Talent Investments Pay Off

Executive Briefing | Discover Financial Services Realizes Returns for Investments in Tuition Reimbursement
**Idea in Brief**

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<td>Discover Financial Services invests in the higher education of its employees through its Tuition Reimbursement Program (TRP). From 2010 to 2013, Discover provided employees $7.4M in tuition reimbursement through TRP. Discover had not previously conducted a detailed return on investment (ROI) analysis to determine the business and employee value of TRP.</td>
<td>From 2010 to 2013, Discover’s TRP produced an overall 144% ROI as a result of avoided talent management costs due to higher rates of promotion, transfers and retention and lower rates of absenteeism. Employees participating in TRP received, on average, annual wage increases that were at least 41% greater than non-participating employees, while helping Discover save $10.9M.</td>
<td>Discover helps customers and employees achieve a brighter future. Discover’s TRP makes a difference in the communities in which it operates by helping its workforce to grow, develop, and have the opportunity to advance within the company. TRP also helps Discover foster the talent it needs to provide industry-leading customer service, while helping build strong families and stable communities through its employees.</td>
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**Why Measure ROI on Tuition Reimbursement Investments?**

Adriana Cavazos’ parents immigrated to the U.S. to create better opportunities for her and her siblings. Though previously no one in her family had earned a postsecondary credential, Adriana’s parents consistently impressed upon her how important a degree was to future career success. Her parents’ words motivated Adriana and she graduated high school at the top of her class.

After high school, Adriana went to work at a local supermarket where she was told by one of her customers that Discover Financial Services was a top employer who could offer her opportunities to advance her career. Adriana landed a job at Discover, starting as a call center representative. After five months, she was promoted into Fraud Prevention and realized her passion for criminal justice.

Around the same time, she heard that Discover offered a Tuition Reimbursement Program (TRP), which pays for a portion of qualified employees’ tuition expenses and allows employees to pursue higher education at a lower personal cost. Adriana was encouraged by her leadership to continue her education and apply for the program. She was able to use the tuition reimbursement payments for Arizona State University’s Bachelor’s program in criminology and criminal justice, taking classes in the morning and then working full-time at Discover in the afternoon and evenings. Though it was a grueling schedule, Adriana was supported by Discover leadership through coaching discussions, a career development plan that outlined skills she needed to obtain through work and school, and flexible work arrangements when needed. Upon graduation, not only did Adriana become the first person in her family to obtain a postsecondary degree, but she had exceeded expectations at Discover and was promoted into a more senior position.
The value Adriana attained from her education was clear: She earned more, was promoted, and created a strong career trajectory at the company. However, the benefit to Discover was a bit less straightforward. U.S. employers spend approximately $177B on formal training and talent development annually, and approximately 10% of this spend is on tuition assistance programs, such as Discover’s TRP. Even though these investments are annually significant and Discover is no exception, most employers do not assess the value these programs return to the business.

In a business environment where every dollar invested is analyzed, C-suite leaders are interested to understand the return on the investment of their company’s tuition assistance program. According to a 2010 ROI Institute survey of 96 Fortune 500 CEOs, 92 respondents stated that they were interested in understanding the investments in and impact of their company’s learning and development initiatives. However, only approximately 2.5% of organizations evaluate the ROI of tuition programs and fewer still release the findings of these evaluations to the public. In response, Lumina Foundation commissioned Accenture, a global consulting services provider, to facilitate a series of ROI studies to uncover the value of talent investments, including tuition assistance programs. Discover volunteered its Tuition Reimbursement Program for evaluation.

**Study Subject: Discover’s Tuition Reimbursement Program**

Discover Financial Services is a direct banking and payment services company with one of the most recognized brands in U.S. financial services. Discover’s workforce includes 100% U.S.-based frontline call center agents (Agents) and a corporate function workforce (Non Agents). Discover has approximately 11,000 Agents, who are generally non-exempt, non-headquarter employees focused on customer interactions, and approximately 4,000 Non Agents, who are generally exempt, headquarters employees that perform business and corporate functions.

From 2010 to 2013, Discover’s Tuition Reimbursement Program supported a total of 558 Agents and 552 Non Agent participants, resulting in a 4-year utilization rate of 3.5% (2.5% utilization rate for Agents, 6.6% utilization rate for Non Agents); these utilization rates are approximately in line with the national average utilization rate of 5.2%. During that time, Agent participants averaged $0.74M in tuition assistance annually, equating to approximately $3,300 average spend per participant annually. Non Agent participants averaged $1.1M in tuition assistance annually, equating to approximately $5,100 average spend per participant annually.

**Study Process**

Accenture developed a robust ROI evaluation framework and methodology to calculate the business value of employers’ education assistance investments. The framework compares total investment costs to potential revenue and cost factors that could create business benefit (or loss) as a result of an employee’s participation in an education program. The ROI study followed the following four-step process:
**Study Process**

### 1: Select Benefit Measures
- Select revenue and cost measures that may be affected by an employee’s participation in the education program, dependent on data availability
- Identify all of the investment costs associated with offering and administering the program
- Selected the measures of promotions, lateral transfers, retention, and absenteeism
- Decided to test the hypotheses that TRP participation would result in higher rates of promotion, lateral transfers, and retention but lower rates of absenteeism, which would result in lower talent management costs

### 2: Collect and Prepare Data
- Extract, consolidate, and cleanse HR and business data to evaluate selected measures
- Aggregate all investment costs related to the education program
- Segment employees into two groups – those who used TRP benefits and those who did not
- Collected over 28,000 employee records of TRP participants and non-participants from 2010 to 2013
- Identified investment costs of $7.6M ($7.4M in tuition costs and $0.2M in program administration costs) from 2010 to 2013 in both tuition and administrative personnel costs

### 3: Complete Data Analysis and Calculations
- Observe differences in behavior across groups for the selected factors
- Apply statistical analyses to isolate the effects of influential variables, aside from program participation, impacting the results
- Quantify the final impact of the education program based on factor-level results
- Found that employees who use TRP achieve more promotions (+21%) and lateral transfers (+9%), stay longer (+0.5%), and take fewer unplanned absence days (-0.4) than non-participating employees
- Calculated a total benefit of $18.5M across all four factors assessed

### 4: Finalize Results & Assess ROI Maturity
- Complete ROI and net savings calculations
- Summarize findings from employee interviews
- Assess maturity of the organization’s ROI capabilities and processes and identify opportunities to improve program results
- Found an overall ROI of 144%
- Calculated a net savings of $10.9M from 2010 to 2013 (comprises the total benefit minus the total investment cost)
- For Agents, found an ROI of 243% and net savings of $7.2M; for Non Agents, found a positive ROI of 7% and net savings of $0.3M

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**Business Value of TRP**

The ROI study demonstrated that TRP is a strong business investment. From 2010 to 2013, TRP produced an overall ROI of 144% and a net savings of $10.9M. Employees had positive views of TRP and believed it
would help them improve their skills and career opportunities, which was validated by increased rates of promotions and internal transfers.

For the Agent population, the ROI of TRP was both positive and substantial: TRP produced an ROI of 243% due to participants being retained, promoted, and transferred more and being absent fewer days than non-participant peers, helping Discover avoid $7.2M in talent management costs.

These results do not surprise Jason Frantz, Discover’s Financial Intelligence Unit Director and Adriana’s team lead. He experienced first-hand how pivotal the program is at enabling greater promotions and lower turnover, especially for Agents like Adriana. Over Adriana’s five year tenure at Discover, Jason and other team leaders were able to recognize her advanced skills with five promotions. Additionally, Jason reports if Adriana had not been a part of the tuition program, Discover would have lost her to another company. “TRP enabled Adriana the opportunity to obtain an advanced degree; it was the reason she stayed.”

For Non Agents, the ROI of TRP was lower at 7%; although Non Agent participants were promoted and transferred at higher rates than non-participants, they were also slightly less likely to be retained and had slightly more unplanned absences. Additionally, Non Agents had higher per participant spend.

Discover’s findings reinforce important learnings from this series of reports, especially emphasizing the value of investing in frontline talent (entry-level workers who likely have not previously attained postsecondary credentials), which in Discover’s case, is their Agent population. The study contradicts the common misconception that employees who gain education on the job are more likely to leave. Discover found that Agents taking part in the company’s TRP were more likely to stay, reducing turnover. The study also found that TRP participants’ improved knowledge and skills were recognized and rewarded by their managers, as they were much more likely to be promoted than non-participants.

**Employee Value of TRP**

The study also revealed the value of TRP to Discover employees. In interviews and a survey, employees revealed their belief that TRP participation would lead to higher salaries. That belief was validated. From 2010 to 2013, TRP participants consistently experienced higher annual wage gains than non-participants. Agents in TRP received, on average, annual wage increases that were 50% greater than non-participating employees. Non Agents in TRP received, on average, annual wage increases that were 41% greater than non-participating employees.

TRP also gives employees like Adriana the opportunity to grow their skills, take on new roles at the company and achieve new heights. Through TRP, Adriana became the first person in her family to attain a Bachelor’s degree. She realized and grew her passion and abilities in the criminal justice field and developed strong
relationships with leaders, who helped her envision her future career at Discover. Her team lead, Jason, was able to provide perspective on her career and education, giving her the confidence she needed to finish her Bachelor's degree and continue on to the Master's program, which she will finish later this year. Jason has witnessed Adriana's growth firsthand and attributes her ability to take on additional responsibilities and promotions quickly to her rigorous coursework at Arizona State, which has given her the skills and tools she needs to excel at a faster pace and grow from being a team member to being a leader and coach.

For every dollar of Discover’s $7.6M investment in tuition assistance from 2010 to 2013...

**Tuition Reimbursement Program (TRP)**

- **$10.9M** net savings: Discover got back its invested $1 and avoided another $1.44 in talent management costs.
- **Value Created**
  - Business
  - Employees
  - ...frontline Agent employees using TRP achieved 50% incremental wage gains and had more career opportunities than non-participants.

**Based On**
The value created is based on increased rates of promotions, lateral transfers, retention and decreased rates of absenteeism for employees participating in TRP versus non-participants.

- +21% promotions
- +9% lateral transfers
- +0.5% retention
- -0.4 days absent
Discover’s Response

In response to these positive results, Discover leadership dropped the requirement that participants complete one year of full-time employment prior to entering into the program. Starting in 2017, new employees will be eligible to apply to the program on day-one of their employment with Discover.

Additionally, Discover will increase internal communications about TRP so that more employees are aware of the tuition reimbursement program and the opportunities it provides. Finally, Discover will be evaluating variety of other potential programmatic enhancements.

Improving Business Value of Tuition Assistance

Based on the findings from the TRP study and conversations with HR leaders at other top organizations regarding their tuition assistance programs, employers can take the following actions to maximize and continuously improve the value of tuition assistance programs:

1. **Capture Data Now**: Identify benefit factors important to the business and start tracking supporting information now. As a first step, consider systematically tracking the degree and credential fields of study pursued by employees and their degree attainment results.

2. **Measure ROI**: Start measuring the ROI of the tuition assistance program to understand what benefits the organization receives from its investments.

3. **Align Program with Strategy**: Align tuition assistance investments with high-priority talent needs to help fill gaps and create strategic talent pipelines within the organization.

4. **Promote Programs**: Encourage participation and provide information about which degrees and credentials are in high demand in the organization so employees can pursue valued credentials.

5. **Provide Programmatic Support**: Consider providing education attainment counseling services to support employees in pursuing and gaining additional skills and degrees that will benefit both themselves and the organization.

Conclusion

Adriana is just one example of the success many students experience due to business-sponsored education assistance programs like Discover’s. While TRP was designed to provide Discover employees access to education opportunities, the program’s impact has reached far beyond. Not only is Discover benefiting from talent management cost savings associated with TRP, but it also benefits from its employees’ enhanced knowledge and skills. Additionally, employees like Adriana are benefitting from increased job opportunities and wage increases.

The Discover TRP ROI study highlights the strength of tuition assistance programs in helping companies to control their talent management costs while allowing employees to gain valuable knowledge, skills, and credentials. Building upon, growing, and increasing access to and knowledge of tuition assistance benefits
will help organizations build and maintain highly effective and skilled workforces, resulting in strengthened U.S. employers, communities, citizens and families.
About the Organizations

About Discover

Discover Financial Services (NYSE: DFS) is a direct banking and payment services company with one of the most recognized brands in U.S. financial services. Since its inception in 1986, the company has become one of the largest card issuers in the United States. The company issues the Discover card, America's cash rewards pioneer, and offers private student loans, personal loans, home equity loans, checking and savings accounts and certificates of deposit through its direct banking business. It operates the Discover Network, with millions of merchant and cash access locations; PULSE, one of the nation's leading ATM/debit networks; and Diners Club International, a global payments network with acceptance in more than 185 countries and territories. For more information, visit www.discover.com/company.

About Lumina Foundation

Lumina Foundation is an independent, private foundation committed to increasing the proportion of Americans with high-quality degrees, certificates and other credentials to 60 percent by 2025. Lumina’s outcomes-based approach focuses on helping to design and build an equitable, accessible, equitable, responsive and accountable higher education system while fostering a national sense of urgency for action to achieve Goal 2025. To learn more, visit www.luminafoundation.org.

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References