



From ROI to VOI: Organizations are failing to tie learning to business impact

By Raed Haddad, ESI

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

Return on investment (ROI) is the traditional method of measuring learning impact. It is rarely implemented, but as times change, a more holistic approach is necessary to capture the quantitative and qualitative value of learning.

It is worth differentiating between ROI and business impact. ROI refers to a financial measurement that typically involves a bottom line number, while business impact relates to the overall value of what you are getting, beyond just the financial aspect, for the investment you make. Organizations need to move beyond ROI to capture the overall value of their PM learning investment (VOI).

Achieving value

The VOI approach should examine nine key areas for measuring business impact that paint a larger picture of learning effectiveness based on a systematic method. Some or all of the nine areas, depending on the organization, would have a quantitative and a qualitative measure that represent the opinions, that are adjusted for self-bias, of the target audience. The nine key areas of measuring business impact should include increased quality, productivity, employee engagement, effective communication, revenue, customer satisfaction and decreased cycle time, cost and risk. While these areas may seem difficult to measure, research has shown that it is not only possible, but also highly vital to organizational growth.

An example would be to ask programme participants to predict the business impact (in nine areas) from their PM learning programme right after the course, then to conduct a 90-day check-in afterwards to match against the

prediction. This method is not just based on anecdotal evidence, but on specific examples and supporting documentation within the organization that led to increased performance. Furthermore, if this can be accomplished without a huge disruption to the organization, the data collection and analysis can be made systematic, scalable and repeatable to ensure consistency.

One way to accomplish this is to redesign and automate the course end evaluations to include job impact and business results questions.

What is the situation?

According to a recent global survey conducted by ESI International, a majority of organizations really do not measure the business impact of their learning initiatives. In September 2010, ESI conducted a global survey of 412 decision makers and influencers of learning programme initiatives in commercial and government organizations located in the Americas, Europe, the Middle East and Africa as well as the Asia-Pacific region.

The survey examined two things: to what extent organizations are measuring the business impact of learning; and, if so, how exactly they measure it. The survey also studied specific areas of business impact that participants identified as most important for proving the effectiveness of learning engagements. Surprisingly, more than half of survey respondents (50.7%) do not measure business impact, while the remainder (49.3%) said that they do.

Some of the key reasons participants claimed they do not measure business impact were as follows:

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%) said they require a 'better understanding of methodologies to measure impact.'

Nearly half the respondents said that measurement is 'not required,' or 'not a priority.'

When looking at those who consider measuring the business impact of learning, we found the following:

When asked which 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%) do 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%). However they also report that this evidence is largely anecdotal and does not represent a true financial analysis.

The case is clear. Many organizations are uncertain how to measure the business impact of their PM learning programmes. They think that, pardon the pun, informal methods somehow measure up.

The pivotal question to ask yourself is 'What do you most require to better measure the business impact of learning at your organization?' ESI set out to capture the specifics, as illustrated in Graph One.

There are a significant number of respondents in charge of PM 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 often cited a lack of human capital and resources dedicated towards measuring for business impact. Furthermore,

many simply don't know how to measure, or are unclear what should be measured. Clearly, organizations are sorely lacking a consistent measurement methodology. Furthermore, and based on extensive experience with our clients, measurement has become the top priority for business and human resources executives. (Graph Two)

The next question examines the type of measurement methodology organizations employ. (Graph Three)

The great majority (47.4%) of respondents don't use a specific measurement methodology to measure the business impact. Measuring for increased revenue and ROI continues to be undervalued. The previous finding that organizations don't 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.

Business impact measures can lead to fundamental changes

Organizations that are indeed measuring for business impact cited encouraging examples that led to organizational change, such as supporting the creation of a project management office (PMO) and demonstrating a learning investment ROI of 122% as well as increased customer satisfaction, employee engagement and productivity. The fact remains that there must be a plan—and a specific and repeatable methodology—for measuring the business impact of learning and for tying learning programs to financial outcomes.

Human capital still a critical component

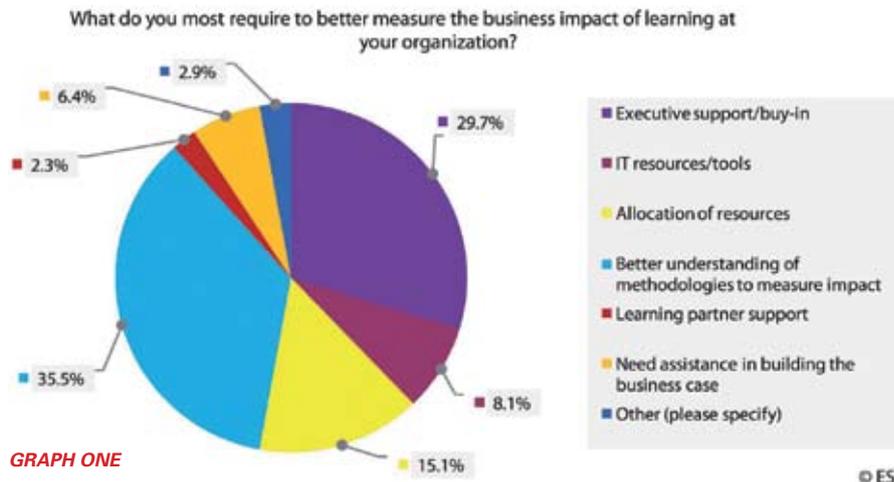
When asked what they do or would measure, increasing employee engagement stands out as an important area. This focus on employee engagement is to be expected as older workers begin to exit the workforce and a new generation takes over. Learning engagements should significantly boost an organization's ability to manage 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

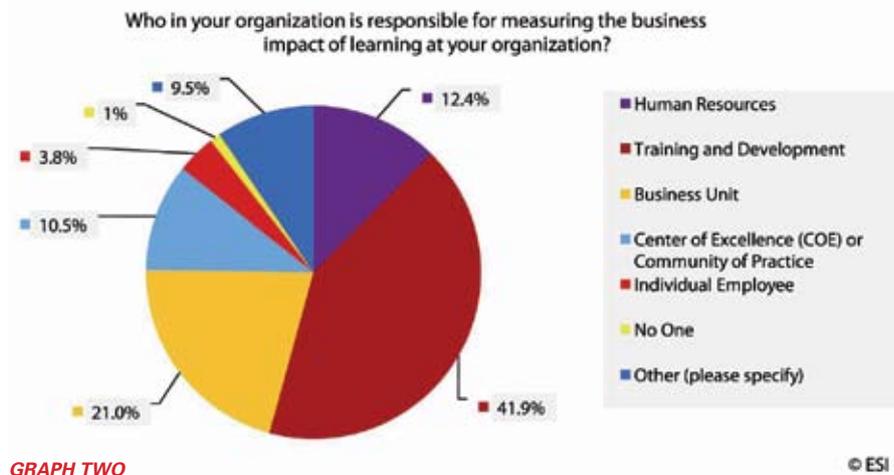
When examining why organizations do not measure business impact, the top reasons are lack of resources and a lack of people qualified to track business impact. Clearly, closing the gap with a measurement process, human capital and tools are needed in order to remove this barrier to measuring business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

Tie business impact to financial outcomes

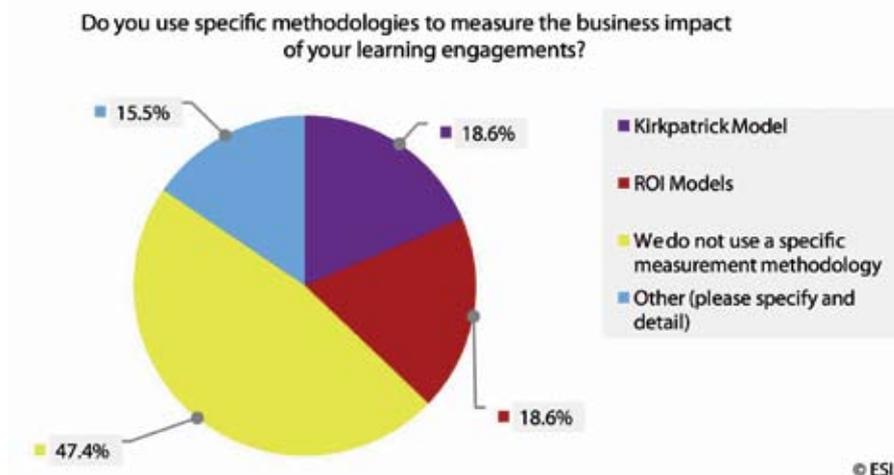
Our research shows that measuring for increased revenue and ROI continues to be undervalued. Both training and development and business



GRAPH ONE



GRAPH TWO



GRAPH THREE

unit managers need guidance on what and how to measure in order to track financial impact—a key measurement as the global economy continues its slow recovery.

Just imagine the impact of survey data collected from participants after each training course and 90 days after the course. These online surveys would not only ask the 'normal' level 1 and level 2 questions, but more importantly focus on job impact and business results to assess which area(s) of business results has been impacted, to what extent represented by a 0-

100 percent scale, and supported by open-ended questions that gather narrative comments that show examples, obstacles and enabling factors. A picture would then emerge that can only get clearer over time as more project managers report into this system.

It is clear that organizations have the desire to tie learning engagements to financial outcomes, but the research reveals a serious lack of clear, consistent measurement methodology and the resources to execute measurement for both qualitative and quantitative outcomes.

Organizations would benefit from a methodology and a pre- and post-evaluation strategy to interpret results and, specifically, show the financial impact of learning engagements. Tying learning programmes to financial outcomes would help organizations build a better business case for increasing investments in learning and as a result, securing executive support and buy-in for learning and development.

Survey Methodology

An e-mail survey consisting of 24 open- and close-ended questions was sent to learning and development decision makers and influencers for government and commercial organizations. The survey was distributed across the Americas, Europe, the Middle East and Africa as well as the Asia-Pacific region and was conducted between Sept 8 and Sept 17, 2010. 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.

Raed Haddad, is senior vice president, Global Delivery Services, ESI International, and is responsible for ensuring ESI exceeds client expectations in the delivery of all its services and products worldwide. He has more than 25 years of multi-cultural, project management expertise and is a member of ESI's executive management team. Raed is also a Professorial Lecturer at The George Washington University School of Engineering Management and Systems Engineering in Washington, D.C.

For more information, visit www.esi-intl.co.uk.

New Registered Project Professional standard from APM

The Association for Project Management (APM) is gearing up its structure for possible future Chartered status with the introduction of a new designation and standard – The APM Registered Project Professional (RPP).

Applications for the new standard will open in March. The first successful candidates took part in a pilot run last year following which they received certificates from chairman, Mike Nichols.

Paul Erricker, project manager for the development of the RPP standard, says that it is based around similar competencies found within the APM Competence Framework, adding that ‘The competencies are the building blocks that underpin the standard itself’.

He believes that RPP is an opportunity for people to further their careers, although he expects those wanting to undertake the RPP process initially will be experienced project managers.

Stephen Norton, who successfully took part in the pilot, found it both ‘interesting and rewarding’. As a programmes and engineering manager from Thales, he wanted to have his own professional background and

competencies independently assessed and found that RPP was the ideal route

He says: ‘Going through the process was straightforward. The most valuable part of the preparation was going back to the APM Competence Framework and working through it. That is the advice I’d give to anybody. Start slow and take your time to work through the competencies set and assess yourself against them.’

Mike Nichols says that it was important to test the process with the pilot exercise and that the successful candidates have not only become Registered Project Professionals, but, for some, assessors of future candidates.



Freelance project manager, Geraldine Duffy, receives her RPP certificate from Mike Nichols