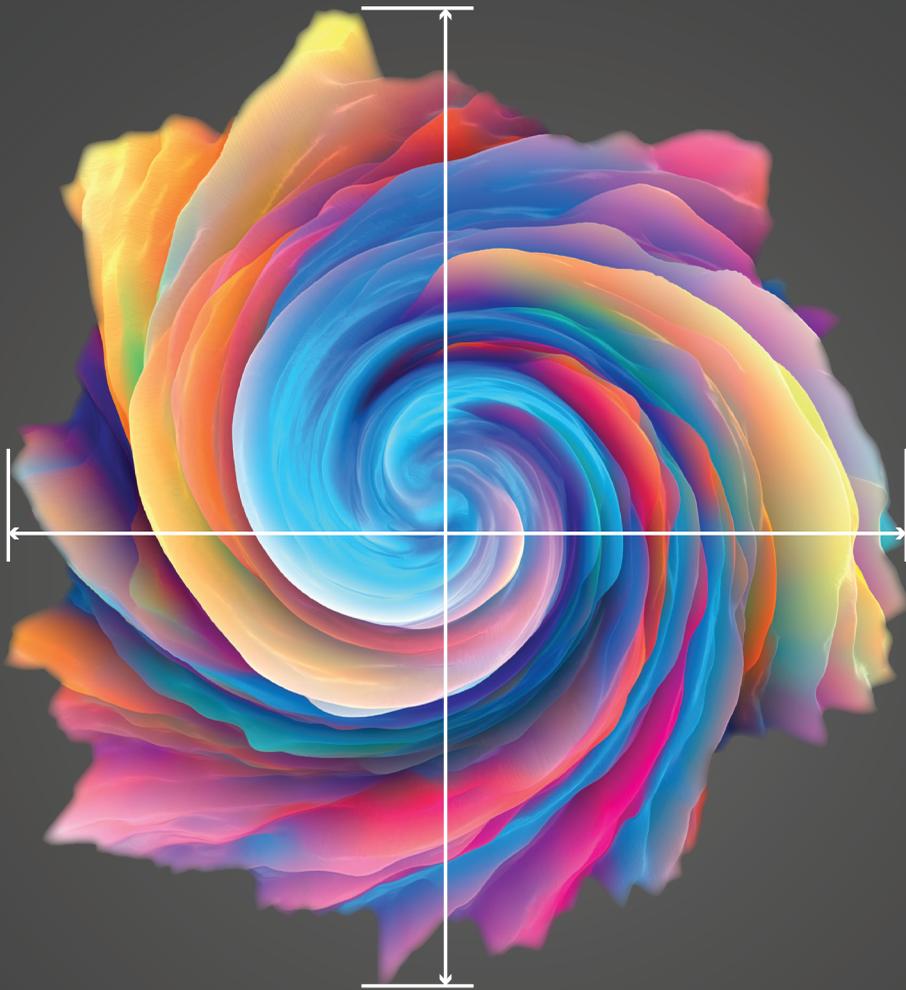


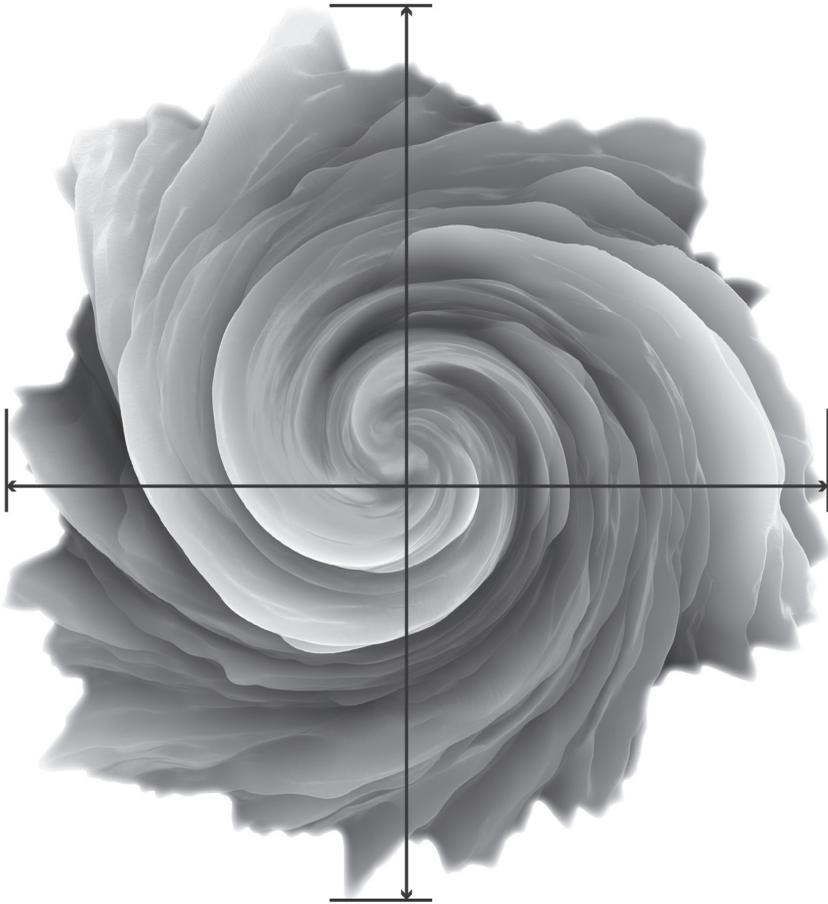
Patricia Pulliam Phillips, PhD + Jack J. Phillips, PhD + Rebecca Ray, PhD



PROVING THE VALUE OF SOFT SKILLS

measuring impact and calculating roi

Patricia Pulliam Phillips, PhD + Jack J. Phillips, PhD + Rebecca Ray, PhD



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ATD Press
1640 King Street
Alexandria, VA 22314 USA

Ordering information: Books published by ATD Press can be purchased by visiting ATD's website at td.org/books or by calling 800.628.2783 or 703.683.8100.

Library of Congress Control Number: 2020939926

ISBN-10: 1-950496-63-5
ISBN-13: 978-1-950496-63-1
e-ISBN: 978-1-950496-64-8

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Printed by BR Printers, San Jose, CA

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Preface

THE DILEMMA

When we speak at conferences or conduct workshops, we ask the audience whether the statement, “Top executives view hard skills as more important than soft skills,” is true or false. Although it varies, the average response is around 80 percent true.

If executives perceive an activity as a cost, then they will want to control it, eliminate it, pause it, or reduce it. However, if executives perceive the activity as an investment, they are more willing to protect it, enhance it, or increase it, which allows you to have more influence, enjoy better support, build better business partnerships, and, yes, protect the budget.

Ironically, most executives will admit that soft skills programs create the most admired, sustainable, and innovative organizations—the great places to work. Soft skills are critical and often an executive’s top concern regarding the capability of their employees. But, as we write this book, we see soft skills programs facing many challenges. The problem is that most executives aren’t shown the value of the soft skills programs in the terms they appreciate and understand.

The challenge is to evaluate key soft skills programs at the impact and maybe even the ROI levels. Major programs in leadership development, communications, engagement, team building, empowerment, culture, and change management need this accountability. Some learning professionals are reluctant to go down this path because they are concerned that soft skills programs do not deliver a positive ROI. This misconception plays right into the hands of the executives who must control costs and are not sure of the value. However, you can show the ROI of these programs, and the odds are high that the value is greater for soft skills programs than for hard skills programs. We have seen this to be true in hundreds of studies in both areas in our database.

THE APPROACH

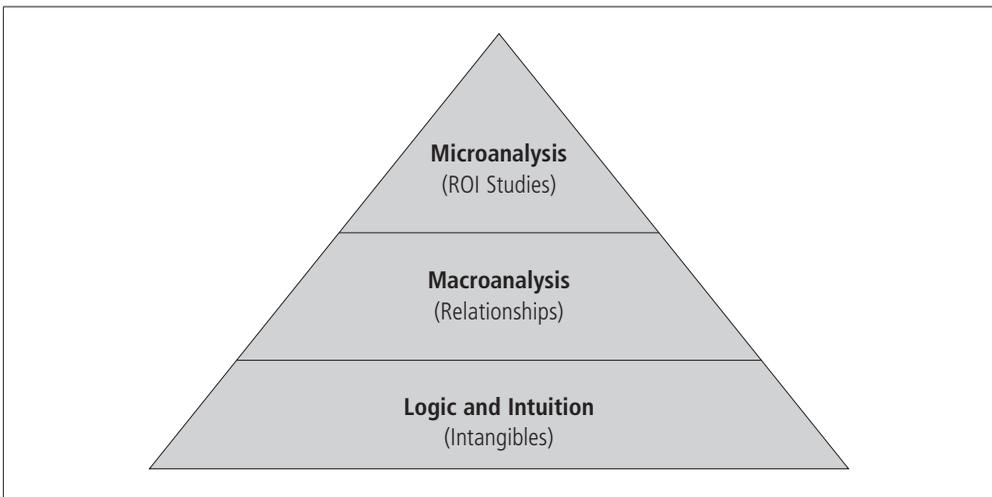
With resources being scarce, every expenditure needs to be evaluated to determine its value. Soft skills programs have grown more expensive, and the cost of travel and taking employees away from their jobs only adds to the total cost of the process. Consequently, program value should be clearly understood.

Concerning investment in soft skills programs, we’ve explored three basic bodies of work, as depicted in Figure P-1. At the base of the pyramid are logic and intuition. These are often referred to as the intangibles—necessary soft skills that can be developed and even changed radically within organizations. Logically and intuitively, soft

skills programs are an essential investment an organization to be successful. For example, executives at a large technology company invest in teambuilding because they want the work to be performed by teams.

Some executives want to see more, which leads to macro studies. These studies examine the relationship between variables; for example, the correlation between investing in people and subsequent outcomes in terms of profitability and productivity, customer satisfaction, and employee turnover. Studies involving soft skills programs typically show that investment in this area will probably reap benefits across the organization. For example, a home furnishing company invests in employee engagement because it correlates with sales growth, customer satisfaction, and retention.

FIGURE P-1. ANALYSIS OF SOFT SKILLS PROGRAM INVESTMENTS



Still, many executives want to know about the payoff of a specific internal program, even those initiated by them. They also want to know which methods are most effective and which model or theory works best, which means they need to conduct an evaluation on a program-by-program basis. This leads us to the third level—the ROI analysis, which is a micro-level assessment. For example, a large banking organization is interested in the ROI of an enterprise manager program involving 20,000 participants.

This book does not focus on logic and intuition or macro analysis; other books do that quite well. What makes this book unique is that it details how to show the value of a soft skills program using a microanalysis approach. When every program is evaluated at some level, organizations can see a snapshot of the entire learning and talent development function's performance.

WHAT THIS BOOK PROVIDES

This book presents the ROI Methodology, which is the most-used evaluation system in the world. It is ideally suited for evaluating soft skills programs because it collects up to six types of data, representing five levels of outcomes, to show program success:

- **Level 1.** Reaction to the soft skills program.
- **Level 2.** Learning the skills and behaviors needed for success.
- **Level 3.** Application of skills and competencies.
- **Level 4.** Impact related to the application of soft skills competencies.
- **Level 5.** Financial return on investment, showing cost versus benefits.
- **Intangible benefits** connected to the program.

Intangibles are the impact measures not converted to money. In today's climate, the funders, supporters, and sponsors of major soft skills programs need business impact and ROI data, but they may also be interested in the intangibles.

Proving the Value of Soft Skills offers a results-based approach. It uses design thinking to advocate processes and steps to design for, deliver, measure, and show the results of soft skills programs. The focus on designing for business results almost guarantees a positive ROI. This book also provides practical tools talent development managers and specialists can use to show the value of soft skills programs. The process moves from evaluation planning to data collection, where data is collected at four levels (reaction, learning, application, and impact). The analysis is next. In this step, the effects of the soft skills program must be sorted out from other influences and the impact data is converted to monetary value. The total costs of the soft skills program are tabulated, and these costs are compared with the monetary benefits to calculate the ROI. Along the way, the process incorporates conservative standards. Following this prescribed methodology ensures that soft skills programs deliver the desired business value.

The first part of the book offers a how-to reference for the ROI Methodology. Part II presents seven detailed case studies that show how to measure and evaluate soft skill programs and initiatives. The real-life case studies in this book show what is being measured, how it is being measured, how the data is used to improve soft skills programs, and how funding is being secured for future programs.

UNIQUE VANTAGE POINT

All three of the authors tackle this subject from a unique vantage point. At ROI Institute, Patti and Jack have taught more than 40,000 professionals and managers how to measure the ROI for their programs, many of which focused on soft skills. More than 15,000 people have participated in ROI Certification and at least 6,000 have completed an ROI study, which gets reviewed and approved by ROI Institute as part of the Certified ROI Professional (CRP) designation. Additionally, through their consulting work, Patti and Jack have independently conducted hundreds of ROI studies; about a third of these studies involved soft skills programs. Through these efforts, they have

seen what makes soft skills programs successful and what causes them to fail to deliver the desired business success.

Rebecca Ray, on the other hand, has put soft skills programs into practice and made them work in well-known organizations. Although she has taught programs at Oxford and New York University and provided consulting for major firms, she has spent most of her time as the senior executive responsible for talent management in organizations. In this role, she has successfully implemented hundreds of soft skills programs, making improvements along the way. Rebecca has also made extraordinary efforts to ensure those programs delivered the success the executives needed to see.

Together, we bring you a wealth of insight into how to show the value of soft skills. We also tapped other experts to share their input through the case studies.

ACKNOWLEDGMENTS

We wish to acknowledge all the great clients we've worked with over the years who have helped revise, refine, and implement the ROI Methodology. In our ROI Certification, we've been fortunate to see the evaluation of many soft skills programs, taken to the impact and ROI levels. Our success has been built on the work of many others who use the methodology and collaborate with us to make our standards acceptable, realistic, and usable. To name these pioneers would not be practical; some of the best organizations in the world have used the ROI Methodology. More than two-thirds of the Fortune 500 companies, more than 25 central governments around the world, and many nonprofit organizations use this process to show the value of their programs. We owe a huge debt of gratitude to these clients for endorsing this methodology and making it much better.

From Patti and Jack

We are pleased to partner with one of the best talent development executives in the world to produce this book. Rebecca Ray has implemented hundreds of soft skills programs during her career. She understands the value of soft skills programs and the success they bring. We are grateful for her input and willingness to join us for this important contribution.

We also want to thank our entire staff at ROI Institute for enduring the challenges, stresses, and strains of a flourishing global business. We greatly appreciate the efforts of Hope Nicholas, director of publications at ROI Institute, who became the driving force behind this book. Hope has been part of our institute for many years, and we value her continuing contributions.

From Patti

Jack's constant effort to drive ROI is why the concept has reached ubiquity in disciplines that disregarded it in the past. He is the reason that marketing pieces allude to ROI; why practitioners and their functions are lauded for their efforts to demonstrate ROI; and

why measurement, evaluation, ROI, and accountability are the norms, not novelties. Jack is my inspiration, my husband, and above all else, my friend. Because he laid the groundwork, I, along with many others, have a platform on which to stand and be heard. All I can say is, thank you, Jack, for all you have done and all that you do.

From Jack

Thanks to Patti for being the driving force for ROI Institute. She is a tenacious consultant and outstanding researcher, a keynote presenter with a strong message, and one of the best writers I know. Her facilitation sets the example for all our global facilitators. Above all, she's my best friend, a lovely spouse, and curious explorer. Thanks for all you do for everyone—family, friends, and professional colleagues.

From Rebecca

I remain deeply appreciative of the opportunity to continue the important discussion about the role of analytics in any conversation, this time about the value of soft skills. Few succeed without mastery of the skills that make us decent human beings and leaders; my hope is that this book helps others articulate the impact of investment in this area to their stakeholders. One of my greatest professional pleasures is to partner with Jack and Patti—their insights make me smarter, their ability to inspire thousands to tackle and master a sometimes daunting challenge is humbling, and their generosity of spirit is boundless. I am very fortunate. How often does one get an opportunity to learn from legends? And, finally, I wish to thank my muse.

PART I

The ROI Methodology:
A Credible Approach to Evaluating
Soft Skills Programs

1

The Soft Skills Challenge

SEVEN HABITS IN THE SCHOOL SYSTEM

Stephen R. Covey's book *The 7 Habits of Highly Effective People* became one of the most important, influential, and bestselling books in history with more than 20 million copies sold (Covey 1989). This book is based on research that defines the journey to effectiveness in seven easy-to-understand habits:

1. Be proactive.
2. Begin with the end in mind.
3. Put first things first.
4. Think win-win.
5. Seek first to understand, then to be understood.
6. Synergize.
7. Sharpen the saw.

Covey built a business around the book to support the implementation of the seven habits, and, eventually, the company evolved into the FranklinCovey Company. Although Covey expected widespread adoption of the seven habits, he was surprised by how many school systems began adopting them and teaching them to schoolchildren. The process had been adapted for schools as illustrated by Muriel Summers, principal at A.B. Combs Elementary School, the first school to use the seven habits (Covey et al. 2019). As Summers sat among business leaders, she could not help but think, "If children learned the seven habits at an early age, how different their lives might be and how different our world might be."

The following is a synopsis of the seven habits in kids' language. See if you come to the same conclusion:

- Habit 1: Be proactive. I am a responsible person. I take initiative. I choose my actions, attitudes, and moods. I do not blame others for my mistakes. I can only be offended if I choose to be.
- Habit 2: Begin with the end in mind. I plan ahead and set goals. I do things that have meaning and make a difference. I am an important part of my classroom and contribute to my school's mission and vision and look for ways to be a good citizen.

- Habit 3: Put first things first. I spend my time on things that are most important. This means I say no to things I know I should not do. I set priorities, make a schedule, and follow my plan. I am disciplined and organized.
- Habit 4: Think win-win. I balance courage for getting what I want with consideration for what others want. I make deposits in others' emotional bank accounts. When conflicts arise, I look for options that work for both sides.
- Habit 5: Seek first to understand, then to be understood. I listen to other people's ideas and feelings. I try to see things from their viewpoints. I listen to others without interrupting. I am confident in voicing my ideas. I look people in the eyes when talking.
- Habit 6: Synergize. I value other people's strengths and learn from them. I get along well with others, even people who are different than me. I work well in groups. I seek out other people's ideas to solve problems because I know that by teaming with others we can create better solutions than any one of us alone. I am humble.
- Habit 7: Sharpen the saw. I take care of my body by eating right, exercising, and getting sleep. I spend time with family and friends. I learn in lots of ways and lots of places, not just school. I take time to find meaningful ways to help others.

By 2008, about half a million schoolchildren were using the seven habits and school administrators were experiencing some important outcomes with student grades, behavior, and performance. These amazing results led to more adoptions.

At the same time, school systems faced tremendous budget strains and did not necessarily have extra money to spend on this program. Consequently, FranklinCovey decided to show them the value the program held for the school system. Ideally, the value would be translated into monetary benefits and compared to the cost of the program. In essence, they needed to show the ROI.

Several studies were conducted using the assistance of a major university. School systems that had implemented the program were compared with school systems that had not used the program. The systems were matched by type of school system, population demographics, number of students served, and other factors. The results were quite dramatic, revealing improvements in outcomes such as attendance, grades, test scores, reading levels, promotions to the next grade, student retention, incidents, counseling, and tardiness. Some of these were then converted to monetary values. Intangibles that could not credibly be converted to money were identified and reported.

The study results made the school superintendents' decision much easier. If they invested in the program, they would be getting the money back and then some. The FranklinCovey team made the business case for using the seven habits in schools by building in all the stakeholders, as shown in Figure 1-1.

FIGURE 1-1. THE SEVEN HABITS IN SCHOOLS

The Seven Habits	What Parents, Teachers, and the School Want	
Habits 1–3 (Independence) • Be proactive • Begin with the end in mind • Put first things first	• Goal setting • Planning • Time management • Organization	• Initiative • Responsibility • Vision • Integrity
Habits 4–6 (Interdependence) • Think win-win • Seek first to understand, then to be understood • Synergize	• Conflict management • Listening and empathy • Speaking skills • Problem solving • Teamwork	• Respect • Ethics and manners • Honesty • Openness • Valuing diversity
Habit 7 (The Whole Person) • Sharpen the saw (care for body, heart, mind, and spirit)	• Physical wellness • Social skills • Mental skills • Emotional stability	• Contribution and meaning • Desire to learn • Fun

An evaluation using the ROI Methodology is a great way to see value and improve support for programs that, on the surface, appear to be important but don't have the monetary connections required to make the fiscal decision in today's economic climate.

As this situation underscores, there is a need to have an evaluation system that will serve the needs of all stakeholders, including users and professional evaluators. At the same time, it must have the ability to show the value of a particular program in ways that top executives and funders can understand and assist them in making the decision to continue to invest in the future. Most evaluation models don't seem to have the capacity to do this. The model presented in the book does.

THE IMPORTANCE OF SOFT SKILLS

Few executives question the importance of effective leaders, collaborative teams, or collegial, supportive, and focused employees. Most would argue that the success of the organization is heavily dependent upon ensuring a strong organization of just such leaders, teams, and employees. However, few executives will champion the expenditure of resources to develop these critical yet often derisively labeled "soft skills." They are much more likely to champion efforts to develop financial acumen, coding, analytics, or technical skills. There is a pervasive view that hard skills (such as accounting, welding, statistical analysis, or other technical skills) are more valuable than soft skills (such as teamwork, collaboration, or empathy), and that soft skills are either inherent in one's basic nature or will naturally develop without training, support, or focused action. Some would even argue that as important as soft skills are, they are built over a lifetime and organizations cannot hope to have an impact in the short-term no matter how well designed the learning or talent development program may be. And there

are those who would argue that it is as difficult to articulate success in developing soft skills as it isn't easy to isolate the impact these efforts make.

As organizations rise to meet the challenges of digital disruption, globalization, changing customer needs and perspectives, technological innovation, demographic shifts, and shifting work arrangements, an organization's mastery of soft skills will often be the defining difference between thriving and merely surviving. As AI and automation continue to radically shift what work is done, it's the soft skills that will be in greater demand due to the need for empathy, collaboration, creativity, and a host of critical leadership and communication skills.

A variety of sources suggest the need for an increasing reliance on mastery of soft skills, even in this era of technological advancements and rapid, disruptive change (and perhaps because of those very factors).

In a recent LinkedIn report, *2019 Global Talent Trends: The 4 Trends Transforming Your Workplace*, 91 percent of the 5,000 talent professionals in 35 countries who were surveyed believed that the lack of soft skills (in descending order of ranked importance: creativity, persuasion, collaboration, adaptability, and time management) was a key trend influencing the workplace and these skills were especially important to recruiting and HR; the remaining three trends were work-flexibility (72 percent), anti-harassment (71 percent), and pay transparency (53 percent). In that same study, 92 percent said that soft skills were as, or more, important than hard skills. And 80 percent of those surveyed said that soft skills were increasingly important to the success of the organization, with 89 percent citing a lack of soft skills prevalent among bad hires at their organization (Fleming 2019).

McKinsey's research predicts that as automation transforms the skills companies need, demand for creativity will rise sharply by 2030. Demand for social and emotional skills such as leadership and managing others will rise by 24 percent to 22 percent. Demand for higher cognitive skills will grow moderately overall, but will rise sharply for some of these skills, especially creativity (Bughin et al. 2018).

The World Economic Forum's *The Future of Jobs Report 2018* argues not only for significant reskilling and upskilling of employees but also a growing need for soft skills. By 2022, no less than 54 percent of all employees will require significant re- and upskilling. Soft skills such as creativity, originality, initiative, critical thinking, persuasion, and negotiation will likewise retain or increase their value, as will attention to detail, resilience, flexibility, and complex problem-solving. Emotional intelligence, leadership, social influence, and service orientation will likely also see an outsized increase in demand relative to their current prominence.

In *Job Outlook 2018*, a report from the National Association of Colleges and Employers (2017), the "ability to work in a team" was the top skill employers wanted from new college graduates. Other soft skills that were highly desired included written and verbal communication skills and problem-solving skills, which were ranked higher than analytical/quantitative skills or technical skills.

Business leaders agree. Google’s often-cited internal study regarding the qualities of its top managers, *Project Oxygen*, found that its most effective managers demonstrated eight key behaviors—seven soft skills and one technical skill (Garvin 2013). The report stated that a good manager:

- is a good coach
- empowers the team and does not micromanage
- expresses interest in and concern for team members’ success and personal well-being
- is productive and results-oriented
- is a good communicator—listens and shares information
- helps with career development
- has a clear vision and strategy for the team
- has key technical skills that help them advise the team.

Billionaire entrepreneurs Bill Gates, Richard Branson, and Warren Buffett were the focus of a recent *Inc.* article on the importance of soft skills. “Communication makes the world go ’round,” Branson said. “It facilitates human connections and allows us to learn, grow, and progress. It’s not just about speaking or reading but understanding what is being said—and in some cases what is not being said. Communication is the most important skill any leader can possess” (Schwantes 2017). In that same piece, Buffet is quoted as giving this advice to an MBA student: “At your age the best way you can improve yourself is to learn to communicate better. Your results in life will be magnified if you can communicate them better. The only diploma I hang in my office is the communications diploma I got from Dale Carnegie in 1952. . . . Without good communication skills you won’t be able to convince people to follow you even though you see over the mountain and they don’t.”

We are witnessing a growing alignment between business leaders and human capital professionals as to the importance of soft skills both now and in the future. The ability to fulfill on the promise of technological advances will be dependent upon those who have a mastery of interpersonal skills and leadership capabilities.

It is our view that soft skills are among the most critically important in any organization, that efforts to articulate their impact can and should be done, and that a proven methodology exists to help practitioners determine the impact of efforts to develop soft skills in their organizations to shift the hearts and minds of stakeholders and secure support for future efforts. Hence, the rationale for this book.

Soft Skills History

Since the beginning of time, people have been trained in the areas of both occupational and personal development. For example, the hard skills training apprentices received from the master craftsmen of the guilds of the Middle Ages; the sewing circle training for daughters of wealthy families; or the soft skills training through traditions, myths,

and sermons. We continue to see training occur for a broad range of skills across the spectrum of approaches, beginning with formal education, certification for technical skills, corporate development programs, military boot camps, executive education programs, and coaching and mentoring programs, to name a few.

When did the term *soft skills* first come into the lexicon? The first articulation appeared in a U.S. Army document from 1968 called “Regulation No 350-100-1: Systems Engineering of Training (Course Design).” This regulation focused on training military personnel to do key tasks in the modern military. It sparked further thinking and, in December 1972, the U.S. Army’s Continental Army Command held a CONARC Soft Skills Training Conference, to further explore the area. The conference marked the first use of the term *soft skills* when Paul G. Whitmore delivered two papers: “What Are Soft Skills?” and “The Behavioral Model as a Tool for Analyzing Soft Skills.” The papers delineated the difference between hard skills and soft skills and created a framework for use. In them, Whitmore made the distinction between a “machine operator” and a “people operator,” defining soft skills as:

A tentative definition of soft skills might be formulated as follows: Soft-skills are (1) important job-related skills (2) which involve little or no interaction with machines (including standardized because the situation or context contains a great deal of uncertainty; that is, we don’t know much about the physical and social environments in which the skill occurs and we don’t know much about the consequences of different ways of accomplishing the job function. In other words, those job junctions about which we know a good deal are hard skills and those about which we know very little are soft skills. (Haines and Hunt 1972).

TYPES OF SOFT SKILLS

In our profession, there is no set list (or definition) of soft skills that everyone embraces, but there are a few that are commonly found in any discussion of soft skills or, more broadly, competencies.

Definition

For the purposes of this book, we will think of soft skills as a subset of the overall competencies (a cluster of related behaviors) necessary for success either as an individual contributor or as a leader. More precisely, the way we think of skills needed in the workplace today centers on two distinct groups:

- Hard skills are technical, profession specific, or job related (the “what”).
- Soft skills are transferable, personal, and interpersonal related (the “how”).

We need to make a distinction between character traits—such as integrity, kindness, generosity, and loyalty—which are innate and not usually developed through

learning programs. Once that happens, hard and soft skills *can* be learned and enhanced through learning and talent development.

Types of Skills

One of the best-known sets of competencies is that of Lominger, now part of Korn Ferry, which was developed in 1991 by Michael M. Lombardo, former director of leadership development research at the Center for Creative Leadership, and Robert W. Eichinger, former practitioner at PepsiCo and Pillsbury. Their original Leadership Architect Competency Library of 30 factors, clusters, and competencies at the individual contributor, manager, and executive levels forms the basis for a framework to support a wide range of talent-related processes and programs. The original library has since been revised and is now called the Korn Ferry Leadership Architect; it forms the basis of any integrated talent management system (Figure 1-2).

FIGURE 1-2. KORN FERRY LEADERSHIP ARCHITECT LIBRARY

Factor I: Thought	Factor II: Results	Factor III: People	Factor IV: Self
Understanding the Business 5. Business Insight 11. Customer Focus 17. Financial Acumen 35. Tech Savvy	Taking Initiative 2. Action Oriented 27. Resourcefulness	Building Collaborative Relationships 6. Collaborates 9. Manages Conflict 20. Interpersonal Savvy 21. Builds Networks	Being Authentic 10. Courage 36. Instills Trust
Making Complex Decisions 8. Manages Complexity 12. Decision Quality 32. Balances Stakeholders	Managing Execution 15. Directs Work 25. Plans and Aligns 38. Optimizes Work Processes	Optimizing Diverse Talent 4. Attracts Top Talent 13. Develops Talent 14. Values Differences 34. Builds Effective Teams	Being Open 29. Demonstrates Self-Awareness 30. Self-Development
Creating the New and Different 18. Global Perspective 19. Cultivates Innovation 33. Strategic Mindset	Focusing on Performance 1. Ensures Accountability 28. Drives Results	Influencing People 7. Communicates Effectively 16. Drives Engagement 23. Organizational Savvy 24. Persuades 37. Drives Vision and Purpose	Being Flexible and Adaptive 3. Manages Ambiguity 22. Nimble Learning 26. Being Resilient 31. Situational Adaptability

Adapted and used with permission from Korn Ferry.

There are many competency models (commercially available as well as internally developed by organizations) and all have been created or selected to enhance the human capital–related initiatives at an organization, taking into account the culture and values of the organization as well as the readiness of its people for adoption of a framework that will permeate all people-related processes. While the actual competencies an organization uses may be defined somewhat differently, most sets of

competencies will look familiar to anyone who has studied the Leadership Architect Library.

OUTLOOK FOR SOFT SKILLS

Even in this age of digital disruption, many traditional soft skills will be even more critical to acquire. For example, *Global Leadership Forecast 2018*, a study completed by DDI, EY, and The Conference Board, discussed leadership capabilities that will be important for success in the digital era (Dettmann et al. 2018). As might be expected, digital literacy was a key soft skill but so were driving execution, inspiration, adaptability, empathy, and identifying and developing future talent (see Figure 1-3).

FIGURE 1-3. KEY DIGITAL-ERA LEADERSHIP CAPABILITIES

There are five key leadership capabilities in the digital era:

- **Drive** digital by leveraging technology to modernize business strategy and operations.
- **Navigate** a complex digital landscape by embracing disruption with clarity of purpose and resilience.
- **Connect** people and possibilities in an increasingly dispersed and ecosystem-driven working world.
- **Relate** to others on a human level by balancing people and technology, and lead with true empathy and inclusivity.
- **Think differently**, focusing on holistic situational understanding and seeking creative and innovative possibilities.

Adapted with permission from DDI, The Conference Board, and EYGM (Dettmann et al. 2018).

Soft Skills and AI

There's no question that automation and AI will radically reshape the workplace and the skills workers will need; to some degree, it is already happening in nearly every occupation. However, rather than predicting a diminished importance for soft skills from leaders and managers, McKinsey's research finds that the need for finely tuned social and emotional skills will rapidly grow. Accompanying the adoption of advanced technologies into the workplace will be an increase in the need for workers with finely tuned social and emotional skills—skills that machines are a long way from mastering. In aggregate, between 2016 and 2030, demand for social and emotional skills will grow across all industries by 26 percent in the United States and 22 percent in Europe. While some of these skills, such as empathy, are innate, others, such as advanced communication, can be honed and taught. The rise in demand for entrepreneurship and initiative taking will be the fastest growing in this category, with a 33 percent increase in the United States and a 32 percent rise in Europe. The need for leadership and managing others will also grow (Arellano et al. 2018).

Further, this same research points to the increase in social and emotional skills across five industry sectors (healthcare, manufacturing, retail, banking and insurance, and energy and mining), citing a growing demand for customer interaction and management skills for those in banking and insurance; advanced communication and

negotiation, leadership, management, and adaptability skills for those in manufacturing; and customer service and management skills for those in retail.

Critical Soft Skills

As the workplace evolves to reflect the changing needs of today's workers, soft skills learning programs are expanding to include mindfulness, work-life balance (or more accurately, work-life integration), unconscious bias, and mental health and well-being. An expert in this field, Bruce Tugan (2012) believes that there are 12 critical soft skills:

- **Self-evaluation.** Assessing your own thoughts, words, and actions against clear meaningful standards. Also assessing your performance against specific goals, timelines, guidelines, and parameters.
- **Personal responsibility.** Staying focused on what you can control directly—principally yourself—and controlling your responses in the face of factors outside your control.
- **Positive attitude.** Maintaining and conveying a positive, generous, and enthusiastic demeanor in your expressions, gestures, words, and tone.
- **Good work habits.** Maintaining wellness, self-presentation, timeliness, organization, productivity, quality, follow through, and initiative.
- **People skills.** Listening, observing, and reading; perceiving and empathizing; effective use of words, tone, expressions, and gestures (verbal, written, and otherwise); one-on-one and in groups; and in person and remotely.
- **Proactive learning.** Keeping an open mind, suspending judgment, questioning assumptions, and seeking out information, techniques, and perspective. Also, studying, practicing, and contemplating information and skills to build your stored knowledge base, skill set, and wisdom.
- **Problem solving.** Mastering established best practices as a way to avoid reinventing the wheel. Using repeatable solutions to improvise when addressing decisions that are new but similar.
- **Decision making.** Identifying and considering multiple options, assessing the pros and cons of each and choosing the course of action closest to the desired outcome.
- **Respect for context.** Reading and adapting to the existing structure, rules, customs, and leadership in an unfamiliar situation.
- **Citizenship.** Accepting, embracing, and observing not just the rights and rewards but also the duties of membership, belonging, and participation in a defined group with its own structure, rules, customs, and leadership.
- **Service.** Approaching relationships in terms of what you have to offer—respect, commitment, hard work, creativity, and sacrifice—rather than what you need or want.

- **Teamwork.** Playing whatever role is needed to support the larger mission, including coordinating, cooperating, and collaborating with others in pursuit of a shared goal, and supporting and celebrating the success of others.

WHY NOW?

During the past decade, a variety of forces have driven additional focus on measuring the impact of soft skills programs, including the financial contribution and ROI. These forces include program failures, budgets and costs, measurement beyond the impact level, evidence-based management, benchmarking limitations, and executive appetite for monetary value. All told, they have challenged the old ways of defining program success.

Program Failures

The opening story in chapter 3 highlights a major failure—Scotland Yard “wasted” £10 million on leadership training. When the indirect costs of the program are included, that number reaches about \$30 million U.S. dollars, which is a devastating blow. Almost every organization encounters unsuccessful projects—projects that go astray, cost far too much, and fail to deliver on promises. Project disasters occur in business organizations as well as in government, NGOs, and nonprofit organizations. Some are legendary, while others are swept into closets and covered up; but they are there, and the numbers are far too large to tolerate (Bogdanich and Forsyth 2018). The endless string of failures has generated increased concerns about measuring program success—before, during, and after implementation.

Budgets and Costs

In times of uncertainty, budgets are scrutinized and reduced. The key is to keep as much of the budget as possible or increase it in the face of uncertainty. To do this, you need to show the value of your programs using credible data. The challenge for us is to create the conditions under which this is possible. This is the most urgent task of our time.

The costs of projects and programs continue to grow, and as costs rise, the project budgets become targets for others who would like to have that money for their own projects. What was once considered a mere cost of doing business should now be considered an investment, and one that is wisely allocated.

Measurement at the Impact Level Is No Longer Optional

A consistent and persistent trend in accountability is evident in organizations around the globe: Almost every function, process, project, or initiative is judged based on higher standards than in the past. Some functions attempt to show their worth by capturing and demonstrating the value they add to the organization. They compete for funds; therefore, they have to show value. For example, the TD function must show

its value in monetary terms to compete with mainstream processes, such as sales and production, which have shown their value in direct monetary terms for more than a century.

Sponsors need to know whether programs are really producing change or just trying to change. “I don’t know” becomes an expensive proposition when people are attaching economic value to actual results. Organizations will no longer be able to duck the measurement question by citing the complexity of their work.

Evidence-Based or Fact-Based Management

Recently there has been an important trend toward fact-based or evidence-based management. Although many key decisions have been made using instinctive input and gut feelings, more managers are now using sophisticated, detailed processes to show value. Smart decisions must be based on more than gut feelings, and by using a comprehensive set of measures—including financial ROI—it’s possible to make better decisions regarding people, projects, and processes.

When taken seriously, evidence-based management can change how every manager thinks and acts. It is a way of seeing the world and thinking about the craft of management. Evidence-based management proceeds from the premise that leaders can do their job better by using better, deeper logic and facts to the extent possible. This idea is based on the belief that facing the hard facts about what works and what doesn’t and understanding and rejecting the total nonsense that often passes for sound advice, will help organizations perform better (Pfeffer and Sutton 2006). Fortunately, the move to fact-based management makes expanding measurement to include ROI easier.

Benchmarking Limitations

Executives and managers are obsessed with benchmarking; they want to use it to compare every type of process, function, and activity. Unfortunately, benchmarking has its limitations. First, the concept of best practices can be an elusive issue. Not all participants in a benchmarking project or report necessarily represent the best practices. In fact, they may represent the opposite, because benchmarking studies usually involve organizations that are willing to pay to participate. Second, the measures could be the wrong measures—what is needed by one organization may not always be needed by another. A specific benchmarked measure or process may be limited in its actual use. For example, attempting to benchmark impact measures that are normally connected to soft skills, which some have attempted, is usually a fruitless exercise. Those measures vary based on the programs, individuals, and organization, among other factors.

Finally, benchmarking data are often devoid of financial aspects, reflecting few, if any, measures of the actual financial contributions with ROI values. Therefore, managers have asked for more specific internal processes that can show these important measures.

The Executive Appetite for Monetary Value

Showing the value of organizational programs is receiving increased interest in the executive suite. Top managers who watch as budgets grow without appropriate accountability measures are frustrated, and they are responding to the situation by turning to ROI. Top executives now demand ROI calculations and monetary contributions from programs and services where they were not previously required. For years, managers and department heads convinced executives that soft skills could not be measured and the value of these programs should be taken on faith. Unfortunately, executives no longer buy that argument; they demand the same accountability from these functions as they do from the sales and production areas of the organization. These major forces are requiring organizations to shift their measurement processes to include the financial impact and ROI.

SOFT SKILLS: ONE FIX FOR ALL THAT'S WRONG?

Over the past few years, the U.S. economy has benefited from historically low employment, brisk spending, an aggressive tax stimulus, and technological advancements. This combination of factors has produced growth rates in the 3 percent range. That's not bad, considering many economies are challenged around the world, but it is not an historic high. For nearly 30 years, economists have been trying to map a path back to the days of 7 percent growth. So far, the only point they agree on is that we must be doing something wrong (Walker 2019). Could the problem be a lack of expertise in the soft skills area, such as uninspiring managers, unfulfilling work, active disengagement, a negative culture, or unsupportive teams?

Five years ago, the Gallup organization began one of the most ambitious research endeavors it has ever conducted: an analysis of the future of work based on a decade of input from nearly 2 million employees and more than 300,000 business units. The results revealed something Gallup had seen before: An organization's productivity depends, to a high degree, on the quality of its managers. The research showed that managers didn't just influence the results their teams achieved; they could be attributed to a full 70 percent of the variance. Essentially, if you desire a superior team, hiring the right manager is nearly three-quarters of the battle (Clifton and Harter 2019). No other single factor, from compensation levels to the perception of senior leadership, even came close.

Gallup's best metric for rating business teams is engagement, or a belief among employees that they're doing meaningful work in a climate that supports personal growth. While employee engagement in the United States is improving, still only a third of employees are highly engaged. But Gallup found that figure could be 68 percent or more in successful businesses. This isn't surprising given that many companies have started measuring engagement and tinkering with programs and initiatives to increase their scores. Gallup and others have shown that highly engaged teams have significantly lower turnover, higher productivity, lower accident rates, higher sales,

improved quality, better customer satisfaction, and, more recently, increased innovation (Phillips, Phillips, and Ray 2016).

Nearly 20 years ago, when Gallup began asking people to order their priorities, the respondents ranked family, having children, owning a home, and living in peace above having a good job. Today, Gallup found that having a rewarding job ranked first with respondents. Essentially, having a great job now means having a great life. Thus, some portion of the large number of respondents feeling disengaged at work are experiencing an inspiration gap. While many jobs have stayed the same, the expectations we bring to them each day have changed.

A shortage of good jobs and inspiring bosses might explain, in theory, why some organizations struggle to recruit and retain purpose-driven Millennial talent. This could also explain why amazing perks don't always influence engagement. It's also possible that this inspiration gap may explain America's stagnant level of worker productivity and why the economic growth rate isn't better.

One questionable tradition is the persistent practice of promoting superstars into management roles. The growing body of evidence suggests there is little correlation between an employee's isolated skill level and their leadership ability. With that, an organization's quiet, selfless, average performer often would be a better choice for the role. Gallup advises organizations to seek out managers who infect their teams with a sense of purpose and function more like coaches than conventional top-down bosses (Walker 2019).

Finally, there's the challenge of culture. It's one thing for organizations to embrace a set of values and impose a culture of positive engagement. But for most workers, the real company they work for is the team they're on. Making a positive culture stick involves retaining middle managers who will transfer this positive culture to their teams.

The answer to these concerns is not more science, technology, engineering, and math (STEM) skills or more compliance or operator training. It points directly to the need for a variety of traditional soft skills programs, such as leadership development, coaching, team building, communications, onboarding, empowerment, and engagement to enhance productivity and increase economic growth.

What sort of financial return can organizations anticipate from these soft skills programs? According to Gallup, the top 10 percent of organizations, ranked by engagement, posted profit gains of 26 percent through the last recession, compared with a 14 percent decline at comparable organizations.

DEVELOPING SOFT SKILLS AND ARTICULATING IMPACT

While determining impact can be a daunting task, it can be done. Look no further than to those named to *Training* magazine's annual list of exemplars in learning and talent development who are making a difference by developing employees, managers, and leaders. Each year, the "Training Top 125" winners are selected against specific

criteria; several of the awardees on the 2018 and 2019 lists were specifically highlighted for their work in developing soft skills and articulating the impact of that work:

- Sonic Automotive changed its general manager candidate training curriculum seven years ago and developed leadership training to drive its strategic goals and culture change. As a result, Doug Bryant, vice president of talent management at Sonic Automotive, said, “associate turnover was reduced to the lowest in our peer group (as low as 26 percent), and a culture change has taken place, resulting in a Customer Service Index (CSI) as high as 93 percent and an average market share increase as high as 17 percent” (Freifeld 2018).
- Dollar General Corporation focused on educating employees about the organization’s core customers through a training called Know Your Customer. When they complete the training, employees become empowered to make a difference to serve customers and ultimately live the mission of serving others. As a result, customer satisfaction scores rose 790 basis points over the year before, and total sales improved by 7.9 percent for fiscal year 2016 versus the prior year (Freifeld 2020).
- Nationwide Mutual Insurance Company has committed to the connections between associate health, productivity, and career success. The My Health journey begins with a self-assessment that creates customized learning plans. Online learning provides self-paced coaching, followed by optional face-to-face wellness coaching, curated information, and social networking with communities. My Health professionals have designed and delivered innovative learning programs focused on brain health and mindfulness (2016 and 2017, respectively). Results from the brain health program include a significant improvement in associates who were identified to have low productivity—overall productivity increased by 27 percent and relative absenteeism decreased by 18 percent, resulting in an additional 7.23 hours per week of previously missing time. Overall, the average medical cost trend was 25.6 percent lower than the financial industry benchmark (*Training* magazine 2018).

For many companies committed to articulating the impact of their work in terms of business results, similar results can be seen in terms of retention, customer satisfaction levels, market share growth, worker productivity, and managerial skills.

One notable example of impact on worker productivity comes from India. Achyuta Adhvaryu, assistant professor of business economics and public policy at the University of Michigan’s Ross School of Business, wanted to determine if the influence of soft skills training for female employees in India would improve workplace outcomes. She and several colleagues partnered with Shahi Exports—a Bengaluru-based firm that’s the single largest private employer of unskilled and semi-skilled female labor in the country—to provide learning content in a broad variety of soft skills, including

communication, time management, financial literacy, problem solving, decision making, and legal literacy. The employees enrolled in a lottery and participants were chosen at random; those who were not chosen became the control group.

“We found that despite a high overall turnover rate in the industry, more [trained] workers are retained,” Adhvaryu said. “And [trained] workers are 12 percent more productive than those who did not receive the training in soft skills.” Nine months after the program ended, Adhvaryu was able to determine a 256 percent net return on investment due to productivity gains and an increase in-person days due to retention changes even with a slight (0.5 percent) rise in wages (Guest 2017).

CHALLENGES ALONG THE WAY

The journey to increased accountability and the quest to show monetary value, including ROI, are not going unchallenged. This movement represents a tremendous cultural shift for individuals, a systemic change in processes, and often a complete rethinking of the initiation, design, development, delivery, and maintenance of processes in organizations.

Preparation and Skills

Although interest in showing the value and measuring ROI is now heightened and much progress has been made, most TD professionals don't know how to measure their soft skills programs at the impact and ROI levels. The problem often lies in the lack of preparation and skills that are needed to conduct these types of analyses. The preparation for most talent development roles lacks the required skill building. Rarely do the curricula in degree programs or the courses in a professional development program include processes and techniques to show accountability at this level. Consequently, these skills must be developed by the organization using a variety of resources.

Fear of ROI

Few topics stir up emotions to the degree that ROI does. Some TD professionals suggest that the conclusion behind the ROI value is simple: If it is negative, executives will kill the program; if it is extremely positive, they do not believe it. The potential for this response causes some to avoid the issue altogether, and thus a familiar reaction emerges: “If my project or program is not delivering value, the last thing I want to do is publish a report for my principal sponsor.”

Unfortunately, if the project is not delivering value, the sponsor probably already knows, or at least someone in the organization does. The best thing to do is to be proactive and show the program's value using a systematic, credible process. The fear of ROI can be minimized when the individuals involved understand the process, how it is designed and delivered, and the value it can bring from a positive perspective.

Time Commitment

Thorough analysis takes time. Some TD professionals and sponsors are restless and do not want to take the time to do the appropriate analyses. In a fast-paced work environment where decisions are often made quickly and with little input or data, some executives question the time and effort involved in this type of analysis. They want to know that the effort is necessary and appropriate and will ultimately pay off. When the process is implemented, the individuals involved are usually able to see that the value of the increased effort and activity far outweighs the cost of the time.

Misleading Hype

Claims abound about success and the use of data to support an idea, project, or program. When the facts are examined, however, they often reveal something completely different. For example, some use return on expectations (ROE), suggesting that this is an impact. Further analysis reveals that this is usually only reaction data. Others use social return on investment (SROI) as a substitute for ROI. Unfortunately, many times this is only intangible data that carries no financial information.

Projects and programs are evaluated in a variety of ways, and few accepted standards, rules, and processes exist with which to validate those assumptions and claims. Following a systematic process with conservative, accepted standards (such as those presented in this book) can create a credible story of program success.

Sustainability

The final challenge is sustaining such a radical shift in accountability. The implementation of the ROI Methodology must consist of more than just conducting one or two studies to show the value of the project or program. It must represent a complete change in processes so that future projects and programs focus on results. This change will require building capability, developing consistent and compelling communication, involving stakeholders, building the process into projects, creating expectations, and using data for process improvements. This is the only way to sustain any change for the long term; otherwise, it becomes a one-shot or short-term project opportunity.

QUICK SUMMARY

This opening chapter explored the concept of soft skills and made the argument for their rightful place in the world of work, both now and in the future. These critical soft skills are not simply a nice to have—they're a need to have. Determining the business impact of work in this area is key to gaining executive support and properly developing an organization's TD team to successfully execute the strategy. Their importance will only grow in the coming years despite (or perhaps because of) a rapidly transforming digital world. As with most important processes, developing an organization with employees who have mastered critical soft skills begins with alignment to the business

and ends with measuring the impact on the business in a logical, rational way. The next eight chapters outline the necessary and relevant steps to using the ROI Methodology to clearly show the impact and ROI of soft skills programs.

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About ROI Institute

ROI Institute Inc. is the leading resource on research, training, and networking for practitioners of the ROI Methodology. Founders and owners Patti P. Phillips, PhD, and Jack J. Phillips, PhD, are the leading experts in the application of ROI to learning, HR, and performance improvement programs.

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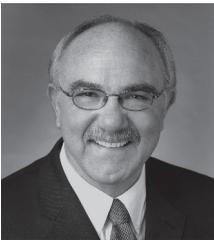
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About the Authors



Patti P. Phillips, CEO of ROI Institute, is a renowned leader in measurement and evaluation. Patti helps organizations implement the ROI Methodology in more than 70 countries around the world. Since 1997, Patti has been a driving force in the global adoption of the ROI Methodology and the use of measurement and evaluation to drive organizational change. Her work as an educator, researcher, consultant, and coach supports practitioners as they develop their own expertise to help organizations and communities thrive. Her work spans private, public, nonprofit, and nongovernmental organizations. Patti is a member of the board of trustees of the United Nations Institute for Training and Research and the International Federation of Training and Development Organizations. She is the chair of the Institute for Corporate Productivity People Analytics Board; principal research fellow for The Conference Board; board chair of the Center for Talent Reporting (CTR); and is an Association for Talent Development (ATD) Certification Institute fellow. Patti also serves on the faculty of the UN System Staff College in Turin, Italy. Patti has a PhD in international development and a master's degree in public and private management. Her work has been featured on CNBC and Euronews, and in more than a dozen business journals. She has authored a number of books on the subject of measurement, evaluation, analytics, and ROI. Patti Phillips can be reached at patti@roiinstitute.net.



Jack J. Phillips, PhD, is a world-renowned expert on accountability, measurement, and evaluation. He is also chairman of ROI Institute, through which he provides consulting services for Fortune 500 companies and workshops for major conference providers around the world. His expertise in measurement and evaluation is based on more than 27 years of corporate experience in the aerospace, textiles, metals, construction materials, and banking industries. Jack has served as a training and development manager at two Fortune 500 firms, senior HR officer at two firms, president of a regional federal savings bank, and management professor at a major state university. He has served on the boards of several private businesses, including two NASDAQ companies, and several nonprofits and associations, including the Association for Talent Development and the National Management Association. Jack is also the author or editor of more than 100 books and more than 300 articles. His work has been featured in the *Wall Street Journal*, *BusinessWeek*, and *Fortune* magazine, and he has been interviewed by several television programs, including CNN. *Meeting News* named him one of the 25 Most Powerful People in the Meetings and Events

Industry three times, based on his work on ROI. The Society for Human Resource Management honored a Phillips ROI study with its highest award for creativity, and ATD awarded Jack with the Distinguished Contribution to Workplace Learning and Development award. In 2017, Jack received the Brand Personality Award from Asia Pacific Brands Foundation for his work as an international consultant, author, teacher, and speaker. The International Society for Performance Improvement gave him the prestigious Thomas F. Gilbert Award in 2018. Jack has undergraduate degrees in electrical engineering, physics, and mathematics; a master's degree in decision sciences from Georgia State University; and a PhD in human resource management from the University of Alabama. He can be reached at jack@roiinstitute.net.

Jack and Patti Phillips received the Distinguished Contributor Award from the Center for Talent Reporting for their contribution to the measurement and management of human capital in February 2019. In addition, the Thinkers50 organization recognized Patti and Jack as two of the initial Top 50 World Leaders in Coaching in November 2019. They were also listed as top finalists for the Marshall Goldsmith Distinguished Achievement Award in Coaching. Additionally, ROI Institute was the winner of the measurement, testing, and assessment category of the 2019 Training Magazine Network Choice Awards program. Together, Jack and Patti contribute to a variety of journals and have authored a number of books on the subject of accountability and ROI including their most recent books, *Return on Investment (ROI) Basics*, 2nd edition (ATD Press 2019) and *Value for Money: How to Show the Value for Money for All Types of Projects and Programs in Governments, Non-Governmental Organizations, Nonprofits, and Businesses* (Wiley 2019).



Rebecca Ray, executive vice president, human capital at The Conference Board, is a member of the executive committee and leads the U.S. human capital center. She is responsible for member engagement and retention as well as the quality and integration of all offerings across the human capital spectrum, including research, peer learning networks (councils), conferences, webcasts, and experiential and executive events. Previously, she was an executive at several leading organizations, including three Fortune 50 companies. She was responsible for talent acquisition, learning and leadership development, employee engagement, performance management, executive assessment, coaching, and succession management. A contributor to *Forbes*, Rebecca is a frequent speaker at conferences and briefings around the world. Her research, commentary, and the accomplishments of her teams have been featured in the *Financial Times*, *Fortune*, *Wall Street Journal*, *South China Morning Post*, *Harvard Business Review*, *The Economist*, *Chief Learning Officer*, *Training*, *Human Resources*, *HR People + Strategy (HRPS)* and *Talent Management*. She was named Chief Learning Officer of the Year by *Chief Learning Officer* magazine and one of the Top 100 People in Leadership Development by *Leadership Excellence* magazine. Tapped for membership in the prestigious Marshall Goldsmith 100, Rebecca received a PhD from New York University.