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The ROI of Learning

Why measuring learning is key in a new world of work

ABSTRACT

A highly engaged workforce is not only more productive–engaged employees are shown to drive higher levels of customer satisfaction, profit and shareholder returns.[1] There is a clear link between learning culture and engagement.[2] However, despite billions of dollars spent in learning and development, corporations are failing to engage their people. This apathy is impacting customer satisfaction, profit, revenue growth at the corporate level, and is costing the US economy up to $550 billion in lost productivity each year.

This paper will examine the shifting demographics and expectations of the workplace, looking at the impact of a new generation of millennial workers on learning engagement, corporate learning, and development methods. It will share resources to enable learning professionals to show the value of learning by measuring the returns on their training dollars.

[1] http://www.talentculture.com/6-eye-opening-employee-engagement-statistics/
[2] Bersin by Deloitte, Becoming Irresistible: A New Model for Employee Engagement (2015)

Disengaged Employees at What Cost?

A highly engaged workforce is not only more productive. Engaged employees are shown to drive higher levels of customer satisfaction, profit and shareholder returns.[3] It is no wonder that employee engagement is a top-of-mind issue for business leaders, eager to reap the benefits of a fully engaged workforce to achieve their business objectives.

Employers in all sizes of organizations are making heavy investments in training; seeking to activate and engage workers. According to Bersin by Deloitte's 2014 Corporate Learning Factbook, US spending on corporate training in 2014 grew by 15% (over the previous year) to $70 billion US and $130 billion worldwide, with the average company investing nearly $1,000 per employee. In 2015, US corporations reported a further 10% increase in training expenditures with the highest spending devoted to management and leadership.[4]

And yet despite these significant training investments, something is failing to click. A staggering 68% of employees worldwide are not engaged (or actively disengaged) at work.[5] They are simply showing up and killing time, doing the bare minimum required to get their job done. This widespread issue of employee detachment is costing the US economy between $450 and $550 billion in lost productivity annually.[6]

[3] http://www.talentculture.com/6-eye-opening-employee-engagement-statistics/
[4] http://www.forbes.com/sites/joshbersin/2014/02/04/the-recovery-arrives-corporate-training-spend-skyrockets/#7838e6d04ab7
[5] http://www.gallup.com/poll/188144/employee-engagement-stagnant-2015.aspx
[6] 2015 Gallup Research, Majority of US Employees Not Engaged, Despite Gains in 2014

Training's Failure of Return

With this substantial investment in training, why are we still struggling to increase engagement and prove the value of learning and development?

Part of the challenge is the changing demographics of the workforce and the changes in how we work. In 2015, millennials (those born between 1980 and 2000) became the largest portion of the workforce.

These individuals are ambitious, loyalty-lite, and hungry for development opportunities. They are also incredibly tech-savvy: hyper-connected, always-on, social, and mobile. They bring unique learning demands to an organization, and fully expect the company to adapt learning and development strategies to meet their needs.

At the same time, across all demographics in the workforce, our way of working is changing. We are more connected, the lines between work and home are more fluid, and innovation and change are expected and required for businesses to thrive in the marketplace. For individuals, this means there is a need to keep skills sharp constantly to maintain employability. As Stephen Covey says in his book Primary Greatness: "Security lies in the ability to continue to produce what the marketplace wants, and those wants are constantly changing. Unless people learn, change, grow, and progress to accommodate the market, there can be no security. Security lies in the power to continually learn."[7]

Corporations seeking to attract and retain millennials, and meet the needs for continual learning across the workforce, will need to shift traditional face-to-face training methods to integrate modern online learning platforms capable of supporting a more dynamic, collaborative learning format while delivering content in small, easily consumable bit-sized chunks.

[7] Covey, Stephen R. 2015. Primary Greatness - The 12 Levers of Success. New York: Simon and Schuster.

"Employers must adjust corporate values, workplace environment, and team structures to stay competitive. Integrating corporate education into a company's strategic goals is the way to enact these needed changes and create and maintain an agile business. By investing in corporate learning, employers have the power to address millennial retention in three key areas: talent attraction; job readiness; and culture change."

- Jason Wingard, Dean and Professor, Columbia University's School of Professional Studies.[8]

Recognizing that corporate learning goes hand in hand with competitive advantage, global organizations also need to ensure learning opportunities are fully scalable across their organization. This means efficiently and cost-effectively providing learning in many languages and learning formats, in all parts of the world, and via 24/7 access. It's simply not affordable to scale traditional face-to-face training methods to meet the needs of a large, global, and increasingly virtual enterprise.

Another part of the challenge is the ability to analyze and track returns on learning investments. With greater investments in learning, the need to track and measure learning programs is ever-increasing–yet many companies struggle with return on investment of learning. According to ATD's recent study on Evaluating Learning, 65% of organizations surveyed do not measure the business results of their learning investments.[9]

Learning and development professionals are well-versed in areas such as learning objectives and designing effective programs. When it comes to discussing hard measures in financial terms though, some turn away and avoid this type of analysis as they feel ill-equipped to discuss their programs in financial terms. However, learning professionals who are unfamiliar with return on investment can remember that development applies to their work as well–applying a growth mindset, to quote Carol Dweck, and becoming skilled in ROI is an investment in their own knowledge and career.[10]

Learning is a key component of the new world of work, and sharing the value of learning is increasingly important. We'll review the industry standards for evaluation and ROI, and share some methods to apply these to real world programs. This paper can serve as a start on the journey to being able to speak with confidence about the impact of programs, or as a refresher to dust off ROI skills and prove the value of learning in the organization.

[8] http://www.huffingtonpost.com/jason-wingard/want-millennials-to-stay_b_9824258.html
[9] ATD. 2016. Evaluating Learning–Getting to Measurements That Matter. Research report, Alexandria, VA: ATD Research.
[10] https://www.ted.com/talks/carol_dweck_the_power_of_believing_that_you_can_improve?language=en

Tracking Learning Effectiveness a Topic of Concern

With corporate training investments now reaching well into the billions, and 90% of companies indicating that building capabilities is a top 10 priority for their organization[11], it is not surprising that measurement of training effectiveness is a topic of concern for many training and development practitioners. This concern is further magnified for organizations that are adopting online learning, as there are typically higher upfront investment costs than training delivered in a traditional classroom-style setting, for instance, the purchase of a learning platform and the adaptation of traditional instructor-led curriculum into interactive, dynamic online or blended content.

When measuring learning and development effectiveness, organizations typically want to know:

- Are learning programs meeting their objectives?
- What topics are most valuable to learners?
- Are they using the right delivery methods?
- Are learners engaged and applying the content in their roles?
- Are learning programs able to demonstrate real/tangible benefit for dollars invested, such as:
    - Improved productivity
    - Decreased errors
    - Higher customer satisfaction
    - Increased employee retention[12]

[11] Cermak, Jenny, and Monica McGurk. "Putting a Value on Training."McKinsey & Company. McKinsey & Company, July 2010. Web.
[12] Polchin, Rose. "Measuring the Effectiveness of Your Training Program."ICMI. UBM, 2 July 2014. Web.

Determining Training Effectiveness

Organizations measuring training effectiveness can start with Kirkpatrick's four-level training evaluation model, as the de facto industry standard (see sidebar).[13] It provides a robust model to examine the impact of learning, across a variety of quantitative and qualitative success outcomes.

Evaluating the Financial Returns–Phillips ROI Methodology

As executives begin to question training's value contribution to the company's bottom line, and as corporations invest in new online learning platforms to cater to the modern workforce needs, measurement of hard cost returns becomes imperative.

Dr. Jack Phillips took Kirkpatrick's levels and added a fifth level for ROI as a measurement of the business impact of a training program. Phillips' methodology covers the planning, data collection, analysis, and reporting necessary to determine ROI results.[14] Phillips methodology is used by many training professionals to examine the return on investment of training.

Kirkpatrick's Evaluation Model

Developed by Dr. Donald Kirkpatrick in 1954, the Kirkpatrick Model has become the industry standard for training evaluation. In 2010, Dr. Jim Kirkpatrick and Wendy Kirkpatrick clarified the original intent of the Kirkpatrick four levels with the New World Kirkpatrick Model to incorporate greater aspects of employee engagement.

Level 1: Reaction

The degree to which participants find the training favorable, engaging and relevant to their jobs.

Customer Satisfaction
The original definition measured only participant satisfaction with the training.

New World Additions:

Engagement
The degree to which participants are actively involved in and contributing to the learning experience.

Relevance
The degree to which training participants will have the opportunity to use or apply what they learned in training on the job.

> ***Sidebar continued on next page***

[13] http://www.kirkpatrickpartners.com/OurPhilosophy/TheNewWorldKirkpatrickModel/tabid/303/Default.aspx
[14] http://www.roiinstitute.net/about-roi-institute/

ROI Formula

The calculation for ROI involves converting the impact data from level 4 to monetary values, determining the fully loaded costs of the learning program, and calculating the return on investment using the formula below:[16]

$$\text{ROI (\%)} = \frac{\text{Program Benefit-Program Cost x 100}}{\text{Program Cost}}$$

A result greater than 0% means that a training program has a net benefit after accounting for the costs involved in running it. For instance, an ROI% = 50% means that the training program yielded a 50% return on money invested or that for every one dollar the program cost, the company yielded $1.50. A result less than 0% means the program had a net cost. This means that the training program did not recoup its cost after accounting for the benefit. Often, practitioners will forego the percentage result and share the return in dollars alone, for example with an ROI of 50% for a program that cost $10,000, they would share that the return was $15,000 to the organization, or $1.50 for every dollar invested.

There are a variety of approaches available to measure learning and development program ROI, and a wealth of resources available detailing evaluation and business impact measures. The optimum approach varies based on the program, organization and practitioner. Training practitioners need to identify the model that works best for their organization and unique circumstances. In the following sections we offer two methods that can work well in many organizations.

Level 2: Learning

The degree to which participants acquire the intended knowledge, skills, attitude, confidence, and commitment based on their participation in the training.Knowledge: "I know it."
Skill: "I can do it right now."
Attitude: "I believe this will be worthwhile to do on the job."

New World Additions:
Confidence: "I think I can do it on the job."
Commitment: "I intend to do it on the job."

Level 3: Behavior

The degree to which participants apply what they learned during training when they are back on the job.

New World Addition:

Required Drivers
Processes and systems that reinforce, encourage and reward performance of critical behaviors on the job.

Level 4: Results

The degree to which targeted outcomes occur as a result of the training and the support and accountability package.

New World Addition:

Leading Indicators
Short term observations and measurements suggesting that critical behaviors are on track to create a positive impact on desired results.[15]

[15] http://www.kirkpatrickpartners.com/OurPhilosophy/TheNewWorldKirkpatrickModel/tabid/303/Default.aspx
[16] T. Elkeles, P. Phillps and J. Phillips. 2014. Measuring the Success of Learning Through Technology: A Guide for Measuring Impact and Calculating the ROI on E-Learning, Blended Learning and Mobile Learning. ATD.

Data Measures: Use Available Engagement and Productivity Data

With data and analytics ubiquitous in the workplace today, there are often measures in place that training practitioners can integrate into their evaluation methods. In cases where the engagement or productivity of the trainees is already measured regularly in systems, training participants' stats before and after training can be compared to evaluate training results. Post-training measurement needs to allow time for participants to apply new skills and change their work behaviours. Three months is a generally accepted length of time for trainees to integrate new skills to their work so it is often used as an appropriate timeframe for measuring productivity post training.

When using engagement or productivity data, other factors beyond skills change from training can affect the productivity and engagement measures. For this reason, it is important to integrate a method to isolate the effects of training as much as possible. Practitioners can consider using interviews or surveys to isolate the effects of training. By asking participants or their managers what other factors influenced the change in productivity and / or what percentage of the productivity improvement they would attribute to training, practitioners can narrow down the results of the improvement associated with training.

Expectation Measures: Calculate Return on Expectation

When productivity measures are not readily available for the learning participants, return on expectation can be an alternate method. Return on expectation consists of gathering data before training regarding managers or participants' expectations of the training out comes, and then gathering data after the training to determine the degree to which the training met the expectations. The choice of which stakeholders to use for gathering return on expectation should be determined by which group is in the best position to speak to results observed post training. Often, this is the manager or participants of training. Questions should be included to account for the managers'/participants level of confidence in reporting the results observed, and as mentioned with productivity measures, the percentage of improvement they would attribute to training.

The practitioner can interview managers before the training to find out what they expect for the training outcome. This data can be used in the design of the program to ensure the training is aligned with business objectives. Three months after the training is completed, the same interviewees can be contacted to find out what results the managers/participants are seeing as a result of the training, and if those results met their expectations. The results identified can be translated to a dollar figure and included for a calculation of ROI.

Typical "expectations" that convert into success outcomes include:

- Revenue from new customers
- Increased operational efficiencies with decreased training costs
- Reduced turnaround times
- Increased retention of top talent[17]

[17] Kirkpatrick, Jim. "Return on Expectations: The Ultimate Demonstration of Training Value." Web log post. Coaching. TrainingZone, 25 Aug. 2009. Web.

Putting ROI Calculations into Practice

There are a number of options to choose from when seeking to calculate the ROI from an organization's training investments, and the method used can vary with the particular program and its unique characteristics.

Some key questions and considerations before you begin:

- Does your organization have systems in place, such as a corporate HCM or LMS, for administering training and for gathering training-related data? Can this data be mined and analyzed to feed an ROI calculation?
- What exactly are your executives looking for when they request an ROI study? Have you consulted executive sponsors to fully understand (and manage) their expectations?
- Is self-reported data (i.e. information gathered through interviews and surveys) already in use in the company and an accepted part of the culture?
- If you plan to compare groups who received training against those who did not, will it be possible to establish a control group for accurate analysis?

The Business Case for Learning

As the millennials form the majority of the workforce, and as learning and development activities move online to scale learning across the global organization, engaging learning delivered through an online platform can help to meet the needs of all types of learners. To implement such a strategy however, training practitioners will need to provide a solid business case to leadership to offset the associated investment. They will need to employ proven return on investment analyses to clearly show that the increased level of engagement realized within the workforce easily offsets the costs associated with the organization's investment in learning.

Beginning an ROI analysis can be a daunting task for a training practitioner unaccustomed to performing one. However, by embracing a growth mindset, using the right calculation method, and by clearly understanding stakeholders' goals, practitioners will have the tools to articulate the value of the learning and development investment in terms executives understand. This will enable definitive proof that demonstrates the organization's substantial investments in training not only makes employees feel engaged, valued and appreciated; they also translate into real, tangible business returns.

About D2L

D2L is the software leader that makes learning experiences better. The company's cloud-based platform, Brightspace, is easy to use, flexible, and smart. With Brightspace, organizations can personalize the experience for every learner to deliver real results. The company is a world leader in learning analytics: its platform predicts learner performance so that organizations can take action in real-time to keep learners on track. Brightspace is used by learners in higher education, K-12, and the enterprise sector, including the Fortune 1000. D2L has operations in the United States, Canada, Europe, Australia, Brazil, and Singapore.

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