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The ROI of Skillful Conversation:

Relationship Advice for Measurable Business Results

a fierce white paper

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Summary and Introduction

As the world of business grows increasingly complex, forward-thinking leaders believe creativity, candor, authenticity, courage, innovation and customer relationships are among the most important leadership competencies needed for any organization. As a result, top executives are demanding [leadership and development training](#) that teaches leadership that is courageous and transparent, while enhancing relationships with employees and customers. In short, CEOs know that their enterprises will rise or fall one [conversation](#) at a time, whether the conversation is between a manager and an employee or an account executive and a customer.

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At the same time, leadership must have proof of the return on investment (ROI) in these leadership and development training programs, just as they would for any other expense. It is essential to deliver data that shows the monetary value of leadership and development training. And while getting to ROI for leadership and development training is not always a simple matter, it is obtainable when there is a clear and practical process in place. It might be a matter of simply measuring the impact that leadership and development training is having on benchmarks an organization is already measuring, such as speed to market, customer satisfaction surveys or the rate and cost of employee turnover.

This paper from Fierce, Inc.:

- Looks at the power of engagement and the changing landscape for leadership and development training.
- Identifies the most common reasons for implementing an ROI process, as well as the most common barriers to implementation.
- Highlights the key criteria for an effective ROI process related to leadership and development training that can work for your organization.
- Offers brief examples of organizations that proved a measurable ROI in leadership and development training that drove results by developing conversation as a skill.

Employee Engagement: Why It Matters More Than Ever and How It's Changing

Research continues to show that engaged employees – employees who trust their leadership, feel valued and have an authentic connection with their employer – drive higher customer satisfaction and boost the bottom line. Consider:

Employee engagement is a measurable asset that has been shown to:

- Create higher profits, higher sales and greater customer loyalty compared with companies that have lower-than-average employee engagement.
- Boost revenue growth and EBITDA.
- Have a positive impact on operating income.

- Best Buy has observed a statistical relationship between employee satisfaction and company performance – usually at the station, branch, or store level. The significance of the relationship motivated Best Buy to make its employee engagement surveys quarterly rather than annual. The company has documented that a 0.1 percent increase in employee engagement at a particular store has a value of over \$100,000 in annual operating income.¹
- The Gallup Organization found that companies with higher-than-average employee engagement had 27 percent higher profits, 50 percent higher sales and 50 percent higher customer loyalty than companies with lower-than-average employee engagement.²
- Recent research sponsored by The Corporate Executive Board shows that companies with “highly engaged employees” demonstrate an average three-year revenue growth of 20.1 percent, compared with 8.9 percent growth among their industry peers, and establish a three-year growth of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) three times higher than their industry peers.³

Candor, courage and transparency are three key features of successful leadership that will grow in significance in the increasingly complex business world. This is because these attributes have been shown to create greater trust in leadership, which in turn heightens employee engagement. Trust in leadership is, in fact, one of the top features identified by the Great Place to Work Institute®, the organization that annually conducts the research that leads to Fortune magazine's 100 Great Places to Work list.

In response to SAS being named #1 on that list this year in the United States and in its home country of Norway, Country Manager Nils Stangnes said, “SAS staff members appreciate our open and transparent culture ... It's peculiar that so few companies realize the value of providing staff members with insight and the opportunity to influence business strategy and results. Our trust in individual employees truly sets us apart from other companies.”⁴

¹ Davenport, Thomas H., et al, October 2010, Competing on Talent Analytics, Harvard Business Review.

² Crabtree, S., January 13, 2005, Engagement Keeps the Doctor Away. Gallup Management Journal.

³ The Corporate Executive Board, 2010, abstract: <http://www.executiveboard.com/businessweek/bw-week41.html>

⁴ Nils Stangnes, March 10, 2010, from a published press release, <http://www.sas.com/news/preleases/SASNorwayBestWorkplace2010.html>.

Looking ahead, engagement will take on greater importance in a business world of increasing technological complexity and global enterprise. According to IBM's recent Global Chief Executive Officer Study, organizations that are most successful today are "adopting new channels to engage and stay in tune with customers ... (making) customer intimacy their number-one priority."⁵ This rising complexity of the business world demands that "CEOs and their teams ... connect with customers in imaginative ways."

"A key point to notice is that relationship will matter more than ever in an increasingly complex business world," said Susan Scott, president of Fierce. "And relationship is created – or falls apart – one conversation at a time."

Fierce Conversations enhance relationships and connections among employees and with an organization's customers through skillful conversation. A Fierce conversation has four objectives that help to build trust and relationships in the evolving business world. In a Fierce conversation, any leader, manager or employee seeks to:

Interrogate reality – Reality is a moving target. Each person's own view of reality – each person's individual perspective - isn't necessarily shared by others, even if they're a part of the same conversation.

Provoke learning – Using skillful conversation to uncover and share the realities of everyone involved leads to greater understanding and opens the possibilities of more optimal decisions.

Tackle tough challenges – Having the knowledge of each person's unique perspective will enable the tough challenges to be tackled to move toward resolution.

Enrich relationships – Often forgotten or overlooked, this objective is where respect and engagement truly occur as a result of more authentic and transparent conversations.

"The basic premise – and this is a key to employee engagement – is that what we talk about, how we talk about it and who is invited into the conversation determines what will or won't happen inside our companies," says Susan Scott, author of **Fierce Conversations: Achieving Success at Work & in Life, One Conversation at a Time** and **Fierce Leadership: A Bold Alternative to the Worst "Best" Practices of Business Today**.

"We talk all the time, but we don't necessarily do it well," Scott says. "And we don't listen very well. This is diametrically opposed to authentic, courageous and innovative leadership that enhances relationships with employees and customers."

A key point to notice is that relationship will matter more than ever in an increasingly complex business world. And relationship is created – or falls apart – one conversation at a time.

⁵ IBM Global Business Services, May 2010, Capitalizing on Complexity.

The ROI Process:

Making Leadership and Development Training Tangible and Strategic

Concrete ROI is crucial in [leadership and development training](#) if for no other reason than it leverages greater C-suite support and leads to a better program by:

- Measuring a program's contribution to the organization.
- Setting clear priorities for the program.
- Bringing focus to program results.
- Tying the program to organizational strategies.
- Creating positive changes in management perceptions of the program.

Successfully measuring ROI for leadership and development training can seem harder to achieve than ROI for hard expenses, such as a new piece of equipment or an additional hire. One reason is that benchmarks aren't established at the beginning of a new program, or benchmarks that already are being measured for other reasons are overlooked for leadership and development training ROI. As a result, the organization has no base against which to measure any changes the training might bring. Another key reason ROI is never obtained is that uncertainty exists around what to expect from the program in measurable, concrete terms that speak to that organization's strategies and goals.

To overcome these barriers, a successful ROI process needs to have four key components:

1. **Evaluation planning** – a solid and clear grasp of what will be measured (including hard and soft data).
2. **Data collection** – a specific action plan for gathering the data (e.g., sales or production data, employee or customer surveys).
3. **Data analysis** – a practical, feasible model for measuring the data that makes sense for your organization.
4. **Developing ROI** – converting data to monetary value, as well as accounting for intangible measures.

“All of these components are crucial, and they rely on careful attention to the first, evaluation planning,” Fierce's Scott says. “It's during evaluation planning that an organization specifically defines the ways that any leadership training program can enhance business results.”

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Skillful Conversations Boost ROI: Three Examples of Results

Skillful [conversations](#) can quickly have an impact on the bottom line. They enrich relationships by leveraging tools that can be immediately put into practice. They teach leaders the value of authenticity and courage, in turn strengthening employee engagement, reducing time spent on projects and reinforcing customer connections. Here are three examples of tangible ways to measure ROI from business leaders after implementing the skills learned in Fierce Conversations training.

A senior leader of a global Fortune 500 company regained 30 hours a year after better delegating one task she was passionate about but didn't bring unique value to.

Example #1 – Better Delegating Increases Productivity⁶

A senior leader of a global Fortune 500 company garnered 30 annual hours of returned time after delegating something that she was passionate about but no longer provided any value to. The [Delegation Conversation](#) or “Decision Tree Model,” is one of the four conversation models identified and taught in the [Fierce Conversations program](#).

If 75 other senior leaders in this global corporation similarly learned to have more skillful conversations to enhance relationships and achieved the same results as the senior leader, the company would gain an additional 2,250 hours a year of productive time. Assuming a 40-hour workweek and a 52-week work calendar, the company would regain more than one full-time position for training 75 people.

Example #2 – More Skillful Coaching Heightens Efficiency

A manager of a global manufacturing company said she saved more than four hours a week, because she got out of the “advice-giving mode” and was able instead to apply the Fierce coaching model. That means she saved **208 hours a year**.

Let's assume this manager earns \$70,000 a year, or about \$33.65 an hour (40 hours a week x 52 weeks = 2,080 hours; \$70,000 ÷ 2,080 = \$33.65). She regained time equal to **\$6,999** (208 hours x \$33.65 per hour) annually.

If 100 managers in this global manufacturing company earning an average of \$70,000 learned the Fierce [Coaching](#) model and experienced similar results, the company would regain time equal to **\$699,900** – and that is time not only saved but spent on tasks the managers were more ardent about.

Example #3 – Open and Clear Goal-Setting Reduces Turnover

A Fortune 1000 business services company that trained its sales organization in Fierce Conversations subsequently recorded a significant reduction in turnover, because managers and their sales force had more transparent conversations about goals and expectations. The company also recognized a 25 percent ROI on the expense of the training.

A manager of a global manufacturing company said she saved more than four hours a week, or 208 hours a year, when she was able to apply the Fierce coaching model.

⁶ For competitive reasons within their markets and to honor confidentiality with its clients, Fierce is not publishing the names of these companies; all stated information is factual.

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The four Fierce Conversation models

The four Fierce Conversation models are the most important types of conversations commonly held in business. All four are investigated and developed in Fierce Conversation training.

- *The Team Conversation or “Beach Ball Model” (to understand and appreciate differing, often competing views of reality to help make the best possible decision).*
- *The Coaching Conversation or “Mineral Rights Model” (to draw out solutions, which translate to action, rather than advising and telling).*
- *The Delegation Conversation or “Decision Tree Model” (to ensure that individuals’ development paths are clear and that they are on track to accomplish goals).*
- *The Confrontation Conversation or “Confrontation Model” (to confront the toughest issues with courage, confidence and skill).*

Conclusion

Business is growing increasingly complex; it continues to move faster with greater mobility in an ever more global environment. In response, CEOs of what are considered “standout” companies are seeking leadership that is authentic and requires transparency, is creative in its approach to these challenges, and is fostering relationships. Employee engagement is, therefore, more important than ever, and research shows that engagement depends on trust and communication – within the company and with customers.

What that means is that capitalizing on complexity in the business world requires companies to go back to basics in one key way: enriching relationships one person, and one authentic, real, Fierce Conversation at a time. Top leaders are realizing the impact of the art of skillful conversation and its measurable ROI as a way to capitalize on the new complexity of business.

Skillful conversations, the kind offered through Fierce Conversation training, change a company’s culture by encouraging conversations that achieve results because they:

Interrogate reality – Reality is a moving target. Each person’s own view of reality – each person’s individual perspective – isn’t necessarily shared by others, even if they’re a part of the same conversation.

Provoke learning – Using skillful conversation to uncover and share the realities of everyone involved leads to greater understanding and opens the possibilities of more optimal decisions.

Tackle tough challenges – Having the knowledge of each person’s unique perspective will enable the tough challenges to be tackled to move toward resolution.

Enrich relationships – Often forgotten or overlooked, this objective is where respect and engagement truly occur as a result of more authentic and transparent conversations.

The outcome: Employees are more engaged, managers regain time to focus on tasks that require their unique skills, turnover can be reduced, and ROI is measurable and tangible.

About Fierce

Fierce, Inc., is leadership and development training that drives results for business and education by developing conversation as a skill. Traditional programs are impersonal, complicated and disconnected from concrete results. Fierce creates authentic, energizing and rewarding connections with colleagues and customers through skillful conversations that lead to successful outcomes and measurable ROI. Tailored to any organization, Fierce principles and methods translate across the globe, ensure individual and collective success, and develop skills that are practical, easy-to-learn and can be applied immediately. Fierce, Inc., is based in Seattle and online at www.fierceinc.com.