

Building the Brand through People



Gene C. George
Phase 1 Solutions



Michael J. Hannibal
Human Capital Corp.



Wendy L. Hirsch, Ph.D.
Senior Human Resource Consultant

Like many in the banking industry, Sue Manning, a senior vice president with National City and manager of the bank's busy Hillview branch in Louisville, Ky., found herself fighting an uphill battle with employee turnover two years ago. New employees, who were unprepared and overwhelmed by job demands, rarely stayed longer than 90 days. One employee simply left her door keys at her teller station one evening and never returned.

The turnover had a compounding effect on the branch's operations and productivity. Consumed with recruiting and hiring new employees, managers had little time to support them once on board. With new employees frequently away at orientation and training programs, the branch often was understaffed, meaning longer lines for customers and increased pressure for other branch employees. Customers encountered a steady stream of new employees who were not experienced in the bank's operations or familiar with National City's products and services, creating major hurdles to building strong customer relationships.

Now fast-forward two years. Today, Manning's staff is stable and productivity is up — way up. New employees come into their jobs with realistic expectations and the skills and attitude they need to be successful.

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With the “revolving door” of employment gone, managers have more time to devote to both customer and employee needs. Experienced employees serve as mentors to help new employees become acclimated to their job. And when turnover occurs at the branch, it’s usually due to promotions, not defections, as more employees are choosing to build their careers with National City.

Similar changes are seen throughout National City, a \$100 billion financial services company based in Cleveland, Ohio. This turnaround can be attributed, in large part, to the introduction of Early Success, National City’s structured orientation program for new nonexempt employees.

What’s unique about the program is not just its effectiveness, but the fact that National City has been able to measure the impact of the Early Success program on the company’s business results. In human resources, particularly in the area of training and development, it’s rare to be able to say, with certainty, that program “X” has an impact of “Y” on the bottom line. In fact, the American Society of Training and

Development’s *2002 Industry Report* indicates that only 7 percent of organizations successfully evaluate the impact of training programs on business results. National City knows this program is making substantial contributions on key business metrics like revenue and employee retention.

A Serious Business Challenge

Two years ago, National City acknowledged that it had a serious problem with employee turnover — not just at the Hillview branch, but also throughout the organization, which has more than 33,000 employees in more than 1,100 locations across six states. Turnover among nonexempt employees at National City averaged 35 percent from 1996 through 1998 before it peaked at 51 percent in 1999 and then dropped to 45 percent in 2002. Most notable was the high occurrence of “quick quits” — employees leaving within 90 days of their hire date.

The turnover problem came on the heels of tremendous consolidation in the banking industry. Like many financial institutions, National City was involved in numerous mergers and acquisitions during the 1990s, culminating with its 1998 merger with First of America. As a result, some customers from the smaller banks felt alienated as part of a large financial services company.

A shift in National City’s corporate and banking strategy was needed to secure the loyalties of these customers, as well as differentiate National City from the competition. This shift came in the form of a new corporate brand promise to refocus employees on customers and stress the importance of providing the best and most consistent customer service. This promise would be based on a foundation of friendliness, accountability and respect: “At National City, we care about doing what’s right for our customers.” Since exceptional customer service starts with experienced, well-trained employees, National City realized that

delivering on a new brand promise would be difficult given the levels of employee turnover the bank was experiencing.

National City chairman and CEO David A. Daberko provided the executive sponsorship required for a significant cultural change. He addressed the challenge in his letter to stockholders in the company's 2001 annual report, citing the company's programmatic effort to change its value proposition to customers and the people practices that were being changed to support the new value proposition. He cautioned that these investments might hurt short-term earnings but were essential to longer-term success.

Creating an Effective Solution

As a critical first step, National City worked with Mercer Human Resource Consulting to study the turnover problem (particularly within bank operations), determine the underlying causes of the turnover and recommend solutions. Using personnel, labor market and competitive data, the team searched for the drivers that most influenced employees' decisions to stay or leave. These drivers fell into three categories: external market conditions, employee attributes and organizational practices. The analysis quantified the impact of each driver, allowing National City to prioritize interventions according to which offered the highest potential value relative to cost.

The analysis showed that a large percentage of National City employees in bank operations and item processing — up to 60 percent in some locations — were likely to quit within the first year of employment, with about half of these leaving within three months of being hired.

National City sought to create a welcoming environment where new employees feel valued and important, have a sense of belonging and feel they have a future with the company. The company also wanted to encourage new employees to develop a positive attitude

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toward their job, National City and customer service expectations. Based on these goals and the research findings, the team made three key recommendations:

- ▶ Develop a new orientation program
- ▶ Provide more realistic job previewing
- ▶ Create a new-employee mentor program.

The team believed these actions would increase the likelihood of new hires remaining past the "quick quit" period, and ensure that the new brand message was delivered clearly and consistently to employees.

National City recruited several of its internal training and development professionals for the National City Institute, a new group responsible for "leading the charge." The Institute identified seven themes, based on additional benchmark research, which became the underlying philosophy for creating new programs:

- ▶ Recruit and hire the right person for the job.
- ▶ Invest heavily and effectively in training and career development, which will result in a positive impact on the bottom line.
- ▶ Teach managers to be effective so they will have a substantial impact on employee retention.

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- ▶ Create a challenging environment for employees where they feel fulfilled, satisfied and valued.
- ▶ Provide a peer mentor, or sponsor, to support an employee's successful assimilation into the organization.
- ▶ Create a work environment that provides flexibility for balancing work and life demands.
- ▶ Offer fair and competitive compensation and benefits to recruit and retain talented employees.

The National City Institute developed Early Success, a new orientation program for nonexempt employees. New employees attend a series of three workshops, in conjunction with their technical training, completed largely before reporting to their new job:

- ▶ **PLUS! (Pathways to Learning, Understanding and Success).** This one-day workshop gives new employees a general overview of National City's corporate objectives, employee benefits and brand promise, and helps them see how their role will help National City achieve its mission to be a premier diversified financial services company.
- ▶ **People, Policies and Practices.** This half-day workshop for new hires is designed to augment and reinforce the National City employee handbook, with emphasis on National City's culture and the mutually

beneficial partnership between National City and employees.

- ▶ **Top Notch Customer Care.** The purpose of this one-day workshop is to provide new hires with tools to work successfully with others and contribute to the effectiveness of teams in an environment of service quality.

A common theme for all three workshops is the development of core competencies, such as becoming a strong team player, knowing and serving customers, and executing superbly on the brand promise.

In addition to the workshops for new employees, Early Success also includes half-day workshops for managers and sponsors, since both play a vital role in the early and ongoing success of new employees.

The National City Institute was established during first quarter 2000. The first Early Success workshops were piloted in April 2000. The program's large-scale implementation and rollout began in first quarter 2001. The cost to develop and introduce Early Success, including days away from work for training, was about \$2.5 million.

Measuring Success

Demonstrating the return on investment (ROI) for a "soft" people program — such as an orientation or training program — is considered difficult, but National City was determined to demonstrate the impact of the Early Success program on employee performance and overall business performance. The consulting firm worked with National City to develop rigorous evaluation plans for Early Success, based on training guru Donald Kirkpatrick's four levels of evaluating training programs:

- ▶ **Reaction:** Whether participants "like" the training program
- ▶ **Learning:** The extent of participants' learning during training
- ▶ **On-the-job behavior:** The extent to which participants change their behaviors

► Results: The extent to which training affects retention and financial performance

Jack Phillips, another expert in evaluating training programs, augmented Kirkpatrick's approach with a fifth level: return on investment (ROI).

During the Early Success program's first year of operation, data were collected on several thousand newly hired employees from the retail, operations and collections divisions. Outcomes for those who had participated in the Early Success program were compared to a control group of other employees hired in the months prior to the program's launch. Outcomes were tracked up to 12 months after the training using several data sources:

- Self-reported data (reactions, learning, attitudes and behaviors)
- Observed performance and behaviors (processing speed and errors, collector calls, etc.)
- Human resource information systems (HRIS) data (turnover and control variables)
- Accounting system (sales within bank branches).

Various data analysis techniques and advanced statistical modeling were used to isolate the impact of the Early Success program from other possible influences, including:

- Individual differences, such as gender, race, time with the organization, job title, commuting distance, and full-time versus part-time employment status
- Workplace differences, such as base pay, department, manager characteristics
- Environmental differences, such as local labor market conditions, state and time.

By controlling for these variables, National City could see the program's impact on key measures like turnover and revenue.

A final report, issued in late 2002, revealed some compelling findings. Compared to employees hired in the months prior to the launch of Early Success, employees who completed the workshops are:

For the bank's retail employees, the analysis indicated that sales and product referrals improved as new hires completed Early Success workshops.

- 50 percent less likely to quit in the first three months of employment, for an estimated retention of 141 employees over a six-month period and an annualized cost saving of at least \$1.35 million
- 25 percent less likely to be absent from work, representing an annualized cost saving of \$306,000.

For the bank's retail employees, the analysis indicated that sales and product referrals (e.g., savings accounts, checking accounts, annuities, etc.) improved as new hires completed Early Success workshops, representing an increase of \$3.7 million in annual revenue and \$1 million in net income for National City. The organization also saw improvements among other employee groups that had participated in Early Success workshops. The training accelerated the learning curve for proof operators, and overall stronger performance was found among collectors in terms of contacts made, calls answered, actions taken, accounts worked, etc.

These combined cost and productivity gains represent, conservatively, an ROI of 6 percent. For example, the savings from each turnover avoided was set at \$4,800, or just 20 percent of the annual salary and benefits paid to an entry-level branch customer

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service representative. More typical benchmarking might set this turnover cost at 30 percent to 50 percent of salary and benefits.

In addition, based on an analysis of the post-workshop survey data in comparison with the control group, Early Success participants are more likely to report that they:

- ▶ Support the brand promise
- ▶ Are committed to National City
- ▶ Demonstrate respect for colleagues and customers
- ▶ Are open to learning from others.

National City made a major investment to launch the Early Success program, but corporate sponsors and others believe this investment is producing solid returns. National City managers, like Sue Manning in Louisville, have seen a tangible difference and understand the value of an orientation program that goes beyond the usual drill of "here are your keys/here are your benefits/here's where you sit/here's the lunchroom."

"When you have employees who aren't sure they want to be there, that comes across to the customer," Manning said. "When employees are happy and well-informed, it's a better situation for everyone. Plus, Early Success makes new employees feel good about the company they've chosen to work for."

Chairman and CEO Daberko also is an advocate of the Early Success program. He promotes the program both internally and externally and makes time to speak at some of the program's workshops. "All of the investments we make are designed to support our customer-driven strategy," Daberko said. "People are a focal point of that strategy and represent our largest investment, so naturally we want to know what return we are getting and how these investments are helping us meet our business goals. The approach we used with Early Success represents a new, fact-based way to answer such questions — one that has been very effective for us."

National City's program has garnered praise outside of the company, too. It has received several awards, including a 2002 CUBIC (Corporate University Best in Class) Award for the program's innovative measurement approach. These awards are designed to honor, recognize and promote corporate universities that represent true best practices.

Looking Ahead

More than 5,000 new employees have participated in the Early Success program since its inception, representing approximately 15 percent of National City's total workforce. In addition, more than 3,000 managers and sponsors have participated in training for their roles in supporting new employees. Given its experiences with Early Success, the National City Institute now has two major items on its agenda:

- ▶ Expanding the program to target other employee groups (e.g., a second program was launched for exempt employees), while continuously improving the onboarding experience of new employees


► Developing and implementing programs in support of broad-scale initiatives to build a corporate culture that is inclusive, innovative and aligned for success.

Lessons Learned

In an economic downturn, training and development programs often are among the first casualties of corporate budget cuts at many organizations. National City's experience with the Early Success program provides several important lessons that run counter to this trend.

First, before an organization makes any cuts to its training and development programs, it's important to understand which programs provide the greatest value. It's critical to quantify exactly which programs have the greatest impact on key business metrics and overall business success.

Second, as National City learned, making a targeted, strategic investment in training and development can be a smart move that provides a significant financial return, even — or especially — in an economic downturn.

Third, effective measurement is key to any decision regarding training and development initiatives. And it's an area where tremendous improvement is possible, considering that only 7 percent of organizations currently are successful in evaluating the impact of training programs on business results. Disciplined, fact-based measurement approaches can provide organizations with objective evidence to make future decisions about major human capital investments — investments designed to serve strategic goals and provide human resource professionals with facts and language to communicate the importance of human capital investments to business leaders. 

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Authors

Gene C. George (gene.p4s@shcglobal.net) is president of Phase 4 Solutions, a management consulting firm that focuses on developing strategy, building the brand customer experience, and developing talent.

Previously he was vice president of the National City Institute, which initially trains all new employees of National City Bank. Prior to that, he held leadership positions with Teledyne Fluid Systems, USS/KOBE Steel, Philips Medical Systems, and FedEx Custom Critical. George holds a bachelor's degree in business administration from Malone College and master's degree in organization development and analysis from Weatherhead School of Management at Case Western Reserve University.

Michael J. Hannibal, SPHR (Michael.Hannibal@nationalcity.com) is a cost analyst with National City Corp. Over the last eight years, Hannibal has served in various training, organizational development and financial analysis roles with National City and his previous employer, the Cuyahoga Support Enforcement Agency. He received his M.B.A. from Cleveland State University.

Wendy L. Hirsch, Ph.D. (wendy.hirsch@mercer.com), a principal in the strategy and metrics group of Mercer Human Resource Consulting, is an industrial-organizational psychologist who has experience in human capital strategy, personnel selection and assessment, research methodology, employee attitude and behavioral surveys, labor market assessment, and training evaluation. Prior to joining Mercer, Hirsch was an Associate Behavioral Scientist at RAND Corporation. Based in Chicago, she holds a Ph.D. in industrial-organizational psychology from the University of Illinois at Urbana-Champaign.

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