

The Measurement Dilemma: Tying Learning to Business Impact and Financial Outcomes

An ESI International Study



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Many organisations implement “learning engagements,” or training programmes, to increase employee satisfaction, realise better team performance, and improve communication. But do these organisations understand the impact of these programmes beyond traditional employee engagement measures?

Learning can and should be a critical business process, enhancing not only individual or team performance, but also having a significant impact on the strategic and financial goals of an organisation. As a result, measuring the business impact of learning should be considered an important organisational strategy, moving beyond simple tools and basic assessments.

In September, 2010, ESI International conducted a global survey among 412 decision makers and influencers of learning programme initiatives in commercial and government organisations.

The survey examines to what extent organisations are measuring the business impact of learning. And if so, how exactly they measure business impact, and what areas of business impact are most important for proving the effectiveness of learning engagements.

The survey established, at the very beginning, whether the respondent’s organisation measures business impact of learning at all. Overall, more than half of survey respondents (50.7 percent) do not measure business impact, while the remainder (49.3 percent) says that they do measure for business impact.

If they said, ‘No, we do not measure,’ they were asked to proceed towards the end of the survey where they answered the question “Why not?” Those respondents who said ‘Yes, we measure’ completed the entire survey.

Those Who Do not Measure:

- When asked why they do not measure, clearly identified obstacles to measuring business impact are a lack of resources and lack of people qualified to track business impact, coupled with confusion on ‘what should be measured.’ When asked what they most require to measure business impact, a majority of respondents (35.5 percent) said they require a ‘better understanding of methodologies to measure impact.’
- Surprisingly, a significant number of respondents in answering why they do not measure the business impact of learning (1/3 to 1/2 of respondents) said that ‘it’s not required,’ or ‘measurement is not a priority.’



Those Who Do Measure:

- When asked which (11) areas of business impact they do measure or what would they measure, the top three areas selected were: increased quality, increasing productivity and increasing employee engagement. Increasing employee engagement received the highest priority when it comes to what they would measure if they could.

Overall, however, answers were spread among all the choices indicating a lack of consensus on what areas to measure and what areas are most important to measure when it comes to the business impact of learning.

- Financial specific choices, such as ROI and increased revenue, were selected least often by respondents as areas currently measured for business impact. But, when asked what they would measure, if they could, increased revenue and ROI rose closer to the top of the list.
- Surprisingly, a majority (47.4 percent) does not use a specific measurement methodology for measuring business impact, yet they claim that they can prove the effectiveness of their training programmes (66.3 percent). After reviewing answers as to how they prove the effectiveness (“engaged staff,” “passing knowledge onto others,” “incidentally, but not systematically,” and “more effective services provided”), the answers are largely anecdotal and do not represent a true financial analysis.

Conclusions

Building the Business Case

The survey shows that there is a real, significant number of respondents in charge of learning programme initiatives who do not yet feel measurement is a priority or that it's required. This apathy points to a need for helping organisations understand the cause and effect between learning engagements and real, tangible business impact, both qualitative and quantitative, and ensuring that they have executive support and buy-in.

Human Capital Still a Critical Component

When asked what they do or would measure, increasing employee engagement stands out as an important area for respondents. This focus on employee engagement is to be expected as baby boomers begin to exit the workforce and a new generation takes over. Learning engagements should significantly boost an organisation's ability to weather change and transition within the workforce, and this business impact can be shown with a clear, consistent measurement process and methodology.

Guidelines Needed on How to Measure

Survey responses show that organisations remain unclear on how to prove the effectiveness of training with a clear and consistent methodology. Rather than relying on anecdotal 'evidence,' organisations need a defined methodology for measuring business impact of learning from pre- through post-learning.



People, Process and Tools to Fill Resource Gap

When answering why they do not measure business impact, the top reasons are lack of resources and a lack of people qualified to track business impact. Clearly, closing the gap with a measurement process, human capital and tools are needed in order to remove this barrier to measuring for business impact.

Tie Business Impact to Financial Outcomes

The survey shows that measuring for increased revenue and ROI continue to be undervalued. Both training & development and business unit managers need guidance on what and how to measure in order to track for financial impact – a key measurement as the global economy struggles to weather the current crisis.

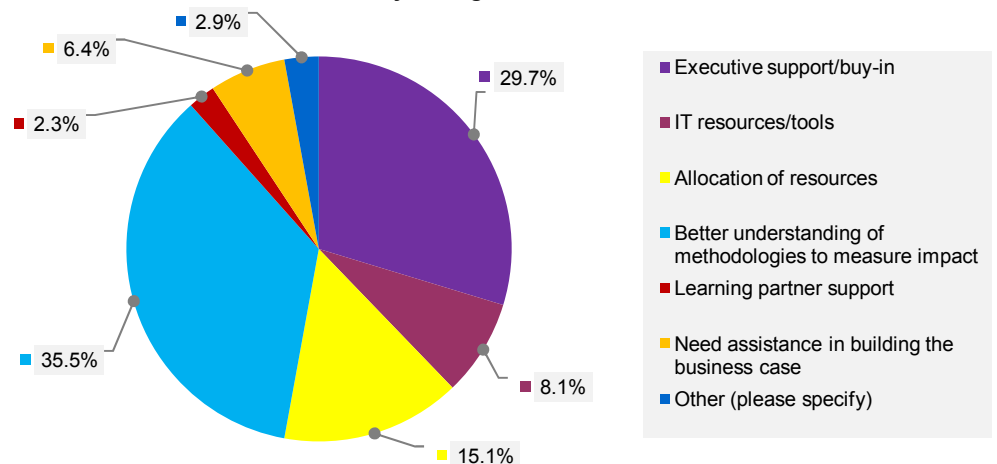
Organisations would benefit from a methodology and pre- and post-evaluation strategy to interpret results and specifically, show the financial impact of learning engagements. Tying learning engagements to financial outcomes would help organisations build a better business case for more learning and as a result, increase executive support and buy-in for training and development.

Survey Response Summary

Guidelines and Consistent Methodologies Needed for Measuring Business Impact

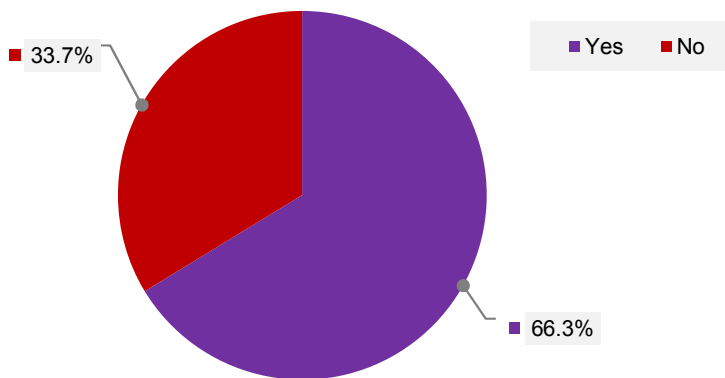
More than half of survey respondents (50.7 percent) indicate that they do not measure business impact, but when probed further, survey responses show that the majority of organisations (35.5 percent) require a better understanding of methodologies in order to measure business impact. This lack of a consistent and defined methodology is a recurring theme and most certainly a roadblock to measurement.

What do you most require to better measure the business impact of learning at your organization?



Even for those who say that they measure for business impact and can prove the effectiveness of their learning engagements, responses reveal that they rely largely on anecdotal 'evidence,' rather than a specific methodology. In effect, most respondents lack a consistent measurement methodology which will lead them to fall back on anecdotal, subjective measures, or no measurement at all.

Are you currently able to prove the effectiveness of your training program? (please describe your response)



Sampling of anecdotal evidence cited by respondents:

- Most of the time you can observe the difference.
- Incidentally but not systematically.
- Using corporate procedures and processes.
- Engaged staff, happy managers, satisfied customers, higher productivity.
- Passing knowledge onto others.
- Increased productivity is seen.
- More effective services provided, less complaints and better customer experiences.

Traditionally, training and development and heads of business units are going to look at different measures when trying to prove the value of learning engagements. This difference of opinion and/or outlook could be mitigated by the use of a consistent methodology with more business-focused measurements.

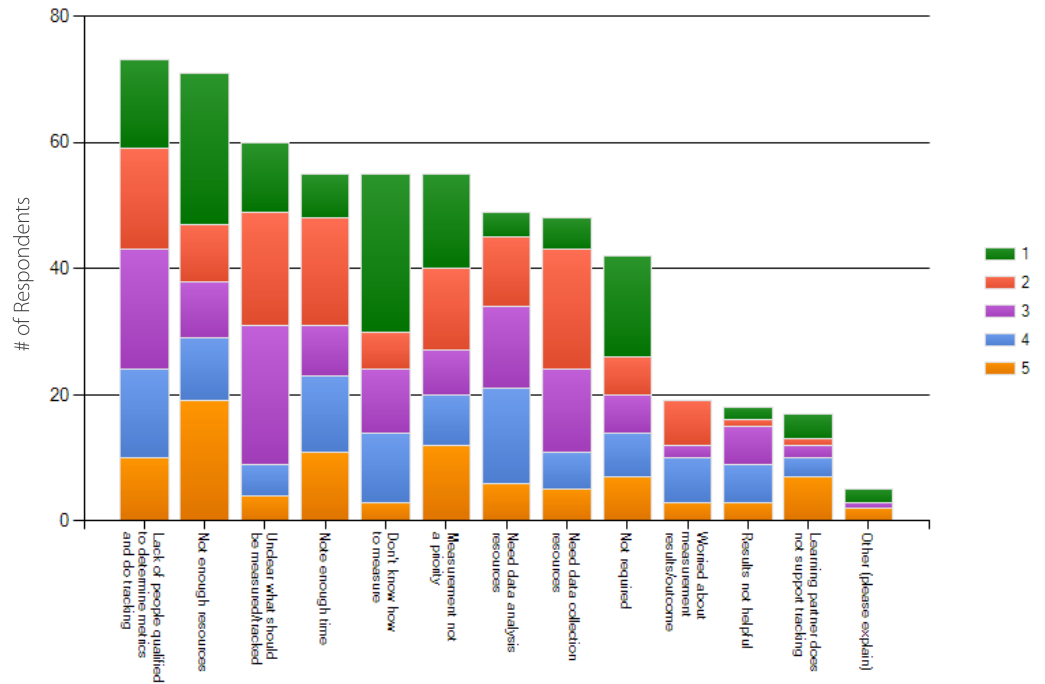


Lack of Resources and Understanding Limit Measurement

The survey shows that there is a significant number of respondents in charge of learning programme initiatives who still do not yet feel measurement is a priority or that it's required.

But, even if they did feel it was a priority, they lack the human capital and resources dedicated towards measuring for business impact. And, once again, many simply do not know how to measure, or are unclear what should be measured.

If you don't measure business impact, please explain why not. (make up to 5 selections and mark in order of importance, 1 being most important).

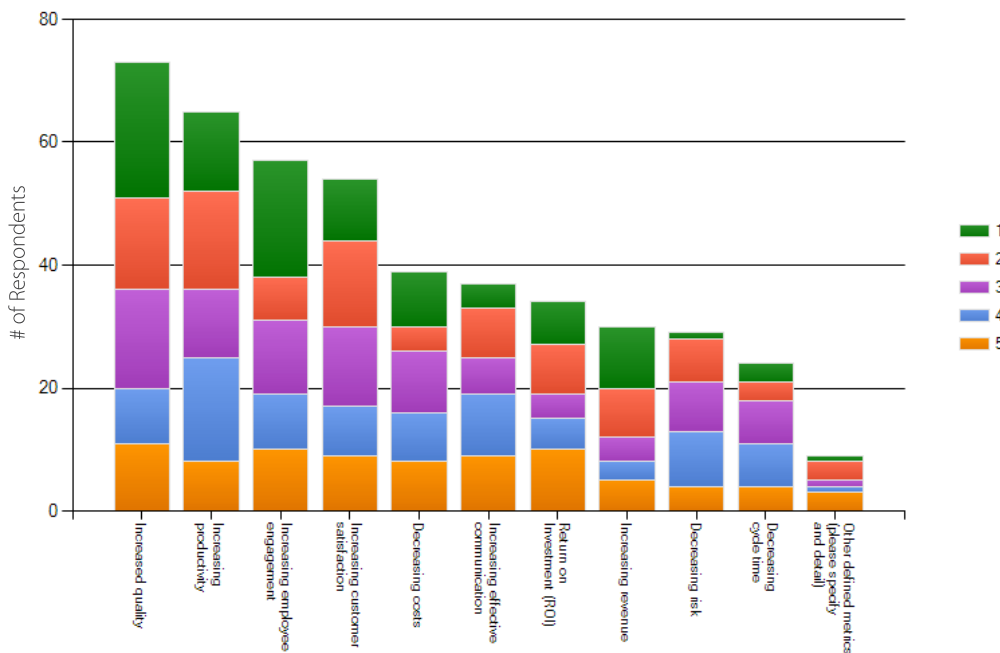


Reasons for Measuring are Varied, With Financials Lagging Behind

Of the responses to 11 choices as to what business impacts they do currently measure, the top three reasons selected were: increased quality, increasing productivity and increasing employee engagement, while financial measures lagged behind, such as ROI or increasing revenue.

Overall, there was a lack of consensus as to what areas are most important to measure when it comes to the business impact of learning, with the rating average for importance hovering around 3 for all answers.

What areas of business impact DO you measure that are tied to your learning program? (make up to 5 selections and mark in order of importance, 1 being most important)

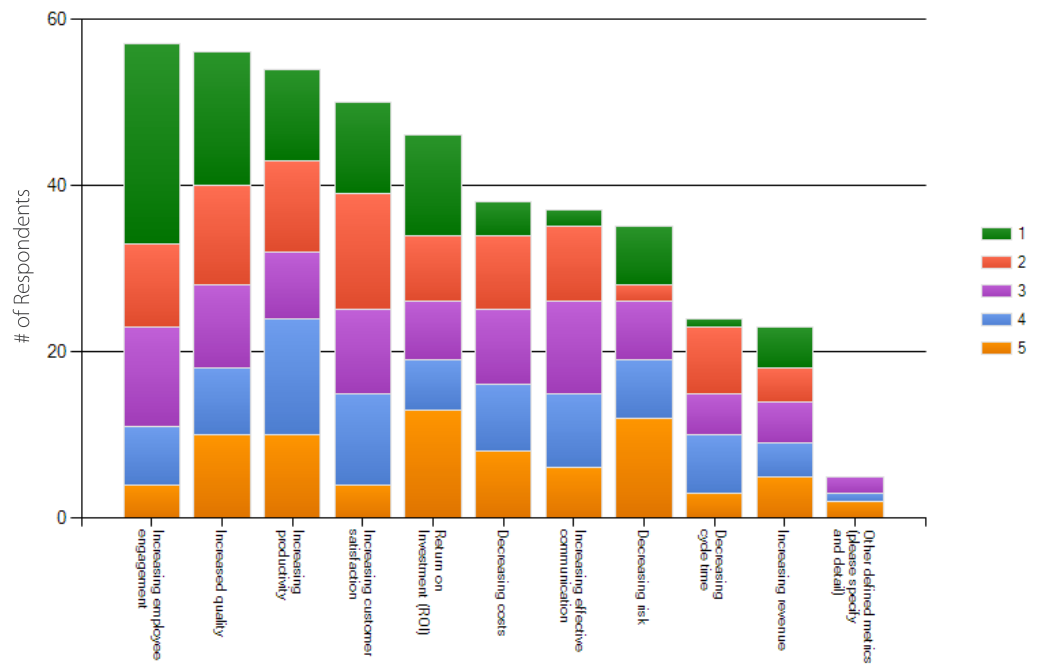


When asked what they would measure, increasing employee engagement stands out as an important area for respondents. This focus on employee engagement is to be expected as baby boomers begin to exit the workforce, and learning engagements are seen as a way to significantly boost an organisation's ability to weather change and transition within the workforce.

Worth noting that a minority, or one third of respondents, selected financials, such as increased revenue and ROI, as areas they do measure. Yet, when asked what they would measure if they could, financials were selected more often.



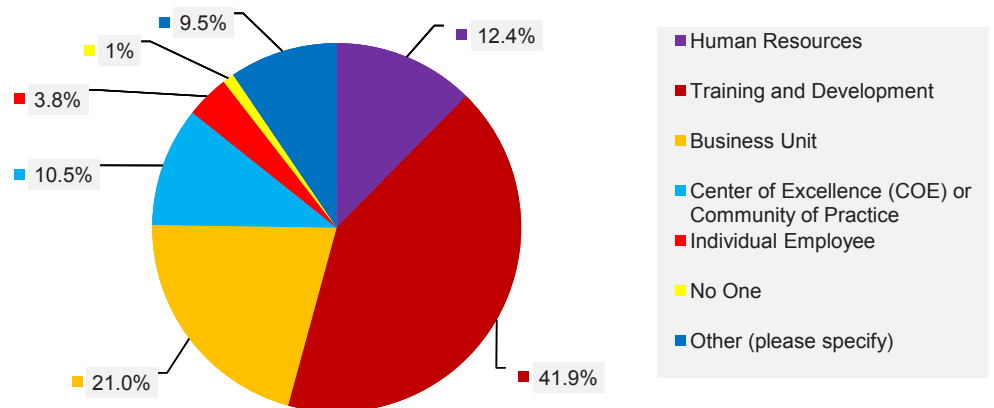
What areas of business impact WOULD you measure, if you could, that are tied to your learning program? (make up to 5 selections and mark in order of importance, 1 being most important)



Who's in Charge of Measuring for Business Impact?

When asked who is specifically responsible for measuring the business impact of learning, those in training and development (41.9 percent), followed by the business unit (21 percent), say they are in charge. There may be a disconnect between these two areas, which may explain why there is a lack of measurement, appreciation for the measurement of business impact and focus on financial outcomes.

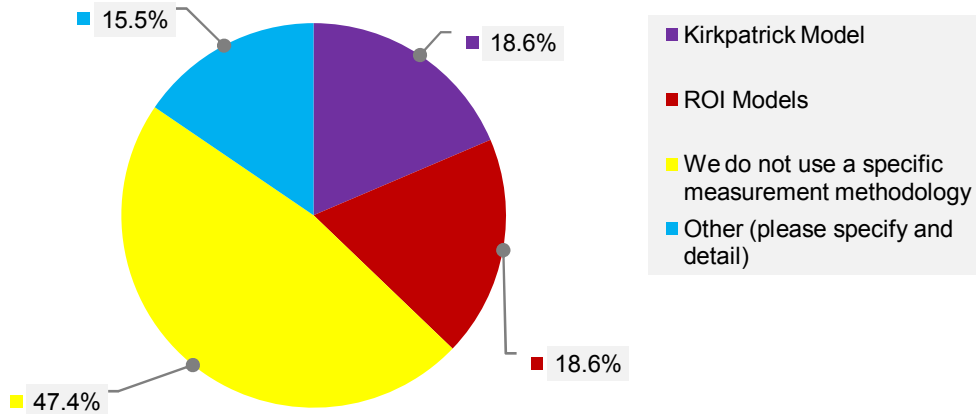
Who in your organization is responsible for measuring the business impact of learning at your organization?



No Consensus on Specific Measurement Methodology Strategy

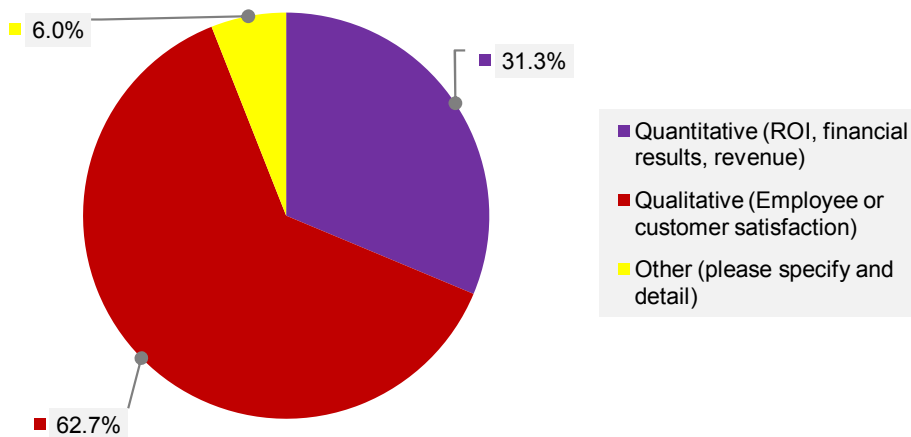
While Kirkpatrick and ROI Models are still in use, the grand majority (47.4 percent) of respondents do not use a specific measurement methodology to measure the business impact. Yet, a significant amount of measuring, in whatever form, is happening both before and after a learning engagement.

Do you use specific methodologies to measure the business impact of your learning engagements?



The survey shows further that measuring for increased revenue and ROI continues to be undervalued. The previous finding that organisations do not use a specific measurement methodology might be one indication that they would benefit from a methodology and pre- and post-evaluation strategy to interpret results and specifically, show the financial impact of learning engagements.

What is most important to your measurement process?



Measuring for Business Impact Can Lead to Strategic, Fundamental Changes

While overall, the survey indicated organisations have a way to go in measuring for business impact, the final open-ended question — Describe a scenario where measuring business impact played a role in your organisation's success? — shows that some organisations leverage measurement for sweeping, fundamental change as shown in the following replies:

- Led to the creation of the PMO.
- Presented results to senior management showing an ROI of 122%, increased customer satisfaction (internal and external), increased employee engagement, and increased productivity.
- Positioning of the company in the market place following staff going through a formal project management training programme.
- Large merger required alignment of PMO and Methodology. A centralised approach improved project delivery and customer satisfaction.

Why Look at the Importance of Measuring for Business Impact?

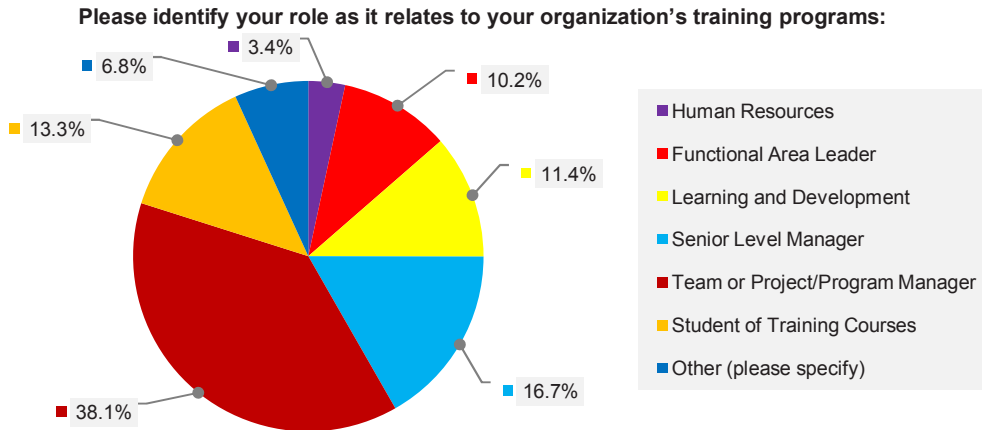
As the global economy continues to fight its way out of the financial crisis, the commercial and government sectors are focused on squeezing out more productivity with fewer resources. Learning engagements can be a crucial investment and important business strategy to maximise resources, especially when measurement can demonstrate business impact and show both qualitative and quantitative outcomes.

This survey shows us to what extent measuring for business impact is ingrained in the business culture, and what obstacles still exist to building a business case for learning engagements. Underlying this survey is the fundamental belief that there must be a plan – and specific methodology – for measuring the business impact of learning, and organisations should be able to tie learning engagements to financial outcomes.



Survey Methodology

ESI International conducted an e-mail survey consisting of 24 open- and close-ended questions to decision makers and influencers of learning engagements for government and commercial organisations (see chart below). The survey, which was distributed across primarily five continents (North America, South America, Asia, Africa, Europe), was conducted between September 8 and September 17, 2010. A total of 412 people replied to the survey; however, not all respondents answered every question. The survey was anonymous unless respondents elected to receive results, in which case, specific contact information was required.



The ESI Solution

ESI International, the leading provider of project management, programme management, business analysis and contract learning programmes, has helped some of the world's most successful organisations drive results. ESI can help identify measurement solutions that demonstrate the value of and business case for learning engagements, identifying both the qualitative and quantitative impacts. These insights can help organisations refine their learning programmes to further enhance their employees' skills and talents and improve their internal systems and processes. With the support of our educational partner, The George Washington University in Washington, DC, ESI has helped more than one million professionals and 1,000 clients worldwide achieve individual and organisational objectives.

For more information about how ESI can help your organisation, call us at +44(0)20 7017 7100 or visit www.esi-emea.com.

