

Measuring For Success: How CEOs View the Success of Learning Investments

Jack J. Phillips, Ph.D.

ROI INSTITUTE™

After attending this session, participants should be able to:

- Identify the **8** categories of data that should be sent to every CEO
- Describe the executive view of the success of L&D
- Plan specific actions to increase the accountability of learning and development

The Current Economic Climate

- Global recession
- Layoffs/hiring freezes
- Budget cuts
- Outsourcing
- Mergers/consolidations

We must show the value of L&D!

The “New” Definition of Value

Value Must:

- Be balanced, with qualitative and quantitative data
- Contain financial and non-financial perspectives
- Reflect strategic and tactical issues
- Satisfy all key stakeholders
- Be consistent in collection and analysis
- Be grounded in conservative standards
- Come from credible sources

Can you add to the list?

The "Show Me" Evolution

Term

Issue

Show Me!

Collect Impact Data

Show Me the Money!

And Convert Data to Money

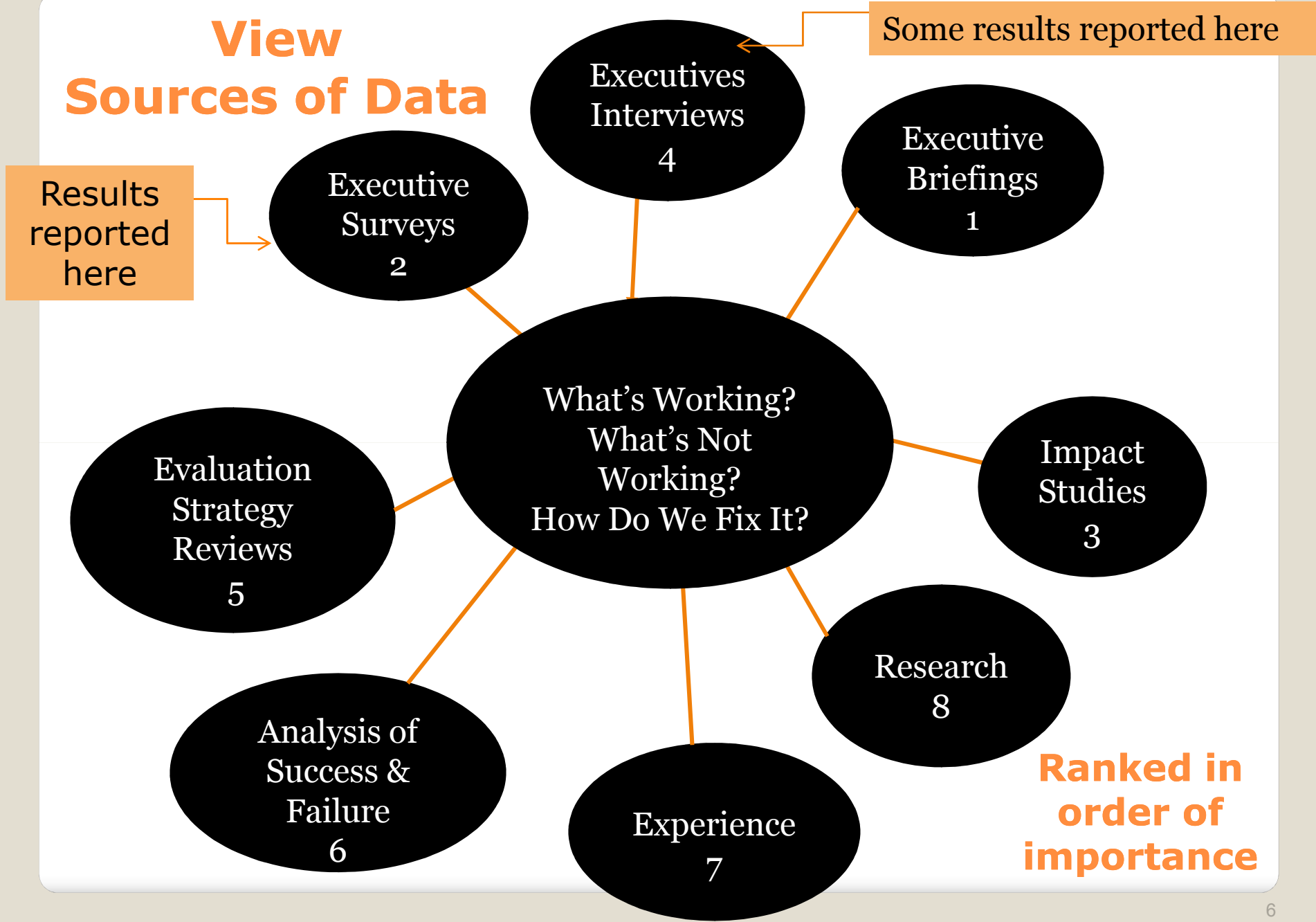
**Show Me the Real
Money!**

**And Isolate the Effects of the
Project**

**Show Me the Real Money,
And Make me Believe it!**

**And Compare the Money
to the Cost of the Project**

The Executive View Sources of Data

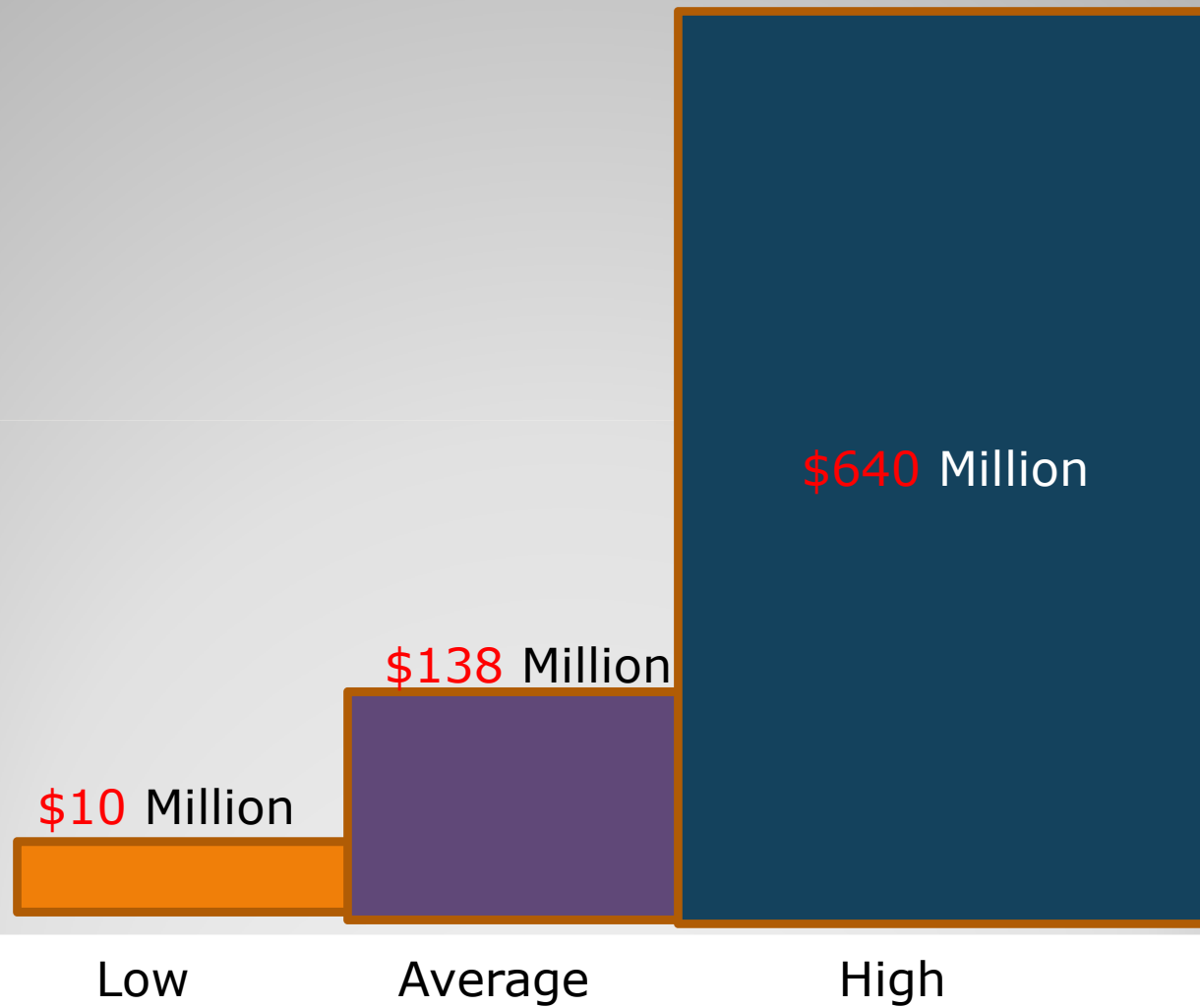


CEO Survey

Fortune 500 and Top Private Organizations

- Surveys administered between November 2008 & February 2009
- Completed directly by CEO
- **10** actions taken to increase response rate
- **96** returned
- **21%** response rate

Investment Range



How Do We Set the Investment Level?

Investment Strategies

- 4%** Avoid the investment, if possible
- 20%** Invest only the minimum
- 39%** Invest based on benchmarking studies
- 10%** Invest heavily in learning and development (over invest?)
- 18%** Invest when there is a payoff
- 9%** Don't know/Did not respond

Is the CLO Close to the CEO? Reporting Relationship

Number of Levels between CEO and CLO

3.2 Average (1-6 Range)

The CEO is over 3 levels up

Satisfaction with Measures of Success of Learning and Development

To what extent are you satisfied with the measures (value) of learning and development?

8%—Very Dissatisfied (1)

45%—Dissatisfied (2)

41%—Satisfied (3)

6%—Very Satisfied (4)

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
1. Inputs: "Last year, 78,000 employees received formal learning."	94%		
2. Efficiency: "Formal learning costs \$2.15 per hour of learning consumed."	78%		
3. Reaction: "Employees rated our training very high, averaging 4.2 out of 5."	53%		
4. Learning: "92% of participants increased knowledge and skills"	32%		

*CEO Survey—Fortune 500 and Large Private Companies, ROI Institute
N=96 Respondents

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
1. Inputs: "Last year, 78,000 employees received formal learning."	94%	85%	6
2. Efficiency: "Formal learning costs \$2.15 per hour of learning consumed."	78%	82%	7
3. Reaction: "Employees rated our training very high, averaging 4.2 out of 5."	53%	22%	8
4. Learning: "92% of participants increased knowledge and skills"	32%	28%	5

*CEO Survey—Fortune 500 and Large Private Companies, ROI Institute
N=96 Respondents

The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
5. Application: "At least 78% of employees are using the skills on the job"	11%		
6. Impact: "Our programs are driving our top 5 business measures in the organization."	8%		
7. ROI: "Five ROI studies were conducted on major programs yielding an average of 68% ROI."	4%		
8. Awards: "Our learning and development program won an award from American Society for Training and Development"	40%		

*CEO Survey—Fortune 500 and Large Private Companies, ROI Institute
N=96 Respondents

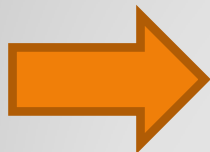
The Executive View of Metrics*

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure
5. Application: "At least 78% of employees are using the skills on the job"	11%	61%	4
6. Impact: "Our programs are driving our top 5 business measures in the organization."	8%	96%	1
7. ROI: "Five ROI studies were conducted on major programs yielding an average of 68% ROI."	4%	74%	2
8. Awards: "Our learning and development program won an award from American Society for Training and Development"	40%	44%	3

*CEO Survey—Fortune 500 and Large Private Companies, ROI Institute
N=96 Respondents

Why the Interest in ROI? Capital Investments

- Buildings
- Equipment
- Tools
- Vehicles
- Companies
- Some Technology

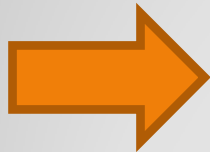


About 15% of expenditures

ROI is the Evaluation

Why the Interest in ROI? Non Capital Investments

- Marketing
- Human Resources
- Quality
- Some Technology
- Staff Support
- Processes



About 85% of expenditures

ROI is now used here

The Evolution of the CFO

- The CFO is the most critical job
- More CIOs reporting to CFO
- More CHROs reporting to CFO
- CEOs turning to CFO to measure success of other functions

ROI for non capital investments is rapidly growing

CEO Concerns About Current Functional Measures

- Inconsistent from one project to another
- Not connected to the business
- Too many activity measurements
- Not credible
- Claiming too much credit
- Not conservative

Status of Measurement

Level	Measurement Category	Current Status*	Goal in 5 Years*	Comments About Status
0	Inputs/Indicators Measures inputs including number of programs, attendees, audience, costs, and efficiencies	100%	100%	This is being accomplished now
1	Reaction and Perceived Value Measure reaction to, and satisfaction with, the experience, ambiance, content, and value of program	100%	100%	Need more focus on content and perceived value

***Percentage of programs evaluated at this level
Please add your numbers**

Status of Measurement

Level	Measurement Category	Current Status*	Goal in 5 Years*	Comments About Status
2	Learning Measures what participants learned- information, knowledge, skills, and contacts (takeaways from the program)	30-40%	80-90%	Must use simple learning measures
3	Application and Implementation Measures progress after the program- the use of information, knowledge, skills, and contacts	10%	30%	Need more simple follow-up

***Percentage of programs evaluated at this level
Please add your numbers**

Status of Measurement

Level	Measurement Category	Current Status*	Goal in 5 Years*	Comments About Status
4	Impact Measures changes in business impact variables such as output, quality, time, and cost-linked to the program	5%	10%	This is the connection to impact-must isolate the effects of the program
5	ROI Compares the monetary benefits of the business impact measures to the costs of the program	1%	5%	The ultimate level of evaluation

***Percentage of programs evaluated at this level
Please add your numbers**

CEO Involvement

In what ways are you personally involved in learning and development?

- 29%** Introduce/close out major programs
- 18%** Actually teach segments of major programs
- 73%** Review requests for major programs
- 61%** Review results for major programs
- 24%** Use the learning and development scorecard to monitor progress and make adjustments
- 22%** Conduct/host periodic review meetings to examine the success of L & D
- 78%** Personally approve the learning and development budget with input from others
- 18%** Other: _____

Learning Scorecard

Do you have a learning scorecard for top executives?

Executives Survey Results:

22% Yes

Learning Scorecard for Executives

Short Version

▶ 0 Inputs/Indicators

1. Number of Programs
2. Hours Per Employee
3. Cost Per Employee

▶ 1 Reaction

1. Perceived Value (Index)
2. Business Impact Linkage

▶ 2 Learning

1. Percent of Programs Evaluated at this Level
2. Learning (Index)

and...

Learning Scorecard for Executives

Short Version

▶ 3 Application

1. Percent of Programs Evaluated at this Level
2. Application Index
3. Top Barriers to Learning Transfer

▶ 4 Business Impact

1. Percent of Programs Evaluated at This Level
2. Business Impact Linkage

▶ 5 ROI

1. Percent of Programs Evaluated at This Level

and...

Learning Scorecard for Executives

Short Version

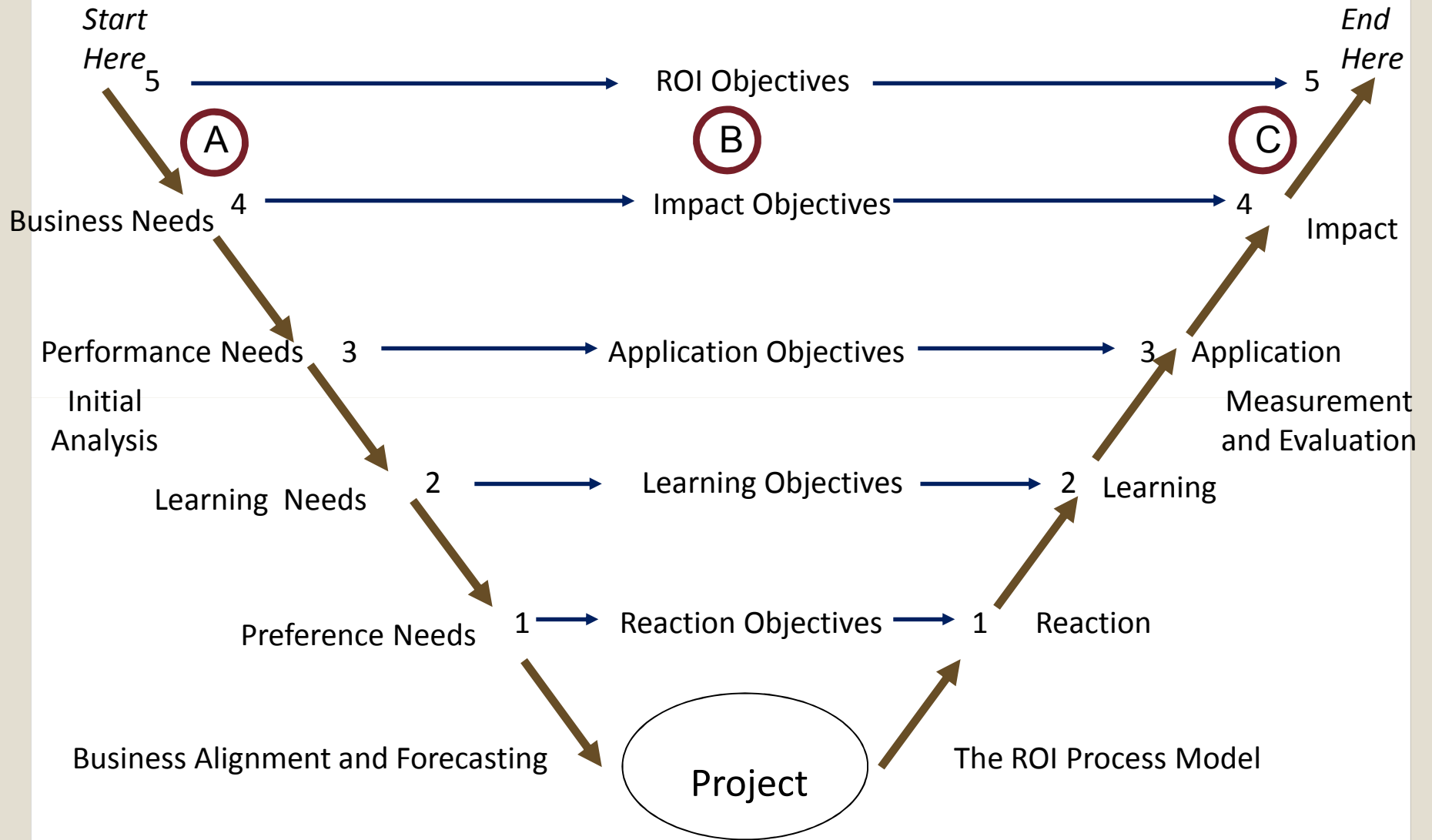
- **Intangibles**

1. Top Intangibles

- **Awards**

1. Industry and Professional Awards

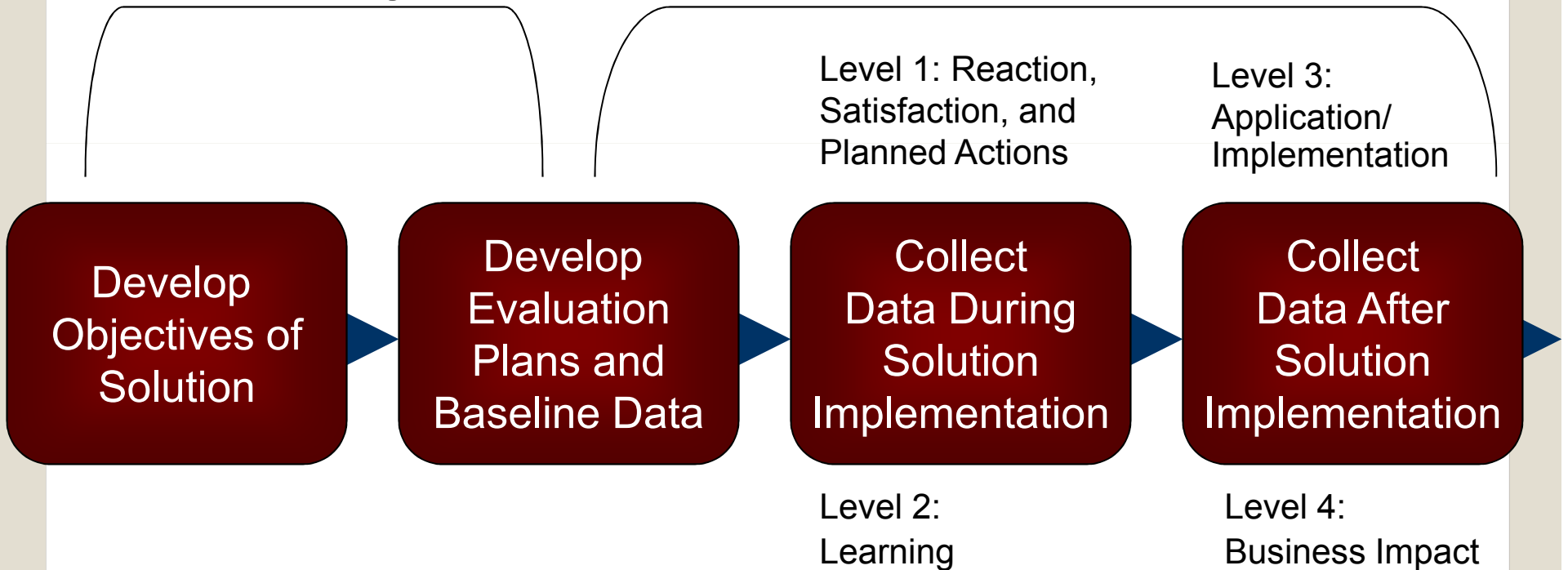
Business Alignment Model



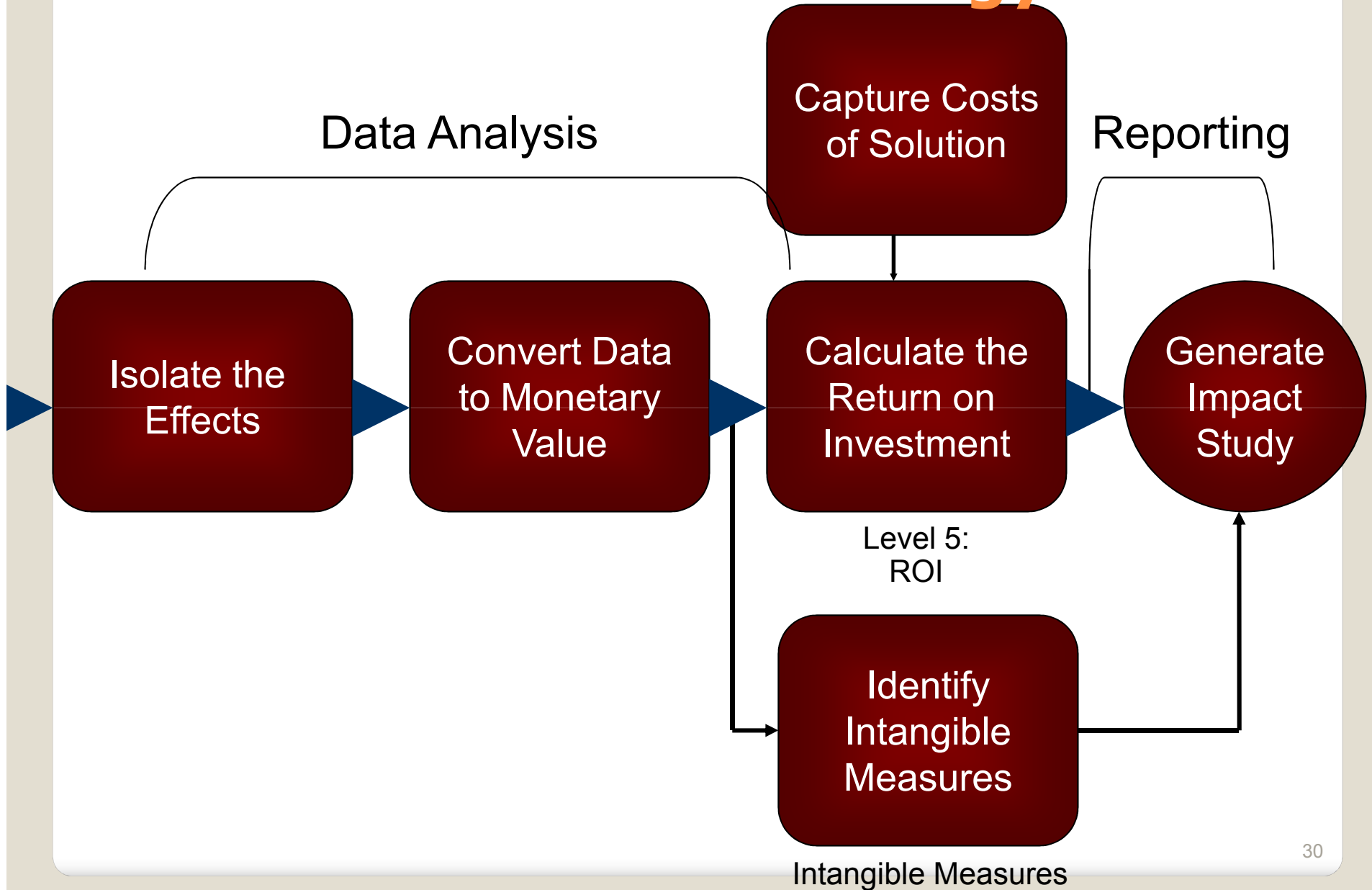
The ROI Methodology

Evaluation Planning

Data Collection



The ROI Methodology



CLO Challenges

- Revisit the strategy for setting the investment level
- Focus on business alignment
- Report data on business contribution
- Create a scorecard that reflects value
- Increase executive involvement in learning and development
- Build partnerships with key executives