

BUSINESS DEVELOPMENT BANK OF CANADA: Measuring the ROI of a Coaching Program for Banking Branch Managers

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Overview of Business Development Bank of Canada The Business Development Bank of Canada (BDC) is a financial institution wholly owned by the Government of Canada which operates under a mandate to provide financial and consulting services with a focus on small and medium sized businesses. In operation for more than 60 years, BDC focuses exclusively on providing long-term commercial loans and consulting services; it does not offer regular banking services or accept deposits.

Training Rationale In 2007, BDC management initiated the development of a training program designed to improve BDC's business activity and performance management process. The strategy adopted was to provide Branch Managers with the sales management skills that would enable them to lead effective one-on-one and group coaching sessions with Account Managers under their supervision. The overriding goal was to improve a variety of key business activity management and performance measures.

It had long been suspected that there was a need to enhance the business activity coaching skills of Branch Managers. This need was ultimately confirmed through rigorous assessment undertaken in the BDC leadership program which examines, among other things, business coaching competency.

The Training BUSINESS ACTIVITY MANAGEMENT EXCELLENCE PROGRAM

Target Audience: All Branch Managers in all regions of Canada.

Format: The training was delivered in blended learning format beginning with a two-day, face-to-face workshop in participants' regions. This event was followed six weeks later by a webinar where participants discussed the successes and challenges they experienced while employing the new skills.

Participants then attended a third day of face-to-face training, again followed by a final webinar six weeks later.

Content: Training sought to enhance the business activity skills of Branch Managers with their Account Managers and focused on topics including: using a recommended feedback model, leading one-on-one meetings, diagnosing the sales pipeline, handling account manager resistance, using the accompanied-visits process, and leading team meetings.

Activities: In-class activities included group discussion, instructor presentation and demonstration, a presentation by a Senior Vice President, Operations, team and pair exercises, role plays, and individual reflection and work. Participants also completed pre-course activities and at the end of training, participated in action planning and goal setting. Performance support activities included job aids, informal performance reviews, and goal setting meetings.

The Case Study Methodology

THE LEARNING VALUE CHAIN™

The *Investing in People™* (IIP) case studies adopt the Gillis and Bailey concept of the Learning Value Chain™ as a general framework for evaluating the learning effectiveness and the business value of training and human resource investments (Figure 1).

In the Learning Value Chain™, the training program triggers a chain of critical outcomes. As desired outcomes are achieved at each link along the chain, greater value is added and the likelihood increases that training will result in positive business outcomes and return on investment. Conversely, if training fails to meet outcomes at any link, value is diminished and the prospect of positive business results and return on investment is at risk.

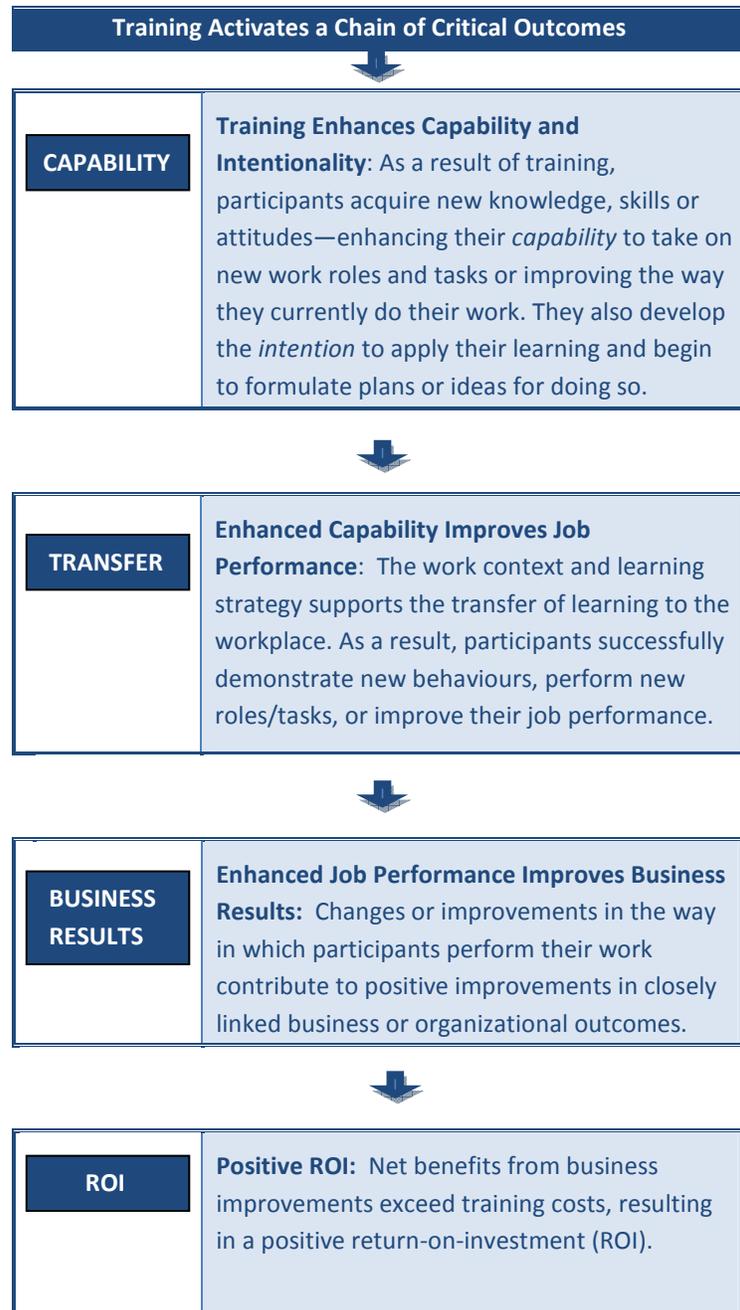
Using the Learning Value Chain Methodology™, the training program is evaluated at each of four links (Capability, Transfer, Business Results and ROI). At each link, data is gathered to assess the extent to which the training has achieved key outcomes, added value and enabled the next critical event in the chain to occur.

The Learning Value Chain™ model also incorporates a diagnostic strategy to investigate training practices and strategies that may strengthen or weaken outcomes at each link and subsequently influence business impact and return on investment.

See Appendix A for a detailed description of the methodology used in the *Investing in People™* studies.

Figure 1

The Learning Value Chain™



CAPABILITY RESULTS



Evaluation Questions: Did training participants develop new *capability*: acquire new knowledge and skills, adopt new attitudes, improve existing skills, or discover new and more productive ways of doing work? Did participants also develop the *intention* to apply their learning or improve their job performance?

To assess Capability—the first link in the Learning Value Chain™ —all training participants completed the Capability Questionnaire at the end of the first two days of training. Three months later, when participants completed a third day of training, a modified Capability Questionnaire was used to assess learning and confidence related to that day's training.

Business Activity Management Excellence succeeds in enhancing Capability

The results suggest that Business Activity Management Excellence succeeds at the first link in the Learning Value Chain™. Participants perceive large gains in knowledge and skill across key learning domains as a result of attending training. They perceive the training as valuable and give strong indication that they are confident and motivated and intend to apply their learning to their jobs.

The questionnaire results are summarized in the Capability Index (at right).

- **Skills & Knowledge:** Before training, 33% rated their knowledge and skill level across eight key areas of learning as “high”. After training, 90% of all participants rated their knowledge and skill level as “high”.

Learning gains were greatest in the area of applying sales coaching skills; they were weakest in diagnosing the sales pipeline.

Detailed analysis also indicated training was most successful in meeting the skill gaps of groups in Vancouver, Winnipeg and Moncton; training was least successful in meeting skill gaps in Montreal. Open-ended comments suggested Montreal participants perceived the first day of training as redundant to other recent training focusing on coaching.

Capability Index

Impact at a Glance	
Red	Low (1 & 2)
Yellow	MODERATE (3)
Green	HIGH (4 & 5)
(5-POINT SCALE)	

SKILLS & KNOWLEDGE DAYS 1 & 2



RISK ALERTS	
	NONE

Note: In subsequent studies, a sixth measure, Workplace Readiness, has been added to the Capability Questionnaire.

- **Confidence in Applying Learning:** 89% indicated a high-level of confidence in their ability to effectively apply their learning to their jobs.
- **Perceived Value:** 93% perceived the training as valuable (i.e., credible, practical, relevant, and essential).
- **Motivation to Apply Learning:** 99% rated their motivation to apply their learning as high.
- **Plans for Action:** 85% indicated well developed plans for applying their learning in their jobs.

Effective Practices

Using the Effective Practices Audit the following strategies and practices were identified by participants as having contributed to the training's success at the first link in the Learning Value Chain™.

- Group discussions
- Instructor's presentations
- Face-to-face instruction
- Hosting training in the participant's region
- Instruction on one-on-one meetings
- Instruction on the effective feedback model

TRANSFER RESULTS



Evaluation Questions: Did the work environment and learning strategy support the transfer of learning to the job? Did training participants apply their learning to their jobs, and did the application of learning impact their work or job performance?

To assess Transfer—the second link in the Learning Value Chain™—training participants were asked to complete the Transfer Questionnaire (TQ) approximately two to three months following their training. 87% percent of training participants completed the questionnaire (a very good response rate).

A high degree of learning transfer occurred for about half of those trained

The results suggest that for about **half** of Branch Managers, the training delivered substantial value at this stage in the Learning Value Chain™.

The Transfer Index (at right), summarizes results:

- **Learning Application:** Across the six key areas of learning, 61% of respondents reported a high degree of learning application; 31% reported applying their learning to a moderate degree; 8% to a low degree or not at all.

Detailed analysis indicated learning application was greatest in the areas of using one-on-one meetings and diagnosing the sales pipeline. Learning application was weakest with regard to using the model for handling Account Manager resistance.

Also, in subsequent focus groups, Branch Managers indicated that they were more inclined to apply their learning with new—rather than experienced—Account Managers.

Transfer Index

Transfer at a Glance	
Red	Low (1 & 2)
Yellow	MODERATE (3)
Green	HIGH (4 & 5)
(5-POINT SCALE)	



TRANSFER ALERTS	
	39% REPORT A LOW OR MODERATE LEVEL OF LEARNING APPLICATION ON THE JOB FOLLOWING TRAINING.
	ALMOST HALF (48%) REPORT A LOW OR MODERATE LEVEL OF IMPROVEMENT ON KEY MEASURES OF ACCOUNT MANAGERS' PERFORMANCE.
BARRIERS	
	47% CITE A "LACK OF TIME" OR HAVE "OTHER HIGHER PRIORITIES" AS THE GREATEST BARRIER TO LEARNING APPLICATION IMPROVEMENT.

- **Performance Improvement:** 52% of Branch Managers reported a high level of improvement across six key areas of Account Manager performance; 36% reported moderate improvement; and 12% little or no improvement.

Account Managers were seen to improve most in the area of "pipeline management." There was little improvement in "getting more appointments."

Risk Alert for Business Improvement As indicated by the yellow flag in the Risk Alerts box of the Transfer Index, more than one-third of Branch Managers reported applying their learning to a moderate or less degree.

"Lack of time" a barrier to learning application and improvement The red flag draws attention to the finding that, for almost half of Branch Managers (48%), application of the Business Activity Management Excellence was seen to improve Account Managers' performance to only a low or moderate degree. This poses a potential risk to business improvement and positive return on investment.

Also, reported in the Risk Alert box, the most frequently cited barrier to learning application and performance improvement was: "lack time" or "have other higher priorities" (cited by 47% of respondents).

Effective Practices More than half the Branch Managers identified the following practices as having helped them to apply their learning from the Business Activity Management Excellence course to their jobs:

- Clear performance expectations
- Information, reference material, tools, or job aids
- Follow-up discussions or coaching
- Sufficient level of knowledge and skill

Evaluation Questions: Did the application of learning or improvements to job performance impact business results? What were the intangible benefits from the training?

Not surprisingly, a key objective of BDC's Business Activity Management Excellence training was to improve key business metrics such as the number of loans completed and total loan revenue. As mentioned previously, the goal of the training was to give Branch Managers the coaching skills and knowledge required to help the Account Managers under their supervision to improve prospecting activities designed to improve their productivity.

It bears emphasizing that although 120 Branch Managers were trained, the actual business improvement is driven not by Branch Managers per se, but by their direct reports—the various branch employees who the Branch Managers coach to higher levels of performance. In all, the training was expected to influence the performance of some 500 hundred BDC sales resources (Account Managers, Business Developers, Portfolio Developers and Consulting Managers). This analysis evaluates the learning and business performance outcomes from a target group of 199 Account Managers who were selected at the outset of the study.

The Bottom Line
Account Managers in the target group realized substantial performance improvement and an ROI of 74%.

To evaluate training's impact, therefore, the business results of the target group were tracked for nine months after the training. The group's performance results were then compared with their performance over the same period in the previous year.

Analysis of the performance data for the first nine months following training showed a substantial increase in overall loan value of completed loans in that period. The Business Activity Management Excellence training resulted in an increase in loan value of \$27,874,174 from 2007 to 2008. This improvement translates into a profit increase of \$487,798 and an ROI of 69%. Further analysis reveals that the relative business improvement resulting from training was most pronounced in the 92 Account Managers with the least experience, designated at Levels B1 and B4 (less than two years experience). The ROI for training this group was 510%.

BUSINESS MEASURES

Analysis of BDC's 2008 Q3 business results showed that the total loan value for the target group (199 account managers located across Canada) had increased by \$60,420,896 over the 2007 loan value for the same period. At the same time, the average number of loans actually decreased slightly by 0.25 loans per account manager (a 1.6% decrease). When the nine-month results are extrapolated to one year (annualized) they show a total loan value improvement for 2008 of \$80,561,195 (a 5.6% increase over total loan value in 2007).

Training Isolation Questions: What other factors contributed to business results? What proportion of impact can be attributed to training?

ISOLATION

A round of interviews with senior BDC business specialists along with other key financial and operational stakeholders revealed that the observed improvements might also have been driven by other factors quite unrelated to the Business Activity Management Excellence training. A key principle enhancing the credibility of such analysis is the requirement to account for other factors, besides the training, that might also have contributed to the observed business improvement. Other factors identified in the BDC interviews included: the growth in western Canada's real estate market, the introduction of new and popular loan products, and the implementation of process and operational improvements which led to greater efficiencies.

In order to isolate the impact of training from the other factors, several focus groups were conducted with training participants (Branch Managers) from across the country. Participants were asked to weigh the potential impact of all factors, including training, and provide a high and low estimate of training's contribution to the observed loan value improvement. The average of all participant estimates ranged from a low of 34.6% to 56.6% on the high end. In order to develop the most conservative estimate, this study uses an isolation factor of **34.6%**--the low-end average of all participant estimates. That is, using participants' most conservative estimate attributes 34.6% of the business improvement (increase in loan value) between 2007 and 2008 to the Business Activity Management Excellence training program.

Annual Business Improvement attributed to Training

$\$80,561,195 \times 34.6\% = \mathbf{\$27,874,174}$

CONVERTING BUSINESS DATA TO MONETARY VALUE

In order to measure the ROI of the training program it is first necessary to calculate the profit contribution from the loan value improvement (after corporate overhead costs, cost of funds, etc). From BDC corporate records, it was established that the average loan profit margin between 2007 and 2008 was 1.75%.

Therefore, the net profit resulting from the training program is:

$\$27,874,174 \times 1.75\% = \mathbf{\$487,798}$

TRAINING COSTS

The cost to BDC of developing and implementing the Business Activity Management Excellence training included the costs of the needs assessment, program development, program delivery, and evaluation. A large part of the training costs includes the fully loaded salary costs of the 120 Branch Managers attending classroom training. (Remember, the actual business benefits were delivered by the 500 hundred sales resources--Account Managers, Business Developers, Portfolio Developers and Consulting Managers—who received performance improvement coaching from their Branch Managers.)

Total Training Costs

Needs Assessment:	\$13,693
Program Development	\$127,200
Program Delivery	\$564,024
<i>(Participant & facilitator salaries, Meals, travel, accommodations, etc).</i>	
Total Costs:	\$704,917

Training costs allocated to the target group (199 Account Managers)

$$\$704,917 \times 199/500 = \mathbf{\$280,557}$$

ROI

Evaluation Questions: Did the net business benefits of training exceed its total costs (Benefit/ Cost Ratio)? What was the return on investment?

BENEFIT COST RATIO (BCR)

A key metric used in the IIP Methodology, the Benefit-Cost Ratio, permits a ready comparison of the program's benefits with the program costs.

$$\text{Benefit Cost Ratio (BCR)} = \frac{(\text{Total Benefits})}{(\text{Total Costs})}$$
$$\text{BCR for Branch Manager training: } \frac{\$487,798}{\$280,557} = 1.74:1 = \mathbf{1.74}$$

A BCR of 1.74 means that for every dollar spent on Business Activity Management Excellence training \$1.74 was returned to the organization in business revenue.

RETURN ON INVESTMENT (ROI)

Return on investment (ROI) is calculated as follows:

$$\text{ROI} = \frac{(\text{Total Benefits} - \text{Total Costs})}{(\text{Total Costs})} \times 100\%$$

$$\text{ROI for PM 201 training} = \frac{(\$487,798 - \$280,557)}{(\$280,557)} \times 100\% = \mathbf{74\%}$$

SUPPLEMENTARY ANALYSES

Further examination of participants' performance results revealed an unanticipated asymmetry in the year-over-year productivity gains which, at first blush, seems counterintuitive. The training appears to have resulted in substantially greater performance improvement for those less experienced Account Managers in the target group than it did for their more experienced colleagues. As might be expected, therefore, this marked improvement in outcomes for the less experienced Account Managers (Grades B1 and B4 Account Managers) yields a considerably higher ROI if one considers the business results and the cost of training this sub-group.

Business Results for B1 and B4 Account Managers (AMs)

Number of B1 and B4 Account Managers impacted by training: 92

2008 Q3 Total Loan Value for the B1 & B4 AMs: \$100,810,091

Loan Value annualized: \$100,810,091 X 12/9 = 134,413,455

Isolated Impact: \$134,413,455 X 34.6% = \$46,507,055

Profit Contribution: \$46,507,055 X 1.75% = \$813,874

B1 and B4 Account Manager Training Costs

Total cost for training target group (199 Account Managers): \$288,502

Cost of training B1 & B4 Account Managers: \$280,557 X 92/199 = \$129,705

$$\text{ROI (B1 \& B4 Account Managers)} = \frac{\$813,874 - \$129,705}{\$129,705} = \mathbf{528\%}$$

**CONSIDERATIONS
& ISSUES**

1. An ROI of 74% means the original investment in training the target group was returned along with a 74% profit. This means that every dollar spent on Business Activity Management Excellence training was returned to the organization along with a profit of \$0.74. This level of returns compares favourably with the traditional ROI 'hurdle rate,' between 10% to 20%, that most organizations use to make 'go' 'no go' decisions on project funding.

2. This analysis suggests that the Business Activity Management Excellence training and the subsequent coaching by Branch Managers has a considerably greater influence on, and results in substantially greater returns from, the less experienced Account Managers in the organization. This finding echoes similar results observed in other studies in the *Investing in People™* project.

It should be noted that, as a sub group, the B1 and B4 Account Managers account for fewer loans completed annually and substantially lower total loan values than the other, more seasoned Account managers in the organization. For example, in the 2008-09 timeframe, the average loan value for B1 and B4 AMs is in the range of \$1 million to \$4 million annually, where as the B6 to B13 Account Managers can turn over annual loan values in a range from \$5 million to \$9 million.

It is worth considering two possibilities, therefore. First, since the average loan value is low for the less experienced business development staff, any annual improvement in loan value will result in a much greater percentage movement when the prior, reference year is lower. (i.e., A \$100,000 dollar improvement in loan value will be a 10% increase if the prior year loan value was \$1 million, yet only 1% improvement if the prior year loan value was \$10 million.) Moreover, the performance of the less experienced Account Managers, all things being equal, can be expected to improve at a greater rate year-over-year than their more experienced colleagues since they are on a much steeper learning curve at this earlier stage of their careers.

3. The Learning Value Chain™ analysis takes a conservative approach of recognizing only the first year's benefits from the investment in Business Activity Management Excellence training. This approach is conservative since it discounts any future improvement BDC may receive in subsequent years. It is quite logical to expect that the Account Managers' knowledge and skills will continue to deliver improved business performance and continue delivering to the organization returns on the original investment for some time in the future.

4. This study observes conservative principles in decisions involving estimation. When more than one option is available relating to benefits, the lowest estimate is always taken. Conversely, when several options or estimates are available pertaining to training costs, only the highest value is selected. (For example, it could be argued that senior management's estimates of the percent of training contribution to improvement would be more informed and accurate. Nevertheless, the study conservatively chose the lower option, the training participants' estimates.)

5. The study accounted for other factors that might also have contributed to the business improvement observed subsequent to training. Interviews with senior BDC professionals and decision makers, for example, identified several other factors which also likely contributed to the observed business impacts. Growth in Western Canadian real estate markets were cited as potential contributors to the loan value improvement numbers along with new and popular loan products, and process and operational improvements that resulted in greater efficiencies.

Risk Alert for ROI

Reconsider the optimum audience for Business Activity Management Excellence training

Since the cost of training is high and especially sensitive to the level of salaries of Branch Managers who attended the several days of classroom training, some additional consideration might be given to the selection of training participants. Since the greatest results were observed among the less experienced Account Managers, any efforts to optimize business results and ROI might focus only on those Branch Managers with the most inexperienced Account Managers under their supervision. (Some Branch Managers had no B1 or B4 level reporting to them.)

Additionally, several participants (Branch Managers) observed that the more experienced employees simply require less coaching or are less amenable to being coached. This may suggest the consideration of other strategies for targeting this more senior cohort that ultimately might prove more pedagogically effective and a more cost efficient way to improve business performance.

LESSONS LEARNED

Recognize regional training differences in national initiatives

ISSUE

Results of the Capability Questionnaire indicated that, while generally successful across the country, the Business Activity Management training had greater impact in some regions than others. When asked 'to what extent training had met personal skills gaps?', for example, Branch Managers in Montreal, compared with those in other regions, were much less likely to report that the training had successfully met their needs.

RECOMMENDATION 1:

It is recommended that when launching nation-wide training initiatives, the organization give close attention to regional differences that might impact, in the first place, the need for the training as well as key outcomes such as business impact and return on investment.

ISSUE

On the Transfer Questionnaire, almost half of the Branch Managers cited “lack of time” or “other higher priorities” as the greatest barrier to learning application and improvement.

Create a “nesting period” to ensure skills transfer

RECOMMENDATION 2:

This finding parallels the results of other evaluations, suggesting that following training, participants need a “nesting period”—dedicated, or protected time where old habits can be broken, new skills practiced, and new behaviours consolidated. It is therefore recommended that BDC investigate strategies for affording Branch Managers the protected time and assistance to more effectively transfer their new learning and ensure optimum performance improvement.

ISSUE

Interviews with Branch Managers revealed that they had less success applying the recommended coaching techniques with the more experienced Account Managers (B6s and higher). Some suggested that experienced Account Managers may need a different kind of support or possibly a different model of coaching. A few also noted that B6s tend to be resistant to change and seem more inclined to retain their own “success recipe” rather than risk adopting new approaches.

Consider new strategies for coaching the more experienced Account Managers

RECOMMENDATION 3:

The coaching model, methods, and techniques employed in the Business Activity Management Excellence program appear to have greater impact on new or more novice Account Managers. It is recommended, however, that the needs of the more seasoned and experienced Account Managers be examined more closely in order to ensure greater performance improvement in this group than current outcomes suggest.