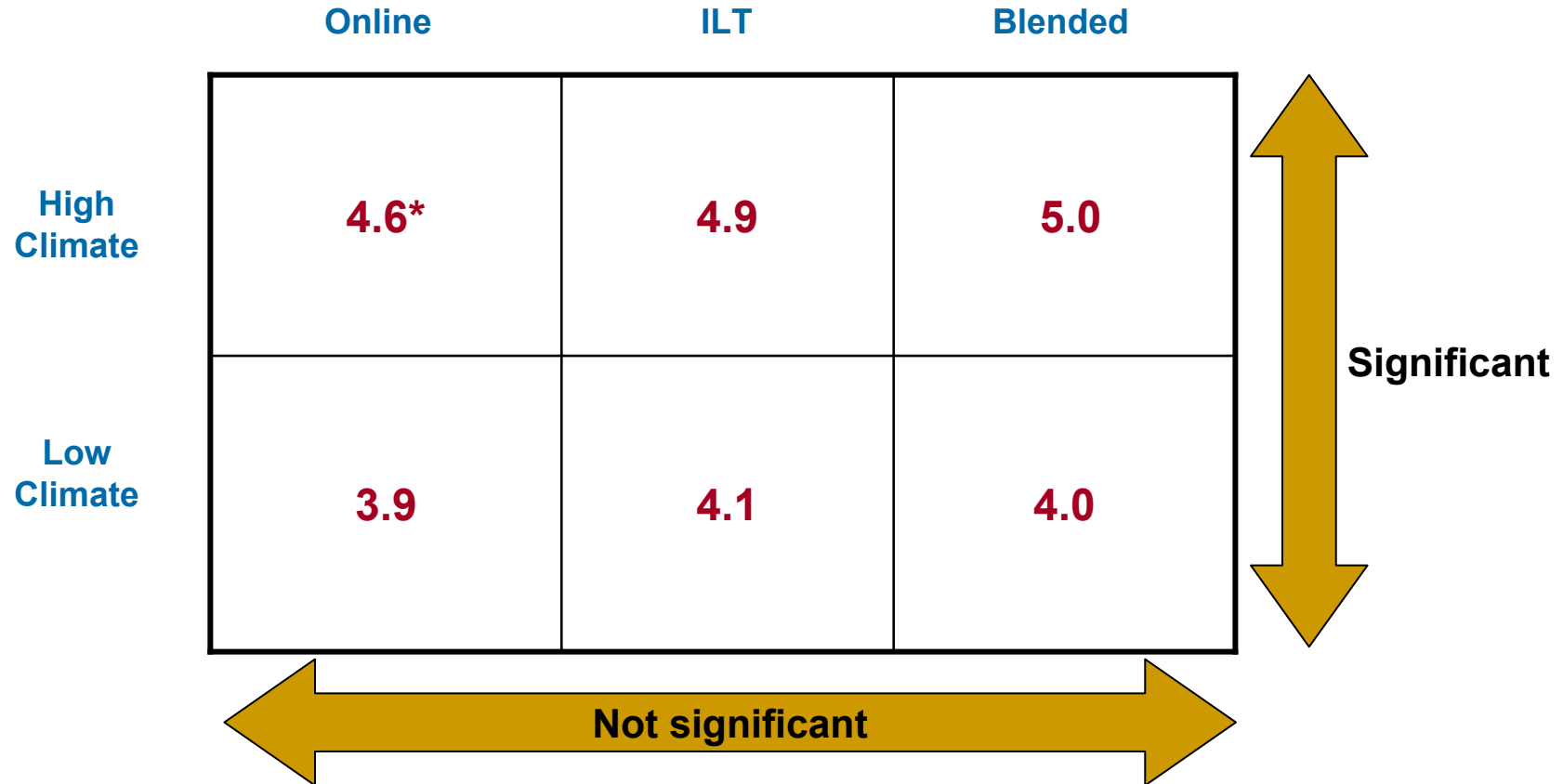


Online vs. ILT vs. Blended Delivery Efficacy



What if you created this climate for all modes of delivery?

2X3 Analysis of Variance Organization-wide



*average level of improvement on a scale from 1-6

The delivery modality (online vs. ILT vs. blended) is not nearly as important as the climate for applying and sustaining the learning



Transfer Climate Drives Impact



By actively participating in the process, managers can drive greater impact & ROI



Key Criteria for a High Transfer Climate:

- Manager clearly communicates endorsement and support for the training - sets goals and expectations before learner initiates learning event
- Manager follows up with participant after the event to discuss what was learned and how to apply
- Manager recognizes and rewards improved leadership behavior



Summary of Key Findings



- The leadership training received similar positive satisfaction (L1) and knowledge (L2) scores (88-90%), regardless of how it was delivered.
- The training resulted consistently in “high improvement” in on-the-job performance (L3) (32% online; 42% classroom; 51% blended).
- The direct reports of “high improvement” leaders reported from 5% to 12% *net* improvement in productivity (L4) attributed to the training itself.
- Due to cost savings in the Amex approach to blended learning delivery, ROI (L5) for blended was almost double either online or classroom alone.
- Regardless of delivery, the most critical factor for sustained performance improvement was fostering a highly supportive development climate.



To receive a white paper on this research:

www.ninthhouse.com/ROI

Questions & Answers

