

A message from our president,  
Paul H. Elliott, Ph.D.



## EXCITEMENT

Perhaps that is the best single-word description for Exemplary Performance in 2007. We are growing the depth and breadth of our client relationships, while adding new industries, including manufacturing, financial services, health care, not-for-profits, and petroleum/chemical. To support this growth, EP acquired Holcomb Performance earlier this month (see article to right)! We also relocated our offices in Annapolis, MD, to provide larger and more functional space.

We are adding to our service offerings, with a particular emphasis on transferring our processes and tools into our client base. We have a significant project underway to equip one client with the internal ability to optimize its performance using internal resources and staff. We are in discussions with others about our approach to performance technology transfer—supporting independence versus dependence on outside resources. As part of this initiative, we will offer People and Process Optimization for the first time in March. This is our first proprietary product—an integrated system (workshops, job aids, and portal) that is aimed at managers. It is designed to enable them to be “guerilla” performance consultants, identifying and addressing barriers to optimal performance within their own work groups.

I look forward to hearing from you if you have feedback about the Exemplar and/or questions about how we can support you in optimizing the performance of your organization.

Regards,

Paul H. Elliott, Ph.D.  
President

## Exemplary Performance Acquires Holcomb Performance

Exemplary Performance continues to experience growth and is expanding its resource base to serve both existing and new clients. To date, we have added resources by hiring exceptionally qualified employees and by expanding the pool of Exemplary Performance Consultants (EPCs) who bring a deep reservoir of experience to our clients.

On February 1, EP entered a new phase of growth when we acquired Holcomb Performance—a San Francisco firm. Matt Holcomb, the principal, has been active as an EPC in addition to serving Holcomb Performance’s direct clients. As the relationship evolved, we decided that bringing the organizations together would enhance the capabilities we can provide our combined client base.

Holcomb stated, “I am very, very excited to join the team at EP. It is unusual, but very rewarding, to be in an environment with people whose goals and commitments align so well with your own. I hope to accomplish many things within EP, but two immediately come to mind: One is for our clients; the other is very selfish. First, I hope to consistently add value to each client I serve for EP and, in turn, apply those lessons to other clients. Selfishly, I hope to absorb all I can of the deep and broad experience my colleagues bring to bear and become a better practitioner over time for our clients.

Paul Elliott, President of Exemplary Performance, said, “Matt’s commitment to clients, depth of experience and existing client base is a perfect match for EP. His experience in a major consulting firm brings a fresh perspective. Additionally, his client base, particularly in the not-for-profit sector, will serve to broaden EP’s reach.”

Holcomb went on to say, “What can I say about the transition? Again, it is highly unusual but rewarding to work in an environment that practices what it extols to clients. From the get-go, I have had a warm welcome from everyone, received clear expectations of my role in the organization and have been provided a pathway to grow and add value to EP’s business objectives. EP established clear expectations to share feedback so my performance is measured and rightly rewarded. I’ve been here only a few weeks, and I’ve hit the ground running on projects that are driven to impact clients’ business objectives.

“I hope to help EP continue its trajectory as the leading consultancy in people and process optimization!”

We are tremendously excited about the acquisition of Holcomb Performance and the experience and dedication that Matt brings to all of our clients.

## Exemplary Performance Welcomes Two New Employees Onboard:

**Ken Junkins and Greg Long**  
Principal Consultants

In the last few months, we have had two Principal Consultants join our team! EP welcomed Ken Junkins and Greg Long in October 2006 and January 2007 respectively.

Ken Junkins joins EP with over 25 years of consulting experience. Having retired twice only to return to the work he truly enjoys, he is eager to continue practicing HPT consulting. He has certifications in Human Performance Management, Process Management, Project Management and others. He is a graduate of the University of Southern New Hampshire and holds a dual Masters from the University of Connecticut in Business Administration (Finance) and Industrial Psychology. Ken is off to a fast start working on various projects in conjunction with both the Headquarters office in Annapolis and the Western Region Office.

Greg Long comes to us with over 20 years of experience in the learning and technology field. He has provided strategic consulting services to numerous national and international firms. He is an expert in human performance improvement technology as well as in learning strategy and architecture. He is a graduate of the United States Naval Academy (1978) with a Bachelor of Science degree in Aerospace Engineering and earned his Masters degree in Civil Engineering from Texas A&M University. Greg joins the Exemplary Performance team at the Headquarters office in Annapolis, Maryland

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## Exemplary Performance Annapolis Headquarters Moves to a New Location!



The Exemplary Performance Annapolis Headquarters in Maryland has moved to a new office space to provide for larger and more functional space! A sign of further growth in the company as well as leaving room for more future growth! All contact numbers are the same but the new address for the headquarters in Annapolis is:

Exemplary Performance, LLC  
180 Admiral Cochrane Drive  
Suite 205  
Annapolis, MD 21401

# BUSINESS IMPACT

BY GREG LONG

It's all about the business impact. Scan the titles in the business section of any bookstore and you see the focus: Words in the popular titles include Great, Win, Impact, Connect, Stakes, Results, Performance, Value, etc. With all the focus on significant impact and results, why is there so little attention paid to how to measure that impact? In this article and others to come, we'll try to demystify that topic and provide straightforward methods that you can use to measure the real business impact of a performance improvement project.

First, it's critical to understand exactly what the project is trying to achieve. Too many projects seem focused on activity for activity's sake. How many new initiatives and new slogans have been instituted with great fanfare only to slowly fade away? How many training initiatives have been launched just because people must need more training? Rather than just launching a new initiative or training course, ask: What are the students supposed to do as a result? What should change? How can that change be seen and measured? Simply finishing the launch or knowing more stuff is not the right answer. Those initiatives must be connected to a clear picture of an outcome that should be achieved. Sometimes we call this a good "definition of done." What exactly will we be able to see and measure when this course or other initiative is finished? How will we judge success? While a more detailed treatment of how to get to a clear definition of done is the subject of a future article, here is a simple guideline that might help.

**Rather than just launching a new initiative or training course, ask:**

- *What are the students supposed to do as a result?*
- *What should change?*
- *How can that change be seen?*
- *How can that change be measured?*

## **Ask the executive stakeholders:**

One year after this initiative is complete, someone asks you whether or not it was a success. You say, "Yes." They say, "Prove it." How will you prove it? What numbers, reports, or other measures will you use in your proof? Whatever they would use as proof is an indication of what they care about and will form the basis for measuring success. Now, back to the subject of this article: Those success measures are the key inputs that go into calculating the business impact of the project.

Some of the things the stakeholders might mention as part of their proof are increased sales, reduced errors, reduced turnover, fewer production stoppages, higher percentage of sales force exceeding quota, etc. There are numerous ways to measure success, and the right one for any initiative is the one the stakeholders care about. The key for the project team is to clearly understand what those measures really represent and how to convert them into dollars.

In broad terms, business impact can be separated into three categories (There are other schema, but this one is simple and easy to use across most projects.):

- Direct
- Indirect
- Avoidance

(Continued on Next Page)

## First some definitions:

*Direct impacts are the decreased costs (savings) or increased revenues resulting from the project. If sales go up, or if a training course costs money to attend, those are direct costs.*

*Indirect impacts are the indirect, often-hidden costs of the project. The time away from the job to attend a training course, for example, is an indirect impact.*

*Avoidance costs are those negative impacts that don't happen because of the project. Errors that didn't happen, people that did not leave, and lawsuits that were not filed are all examples of avoidance impacts.*

*Let's look at an example to illustrate*

## Case study: On-boarding or ramp-up of new hires

Assume that the current approach to on-boarding new hires is to put them into a four-week training course. You've been asked to evaluate that course to make sure the new hires are receiving the best possible preparation to excel on the job. You find that shortening the course by one week would be possible if managers were equipped with coaching guides that took some of the material from the course and moved it into the field. What are the possible impacts of that shift?

### **Direct impacts**

- Lower training costs. The actual student time in the classroom will be lowered by 25%. Whether the course is vendor supplied or internally staffed, there is a student-hour cost associated with people sitting in a classroom.
- Assume 500 new hires per year with an average student-hour cost of \$35/hour with a reduction from 160 hours to 120 hours.

The breakdown:

$$500 \text{ people} \times 40 \text{ hrs} \times \$35/\text{hr} = \$700,000 \text{ per year}$$

### **Indirect impacts**

- Because of the shorter course, time out of the field will be lowered by 25%.
- Using the same numbers of new hires, assume an average burdened annual salary cost of \$75,000 per employee.

The breakdown:

$$500 \text{ people} \times 40 \text{ hrs} / 2,080 \text{ hrs/yr} \times \$75,000 \text{ salary} = \$721,000 \text{ per year}$$

### **Avoidance**

- Since too much training and too little coaching often combine to frustrate people, it's quite possible that shifting some of the training to coaching and providing for improved coaching will result in lower turnover among the new hires.
- Assume that the current attrition rate among new hires is 20% and that it could be reduced to 15%. The cost of a single person leaving is the combination of the investment lost and the cost of finding and hiring a replacement. The lost investment is the sum of the cost of training and the lost time spent in training. Different metrics are used for the cost of a turnover ranging from 6 to 12 months of burdened salary. For this example, assume the lower end of the scale, 6 months.

The breakdown:

Lost investment

$$= 500 \text{ people} \times 5\% \times (160 \text{ hrs training} \times \$35/\text{hr student cost} + 1/12 \times \$75,000)$$

$$= \$296,000$$

Turnover cost

$$= 500 \text{ people} \times 5\% \times 6/12 \times \$75,000$$

$$= \$937,000$$

Total avoidance impact

$$= \$296,000 + 937,000$$

$$= \$1,233,000 \text{ per year}$$

So the **total potential impact** of this initiative would be:

Direct        \$700,000 per year

Indirect     \$721,000 per year

Avoidance \$1,233,000 per year

**Total        \$2,654,000 per year**

Quite a significant sum. And definitely worth pursuing. Now, the total costs can be compared against the development and implementation costs of the revised training course, the coaching guides and any associated training for frontline managers. That cost-benefit analysis will equip the stakeholders to make an informed decision on how to proceed.

But if only the direct costs are considered, the value is not nearly as clear. When an executive stakeholder understands the true potential impact of a project in terms they can understand, they are much more enthusiastic in their support or definitive in their decision not to proceed.

By the way, the numbers shown in this example are not far-fetched. They are representative of real results measured on real projects.

As we mentioned at the outset, the key to project success was—and always will be—gaining agreement up front with the executive stakeholders about the definition of success and how that success should be measured. That stakeholder alignment will be the topic of a future Exemplar article.

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Greg Long, PE, is a Principal Consultant for Exemplary Performance, LLC. Greg works in the Headquarters Office in Annapolis, Maryland. He has authored numerous articles and presentations for national and international conferences and journals and has over 20 years experience in the field of learning and technology.



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