

TANGIBLE RETURN ON INVESTMENT

INTEGRATING LEARNING TO REACH DESIRED RESULTS

By Rebecca Everett

One organization's experience illustrates how learning initiative design influences outcomes, while making the case for continuing professional development even in a tough economy.

Bachrach & Associates Inc. (BAI), a professional development firm for financial professionals, recently took a close look at the business results of their advisor-clients. Those results revealed statistical confirmation of tangible ROI attributable to the design of its blended learning and reinforcement approach. BAI's professional development programs train financial professionals in the distinctive philosophy of "values-based financial planning" (VBFP).

Recognizing the importance of reliable, actual return on training investment, BAI decided these results should be shared with professionals who continue to strive for reportable, tangible results for their training and professional development dollars so the design and implementation could be replicated

BAI was founded 20 years ago by Bill Bachrach with the intent of developing a learning system for financial planners, CPAs, insurance agents, and other finance professionals seeking to dependably and ethically acquire new clients. In the last two years, BAI has transformed its foundational learning materials into true training instruments, with more of an adult learning and blended learning approach.

The company has also continued to improve its programs and services and has refined measurement tools for its own and its advisor-clients' results.

The outcome of the latter was the finding that BAI's program design helps create a genuine return-on-investment—results large enough to surprise BAI and its VBFP advisor-clients. The program design consists of the following resources:

- individualized learning and implementation plan that integrates values, goals, and objectives
- learning materials including audio, a DVD, and assessments, plus tools for implementation
- on-site three-day learning environments with other implementers of VBFP, each offered three times per year
- a study group
- accountability coaching in the form of 30-45 minute calls held at least two times per month
- 60-minute interactive teleconferences facilitated by Bill Bachrach, held twice per month
- full-day workshops on business practices and interpersonal skills.





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Research has shown that the more integrated the learning approach and the more robust the reinforcement of implementation of the desired behaviors, the more likely the sought-after results will be achieved.

Results from the real world

BAI studied the results of advisor-clients who participate in BAI’s “Being Done” study group. This is a group of advisors who enroll in a year-long reinforcement program consisting of bi-weekly conference calls, daily activity reporting, and bi-weekly, individual accountability coaching calls.

These participants are voluntarily held to a very high level of accountability. The group is labeled with the phrase “being done” to illustrate an important component whereby participants choose a specific target date when they no longer have to acquire new clients; the annual, predictable, recurring revenue meets all their financial needs; and they have the time to deliver the quality of service that will establish intense client loyalty.

Participants only serve clients who fit their ideal client profile (those who have the economic and personality characteristics that a participant most appreciates and enjoys serving) and only once they are “done” with promotional activities. The date at which this is achieved is known in BAI’s vernacular as the being done date.

To discern the effects of implementing VBFP and to learn how else BAI could continue to improve their offerings, the organization reviewed one full year of data from group participants. Each member of the study group independently entered multiple data points in a daily report submitted

to BAI Monday thru Friday, via email for weekly and annual compilation.

In these reports, participants share the number of client appointments (of several types) that were scheduled and kept, the number of phone calls made and appointments scheduled and kept with referrals, and the number of supportive activities completed to engage referrals. They also report their current ideal client counts.

BAI selected these data points because a previous analysis with a very small sample indicated they are the best predictors of progress and success. The information is compiled each day, and from it, BAI extrapolated the data prompting this report. The extreme high and low results were excluded to get a more realistic picture.

Demographic information (both current and historical) and progress measures, including participants’ desired annual income and being done date, were also added. BAI also asked them to reveal their desired predictable, minimum annually recurring revenue (PMARR) per client—an indicator of the type of clients they choose to serve. A higher PMARR indicates a higher annual fee for service and, likely, more affluent clients. The averages of those data came out as follows:

- desired annual income: \$403,000
- being done date: November 15, 2012
- PMARR: \$3,860 per client.

BAI then calculated the number of clients that participants would need to serve to achieve the desired income. Dividing the income desired by the PMARR per client, an advisor needs 105 clients to achieve that annual income. (This equation varies, of course, depending upon the desired annual income, how many clients an advisor wishes to serve, the expenses the advisor incurs, and the desired predictable annual revenue. BAI saw client communities as small as 50 and as large as 225, with most advisors choosing 100 to 125.)

Measurement

To calculate the ROI throughout the life of the business for this example,

TABLE 1 | Results of four-year college investment compared with VBFP.

	Initial Investment	ROI	Payback Period <i>(in months)</i>	IRR
College	\$107,300	937%	95	19.4%
VBFP	\$108,000	3,381%	7	499.7%

TABLE 2 | Results of the 14-year timetable.

Years Implementing VBFP	Initial Investment	ROI	Payback Period <i>(in months)</i>	IRR
9	\$108,000	2,477%	12	214%
4.5	\$108,000	3,381%	7	499.7%

we completed a very conservative projection, with a sale date of the business in November 2017, in 9.5 years (five years after reaching the BDD). Note that the revenue listed is only what was generated from implementing VBFP—nothing from the current business revenues at the time of engaging in VBFP.

Multiplying 105 clients by \$3,860 over 9.5 years (114 months) reveals that the business would generate \$3.7 million, or \$2.9 million plus \$808,000 from the sale of the business. (That \$808,000 comes from multiplying the annual income [roughly \$404,000] times 2, a conservative way to estimate the value of a business for sale.)

During those 9.5 years, the advisor would have invested a total of a little over \$108,000 in BAI’s programs, resources, and services, plus incidental costs (such as travel to programs and referral resources) as part of implementing VBFP.

Based on research conducted in 2006 on the ROI of investing just over \$107,000 in a four-year college education, one can expect to earn approximately \$1.1 million more than a high school graduate can throughout the course of a 40-year career.

Compare that result to the VBFP results. An investment of virtually that same amount—a little more than \$108,000—and a payoff of almost \$3.8 million in 9.5 years versus 40 years. Calculated in percent, the ROI is more than 3,000 percent. See Table 1, and

bear in mind some additional pieces of data:

- the payback period is 7 months
- internal rate of return (IRR) is 499.7 percent
- positive cash flow begins after 4 months.

BAI reworked the numbers for a 14-year period of staying in the business, doubling the length to the being done date (from 4.5 years to 9 years), not the length of staying in business once that date was achieved (5 additional years). The following factors did not change in this second example:

- desired income
- PMARR
- number of ideal clients needed
- sale of the business five years after reaching the being done date.

Both the total investments and the revenue increase in accordance with this longer timetable. Table 2 indicates the results of the 14-year timetable, with additional data as follows:

- payback period is 12 months
- 2,477 percent ROI
- IRR is 214 percent
- cash flow turns positive in month 7.

Back to the bottom line

This is a compelling case for an advisor (or a company that employs financial advisors) to consider implementing VBFP as a means to succeed in this profession. Here are the caveats:

- The advisors in BAI’s sample group are committed to implementing VBFP and only VBFP in

their practices. They invest in few, if any, other training programs for client acquisition and client services. The design of BAI’s professional development resources, however, is replicable, and the data indicates its efficacy.

- The group participates in nearly every program, invests in the recommended resources, and consistently uses most of BAI’s services.
- For the most part, the best results are achieved by participants who take advantage of accountability coaching every week, either in a group or individually, and they follow the guidance and advice offered by their accountability coach (professional consultants within BAI who are assigned to assist advisors in making constant progress toward achieving their goals). These accountability coaches are an integral and substantial part of the entire set of resources.

Research has shown that the more integrated the learning approach and the more robust the reinforcement of implementation of the desired behaviors, the more likely the sought-after results will be achieved, as BAI’s data has verified. Based on the results, BAI has concluded that the design and implementation of its professional development programs were directly responsible for monetary results, meeting Level 5 on the Kirkpatrick standard of measure.

In an economy where every dollar spent is scrutinized for earning potential, the learning professional is well served to refer to BAI’s results to justify this type of comprehensive design and deployment in her own proposals and budgets. **T+D**

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