

DEMONSTRATING THE BUSINESS VALUE OF L&D

Industry Research Report

2019

Phase 1 - Core Research Project in Partnership with
the Irish Institute of Training and Development

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1. Executive Summary

The impetus for this research came from a workshop co-hosted by Learnovate and members of the Irish Institute of Training and Development (IITD). The goal of the workshop was to identify an important issue which members face and then carry out a Learnovate Phase 1 research project to investigate the issue. Phase 1 research projects take an approach of innovation seeking to provide quick initial research findings around topics of interest and identify the potential for future phases.

The issue of most concern emerging from the workshop was the need for corporate Learning & Development (L&D) to show business value to senior leadership and the participants' current lack of insight into how to achieve this goal.

The following report took a multi-lens view to investigate the space. It includes:

- ▶ Case studies of organisations in Ireland currently showing business value.
- ▶ Current academic thoughts in the area.
- ▶ The L&D industry associations' views.

The purpose of this report is not to look at data analytics techniques or technologies in the marketplace, however, it is a probe at the appropriate level for L&D to understand how they might start to move forward and experiment with delivering business value metrics.

Looking at some recent industry research, the need for L&D to show value is evident. A Udemy for Business report tells us that 77% of business leaders see the availability of skills as the biggest threat to their business, while the same percentage of L&D leaders is seeing more demand to show business value (2017).

The case studies looked at six organisations in various industries where senior management views Learning & Development (L&D) as a department that adds value rather than as a cost centre. Across these companies, several similarities arise: L&D is seen as a valued partner and seeks to show this rather than being constrained by the smaller detail of cent-for-cent return on investment. Aligned to this is the fact they are seen as part of the team responsible for business value, therefore if results are positive L&D has played its part and does not need to prove they were the only factor involved. The case studies show most teams started with projects where showing business value was easier to show and seek to build on what they learn to extend the value to other projects. Showing value to the senior leadership team involves taking that extra step and thinking about what the business benefit should be, establishing this before the learning intervention and returning to measure it afterwards. Reporting is nearly always in terms of financial impact, it is in the language of the senior management team and is kept simple.

Other similarities brought to light are:

- ▶ The detective-type approach to understanding the business problem.
- ▶ Involving the wider team, such as finance, to assist in validating findings.
- ▶ Employing experimental methods to show value.
- ▶ Broadcasting successes to the wider organisation in business terms.

In this report, an initial hypothesis is put forward as an approach for L&D to start showing business value. Models like Kirkpatrick's four-level evaluation model can be open to interpretation while Phillips ROI Model can appear complex and time-consuming. A simple but significant shift proposed is to think of business value as a parallel activity to learning evaluation, rather than the end of the same chain and also to provide practical guidelines toward achieving the business value goal through a four-stage structure: Plan, Explore, Analyse, Share. The model proposed is flexible to allow for the context-driven nature of L&D from organisation to organisation. The model is to inform further research, to validate and iterate, but meanwhile provides guidance to L&D professionals who want to start looking at demonstrating the business value of L&D.

2. Introduction and Context

Learnovate and the Irish Institute of Training and Development (IITD) formed a strategic alliance in Spring 2018. The alliance intends to bring Learnovate's learning technology insights to IITD members and in return for Learnovate to gain insights into the main problems facing IITD members, particularly where technology could play a role.

The alliance was launched at an IITD event in Trinity College Dublin on May 24th, 2018. Learnovate hosted a brief innovation workshop to try to uncover a major challenge facing the IITD members concerning learning and development. The outcome of the workshop identified the most important challenge in the room was L&D's need to show the value of their efforts to the wider organisation. On further discussion, the issue was refined to 'showing L&D's value to the senior leadership team through the use of data'.

Learnovate committed to investigating this issue as part of an initial, one-month research project. This report represents the findings, outcomes and recommended future directions for research in this area.

3. Scene setting

The L&D challenge to show value in a meaningful way to senior management is one that resonates in research across the globe, including Egypt, Canada and India (Omran Aly, 2017; Percival, Cozzarin and Formanek, 2013; Srimannarayana, 2017).

It is four years since Kirkpatrick stated:

"Whether you're one of the inhouse survivors or a struggling consultant, you can no longer coast on lofty notions about continuous learning and employee development. You need to provide compelling evidence that training delivers bottom-line results and contributes to mission accomplishment." (Kirkpatrick and Kirkpatrick, 2015).

Traditionally, and to a large extent currently, L&D demonstrated value through means such as learner engagement and performance improvement. These are measurements of learning's impact on the learner. In an era where business relies more and more on human capital, the importance of business accountability has come sharply into focus.

A recent study showed 77% of business leaders view the availability of skills as the biggest business threat (Udemy, 2018).

Jos Arets, (2017) from the 70:20:10 Institute puts it as follows:

“Over the past decades, L&D has been busy trying to demonstrate the value of learning. However, this is no longer seen as being sufficient nor relevant. Learning in organisations is intended to improve performance measurably..... This is one reason the interest to demonstrate business impact is so high in L&D.”

Reflecting on Arets' quote above, the word 'performance' is ambiguous and therefore open to interpretation. Performance improvements must be translated into business terms that resonate including capacity, sales, profit etc.

One reason it has proven so difficult for L&D to model business impact is the variation in activity from organisation to organisation. Even within a single organisation an L&D intervention can vary from sales training, health & safety, to soft-skills development, and may include many more types of intervention. Each intervention will more than likely require a different approach to translate the outcomes into a language that will resonate with senior management teams. Also, traditionally L&D has been cautious of how accountable a learning intervention alone is in relation to any consequential outcome. As Williams van Rooij says: “In L&D, context influences the nature and type of analytics” (2018). The takeaway here is that the diverse nature of L&D projects and subsequent outcomes are so context-driven that case studies emerge as the most meaningful way to study the area (Williams van Rooij, 2018).

A Quick Lesson from Higher Education

As we begin our investigations it is worthwhile to note that in higher education a distinction is drawn between Academic Analytics, to assist in the development of the institution, and Learning Analytics, to improve the development for students (Ferreira and Andrade, 2016). While they are interlinked, they are treated separately. This simple change in perspective and its potential for L&D will be discussed further in this report.

4. The Case for Showing Value – Does Business Care?

In looking to some recent industry research, the need for L&D to show value is evident. As mentioned before, a Udemy for Business report states 77% of business leaders see the availability of skills as the biggest threat to their business, while a similar percentage of L&D leaders are seeing more demand to show business value (2017). Ironically the same report states that only 33% of business leaders believe L&D impacts business outcomes (Udemy for Business, 2017). Figures like these would indicate that L&D deciding whether to track business value, could rapidly become a thing of the past as the importance and reliance on human capital for business success increases. In other words, given the increase in focus, business leaders may well look elsewhere for answers if L&D cannot provide them.

A subsequent Udemy for Business report states that 44% of participant companies believe they are reporting 'very well' on Return on Investment (ROI) for learning, yet the top two reporting methods, accounting for over 40% each, are Training Satisfaction and Training Completion (2018). The bottom two reporting methods, at 10% or less are Revenue Growth and Correlation Studies (Udemy for Business, 2018).

The UK learning analysts Towards Maturity, report 33% of organisations identify business key performance indicators (KPIs) prior to an intervention. However, only 19% return to see how effective the intervention has been and only 11% calculate ROI (Ahmetaj and Overton, 2018).

These reports and others like them would imply that the use of 'Return on Investment' can have broad definitions within the industry and the real picture emerging is that very few companies are truly committed to showing L&D in an "added value" business light.

In looking to provide direction to L&D as to how it might seek to improve reporting against business metrics, and how to leverage data to do this, Udemy and Towards Maturity offer the following advice.

Udemy refers to five steps to gain internal buy-in at your organisation through:

- ▶ Acting like a consultancy.
- ▶ Being crystal clear on your company's decision-making process.
- ▶ Assembling your dream team.
- ▶ Speaking in numbers and building your business case.
- ▶ Picking good use cases and easy wins.

(Udemy for Business, 2018)

Towards Maturity look at the blockers to be overcome by L&D if they are to leverage data for business value. They identify the following specific challenges facing current L&D departments.

- ▶ Converting multiple sources into one.
- ▶ In-house lack of data skills.
- ▶ In-house lack of knowledge
- ▶ Lack of access to data specialists.
- ▶ Lack of access to business data/engagement with business.
- ▶ Compliance (GDPR).
- ▶ Privacy.

(Ahmetaj and Overton, 2018)

5. Case Studies

“In L&D, context influences the nature and type of analytics” (Williams Van Rooij, 2018 p.289). Consequently, it is not surprising that much of the published work on learning analytics in the workplace consists of individual company case studies (Williams Van Rooij, 2018 p.289). At Learnovate, we have found this to be the case not just in showing business value but in many different aspects of L&D including technology adoption, main function, and perception of the role.

In looking at the Irish situation, this research sought out case studies that show what “good” looks like by examining to companies that are currently leveraging data to show value and communicating it effectively to senior management.

The companies who participated in this research were willing to share their stories but, to varying extents, also needed to protect valuable and sensitive corporate information. In some case studies, the organisations asked to keep their identity confidential, while the other companies were happy to disclose their identities, most asked us to protect the specifics of the metrics involved.

In sharing these case studies, the established Situation, Problem, Solution, Evaluation (SPSE) structure is used.

Case Study 1: Woodie's - David Nally, Head of Engagement

Situation

Up until 2015, Woodie's did not have a structured L&D function. A team was established in 2015 to develop L&D initiatives for the business. David joined Woodie's L&D in 2016 to build on the existing initiatives and to increase the L&D offering, working closely with a Leadership Team who have a lot of passion for colleague development.

Problem

The L&D team needed to establish itself as a valuable section of the organisation. The new section was seen as business-critical and therefore the results needed to be in a language that resonated with the senior leadership team & key stakeholders, showing impact.

In understanding the challenge, David reasoned the initial approach had three elements to it. First: Don't try to change everything at once, identify a partner, a champion, or section within the organisation that wants to work with L&D.

Second: Produce a solid, specific plan based on facts and figures, and which maps out a business challenge.

Third: Know your audience, be sure the plan is framed in language that will resonate with the various stakeholders needed to approve it. This audience includes HR, Finance, Commercial and CEO, each with different angles on what success looks like.

Solution 1

One of David's early successes was in addressing a traditionally high attrition rate group within the Woodie's frontline staff. The attrition rate was high and had remained consistently so over time. The solution involved devising an onboarding programme specifically for this group.

Evaluation 1

The intervention resulted in very significant improvements that proved to last over time. Because other interventions had failed, the reduction in costly attrition was attributed to the onboarding.

Solution 2

After the initial success of the onboarding, David found a champion within a specific group, DIY Tools, and started working with them to see how they could improve sales. The intervention was to introduce Category Expert training for staff. The training comprised an initial phase and ongoing development, linked to a faster pay progression path.

Evaluation 2

On the surface, the training appeared to be successful. To show business value David worked with

Finance and HR and was able to prove, with all other factors taken into account, and compared to stores that had not yet received the training, that there was a significant improvement in both sales and upselling. The figures were measured two-months before and two-months after training to show sustainable improvement. This concept of showing evidence through measurable business outcomes was subsequently adopted as the model for L&D initiatives moving forward. The initiative continues to show ongoing value.

Solution 3

With some valuable case studies achieved, David began to see the pull from other departments. Woodie's had a Store Upgrade programme rolling out across their branches. David was mandated with providing training to staff to align customer experience with the redesigned stores. The programme focused on developing staff to align with customer expectations, to be 'on-brand' and the programme focused on soft skills like positive mindset and collaboration.

Evaluation 3

The nature of the store upgrade rollout programme allowed the opportunity to compare performance across upgraded stores and those still to be upgraded. Once again, the results, in a like-for-like comparison, showed significant sales increases, lasting over time.

Conclusion

David said for about six months he did focused on traditional metrics like satisfaction and performance, and still does, but that the Leadership Team & stakeholders were more interested in metrics that clearly demonstrated return on investment. It was this realisation that led David to focus on business value and it has transformed how L&D is viewed. L&D is now seen as a powerful, tactical tool to use in progressing Woodie's' business. Of course, this does mean that L&D is also accountable, but then, it should be.

Case Study 2: Customer Services – Multinational

Situation

The L&D manager was previously Group Manager in Customer Services, switching to L&D in recent years. An initial review of the L&D function showed reporting being done at Kirkpatrick Levels 1 and 2, satisfaction sheets and knowledge tests. The view was it seemed transactional: “I did this project, I closed this project”. There were no metrics feeding back to the business on the impact learning was having and no correlation back to the performance improvement of people in the Customer Service Centre.

Problem

The department is responsible for Customer Service, dealing with a diverse range of enquiries. One established group in the department was performing well in certain aspects but not as well in others, so while effective, they were not enhancing the customers’ experience during contact.

Solution

A focus was introduced on how the L&D team could apply business acumen and present information to senior leaders in a language they were familiar with and that would demonstrate the value and contribution being delivered to the business. The data analyst shifted focus by accessing and analysing data in a way that told a story and presented a visual representation on the learning activity. The learning specialists designed interventions with a focus on what the impact on the business was and isolated behaviour change metrics. The team established a baseline set of data from the Learning Needs Analysis (LNA) to work out how they wanted to measure impact over time. The programme was designed to run for a year with four different modules and managers were briefed as to what was required from them for ongoing support. The L&D manager recounts, “changing behaviour does take time, it takes repetition, coaching and support”. As part of the process, the team identified a monetary cost per person to measure the opportunity cost and the improved KPI. The team then calculated the cost-benefit analysis. In addition to comparing change with the baseline data the team also used a ‘control’ group of those who did not receive the training, to compare with. The results were both significant and lasting and were evaluated each quarter over the year.

Evaluation

Summing up, the L&D manager said: “It was great that I could demonstrate that we’re not a cost centre, we’re actually creating value.” Having gone through the entire process the team has designed and built a template to measure business value and behavioural change on every project. For next year they are working with the tech team to see if they can automate elements so the learning specialist can work independently and generate a report. The plan is to measure the L&D contribution quarterly and at the end of the year in terms of cost-saving, opportunity and also the reduced L&D time in design and development.

Case Study 3: eShopWorld - Sarah McGowan, Learning and Development Manager

Situation

Similar to the Woodie's' case study, L&D is a reasonably new department for eShopWorld. In taking up the role of L&D manager, Sarah set out first to understand the business, the appetite for engaging with L&D across departments and the expectations of the senior management. As a successful and expanding Irish start-up, currently employing approximately 300 people, the direction from Senior Management was clear; they were not looking to establish a learning university. Senior Management was interested in L&D as a service, like any other service, and how it could support achieving strategic goals and deliver business value in a company that is growing fast.

Problem

One of L&D's early initiatives was not so successful in terms of outcome but highlighted the specific challenges facing Sarah in delivering value to the business. The project raised the issues around team versus individual development, the need for tiered learning based on ability, difficulty in getting participants to allocate time and the need to understand the issues at a root-cause level. Learning from the experience, Sarah says: "It showed me the problems that we would come up against any time we try to organise anything and in showing the value to the company."

Solution

For a subsequent, more significant, project Sarah applied her learnings and introduced a data discovery phase. Working with each department they identified five to six key issues to be addressed. Beyond translating the findings into distinct learning outcomes, Sarah translated each to show the financial deficit that would accrue from not addressing these issues. The measure was based on the cost of someone not working as efficiently as they might due to the identified issues, calculated as a measurement of loss to the company. This baseline gave clear goals for the project to work toward and a way to measure interim progress during the four-month programme. The progress was measured bi-weekly and allowed for interim evidence of progress and adjustments.

Evaluation

The results were able to demonstrate the improvement in both team performance, in some cases doubling from initial measurement, and associated business value for the organisation. Sarah points out that a valuable part of the discovery phase is the ability to identify upfront the aspects L&D will not be able to address. Not only does this show that L&D understands the difficulty and the intricacies of the business aspect, but that through understanding them will come up with the proper intervention considering those different aspects. This approach helps build trust between the business and the service that L&D supplies.

Conclusion

Sarah is planning a significant change to digital in the coming year. As part of this transition, she sees the opportunity to trap baseline metrics and then over the long term can show return on the investment of the transition. Sarah also points out that not every intervention will lend itself to this analysis, but she would hope that 80% will.

Case Study 4: Servier - Tom Walsh, Training Lead

Situation

On appointment to the role in Servier, Tom set about analysing of all current training programmes, seeking to understand them at core level, and looking for feedback from participants on how training might be improved while seeking to understand what business value each was providing. On this basis Tom was able to establish a matrix of action as to how he wanted to progress the new training programme in line with his views and looking to leverage digital if appropriate. As per the Woodie's' case, this was a new departure in relation to L&D and Tom identified the need to start with a case study to demonstrate the business value of L&D.

Problem

Servier had no LMS, training was done face to face and what tracking was done was captured by paper and excel for compliance purposes. There was no focus on showing business value for L&D activities. There had been a recent development across the Servier group to show cost reduction and improve efficiencies.

Solution 1

To show the potential for L&D in delivering business value Tom started with a smaller example, "Dignity at Work". There was little or no budget for this project so it was developed in-house. The investigation stage had revealed the current solution was too long, was expensive to run and was perceived as unengaging. The digital solution was designed to provide interactivity and engagement and to be more concise and more effective.

Evaluation 1

The course proved to be as effective as the original in terms of learning outcomes and was judged to be more engaging than the previous version. In cost-reduction terms, the digital solution cut down the need for trainers. Also, being quicker, it reduced the amount of time required by staff to take the course. Tom leveraged this detail in terms of 50% course duration and associated cost savings for the firm.

Solution 2

The initial pilot case showed the potential of the new approach and gained the attention of the senior management team. It also secured buy-in from the HR Director as a champion for L&D initiatives. This led to the more significant first full case for the Manual Handling training programme.

An in-depth analysis of the current situation showed participants believed the current training was long and not informative. The plan for the solution was specific and addressed efficiency and effectiveness targets with a need to improve the quality, make the experience more engaging and to make it shorter by a target of 50%.

Evaluation 2

In more traditional Kirkpatrick terms the course showed an increase in participant satisfaction and learning.

The course was reduced from-to-face to face version of 150 minutes to 40 minutes, a reduction of 70%. Tom worked with Finance and HR to establish the new course and was providing a saving of 175 hrs for production staff. However, as staff are paid, either way, Tom converted the saving figure into a capacity increase that would resonate with management, showing a capability to produce an additional 24,150 packs. The final step was to convert the increased production into a sales value of over €110,000.

Conclusion

Tom at Servier, like David at Woodie's, believes the crucial point is to start with a business target in mind, to be specific and to challenge yourself to achieve the result. Naturally not achieving the goal can be as valuable as achieving it, as you learn what does not work. Tom also believes that celebrating and sharing positive outcomes in a language that the business understands is crucial to get buy-in from all sides.

Case Study 5: Contact Centre

Situation

The company involved in this case study is a multi-national contact centre with operations in Ireland and globally. The L&D function responsible for these centres is based in Ireland. Average handle time (AHT) is a call centre metric for the average duration of one transaction, typically measured from the customer's initiation of the call and including any hold time, talk time and related tasks that follow the transaction to resolution. AHT is a prime factor when deciding call centre staffing levels. The term can cause controversy because the speed of call-handling does not necessarily equate to a successful outcome. However, it is still important from an operational point of view to ensure that agents are operating to a time-level when supporting customers in resolving their issues.

Problem

The L&D team carried out research and identified customer service agents with the same positive customer satisfaction ratings had a large range of AHTs, some taking twice as long.

Solution

The L&D team set about interviewing the agents with the shorter AHTs to identify the tactics they adopted to see if they could leverage these insights to help enhance the performance of those whose AHTs were longer in duration. The results provided insights into many areas including control handling tips, listening skills, effective use of internal tools, language/tone adopted, anchoring and experienced engineering techniques adopted. A campaign was launched including visible signage/aids to promote best practices.

Evaluation

The overall results were an average 30-second reduction in AHT across all agents, with no negative impact on customer satisfaction scores. In Kirkpatrick terms, this could be deemed a Level 3 behaviour outcome, and many would be satisfied to report this as a successful outcome. This L&D team went further to show impact in ways that would resonate with the senior leadership team.

Working with HR and Finance the L&D team were able to work out the monetary value of 30 seconds agent time multiplied by the average amount of calls per day. The team considered the saving allowing for agents per department, the number of departments, departments per site and number of sites. The outcome was a significant value figure attributable, at least in part, to the intervention. The figure was in turn translated into a percent increase in capacity for the centres. The L&D department was clear to point out to Senior Management that there may have been other factors at play within the environment to influence the metric but that the intervention had played a key role as a solution for the business.

Case Study 6: Novartis

Darren Galvin, Head of Global Learning Services

Ken Maher, Learning Project Management Lead

Situation

As a leading multinational pharmaceutical company, Novartis spends tens of millions of euro each year on training. The L&D department within Novartis does not have the luxury of purely producing this work. Departments and businesses within Novartis have the option to use outside suppliers to fulfil their needs. In this environment, the Novartis L&D team must compete and win Novartis business. One aspect that Darren and Ken see as crucial in winning the business is the ability to show business value to clients.

Problem

The L&D team at Novartis is very good at defining and measuring the Kirkpatrick Levels 1 to 3, Reaction, Learning and Behaviour. However, they realise that these measurements have a limit in terms of value to the internal clients who seek to show the business value of L&D interventions.

Solution

Novartis data systems are interoperable and therefore provide access to multiple sources of data that can combine and deliver meaningful business metrics for L&D. The team at Novartis understand that what is required is a specialist skillset to help them interrogate and leverage meaningful processes and data to show value. Novartis has identified this as a distinct role within the L&D team and at time of writing are advertising to recruit for this position, a role they see as a senior one within the team. At this level of analysis, Novartis will look to go beyond the reporting of business value of past projects and look to use data to predict future business issues and address them before they arise.

Evaluation

While this role is still to be filled and therefore evaluation is in the future, the business case and the resources the team are investing in this role demonstrate the perceived value Novartis place on leveraging data to show meaningful business value.

Similarities in the case study participants

From talking to the L&D leaders it was noted that throughout the projects some similarities were noticed among the respondents.

Business Understanding: Qualifications like Lean Six Sigma were not uncommon. The participants understood business, how business thinks at a macro level and they were committed personally to showing that value as part of their remit.

Wider Team Effort: The understanding that the most efficient and credible way to show business value was to engage with and get assistance from other departments in the organisation.

Seek Advocates: Looking for opportunities or individuals who would buy into the project to begin to show business value.

Experimenting: Planning to show success, looking at what to measure and re-measure to show business value.

Broadcasting successes: Broadcasting business value and learnings to the wider organisation, ensuring the business value was prominent in communications.

Recent Departments: It was noted that many L&D departments and appointments were reasonably new and had started with a vision of being able to show business value.

6. Current Metrics and Models

“... there is no universal consensus as to how learning’s impact should be measured. Moreover, there are few examples of organisations doing it successfully”

(Williams Van Rooij, 2018 p.289).

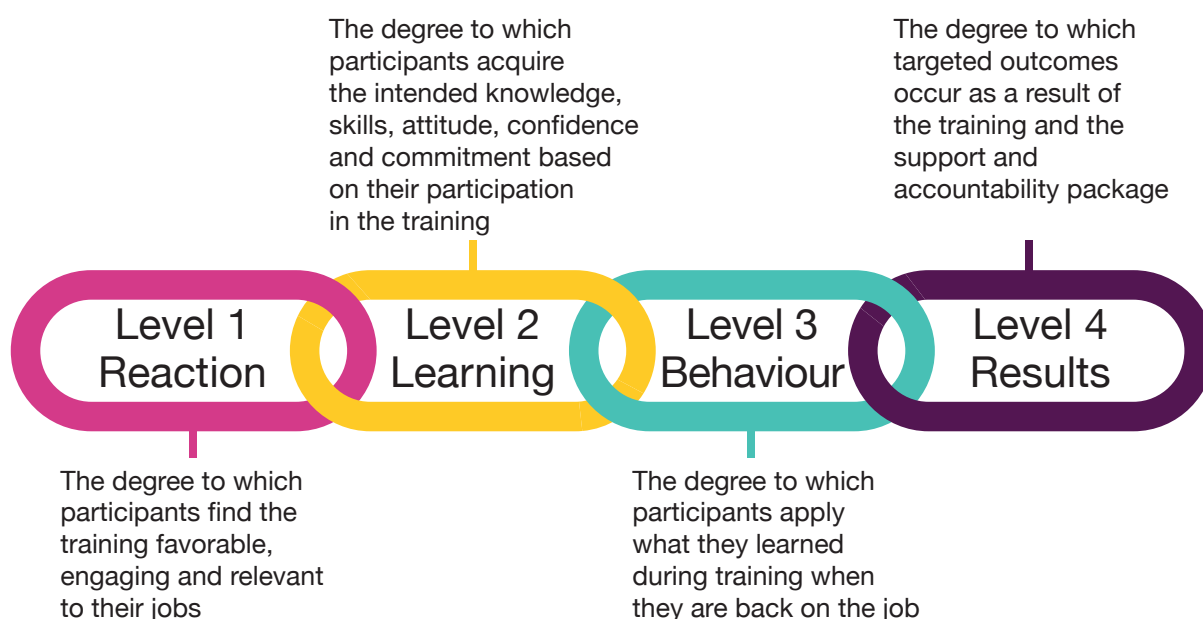
Many models of evaluation and measurement have emerged over the decades on how to measure the impact of L&D activities. Interestingly Williams van Rooij groups these models under two categories; models targeting L&D Practitioners where the focus is on learning outcomes and behavioural change, and models targeting Decision Makers where the focus is on business outcomes (2017 p.257-258).

Kirkpatrick 4 Levels

In the first category, models targeting L&D Practitioners, the most widely adopted model for measuring impact in L&D is the Kirkpatrick four-step model. The model views measurement as a sequential chain (see Fig. 1 below). Level 1 measures the degree to which participants react favourably to the learning event. Level 2 measures the degree to which participants acquire the intended knowledge, confidence, commitment, skills and attitudes based on their participation in the learning event. Level 3 looks to show evidence of the degree to which participants apply what they learned during training when they are back on the job, and Level 4 looks to measure the degree to which targeted outcomes occur as a result of the learning event(s) and subsequent reinforcement (Kirkpatrick and Kirkpatrick, 2015).

The Kirkpatrick model is easy to understand, and most companies will measure at Levels 1 and 2, as they are easily understood and measured. (Reio et.al., 2017). However, the model is not without issues. In a recent critique of the model Reio et.al. identify issues around what the financial impact evaluations should be, time constraints, barriers to conducting higher levels of evaluation, the sequential nature of the Levels and many more (2017). Kirkpatrick and Kirkpatrick offer training in applying the model but possibly one of the model’s downfalls is that taken as four simple words its implementation is open to wide interpretation.

Fig. 1. The Kirkpatrick Model (Kirkpatrick Partners, 2019)



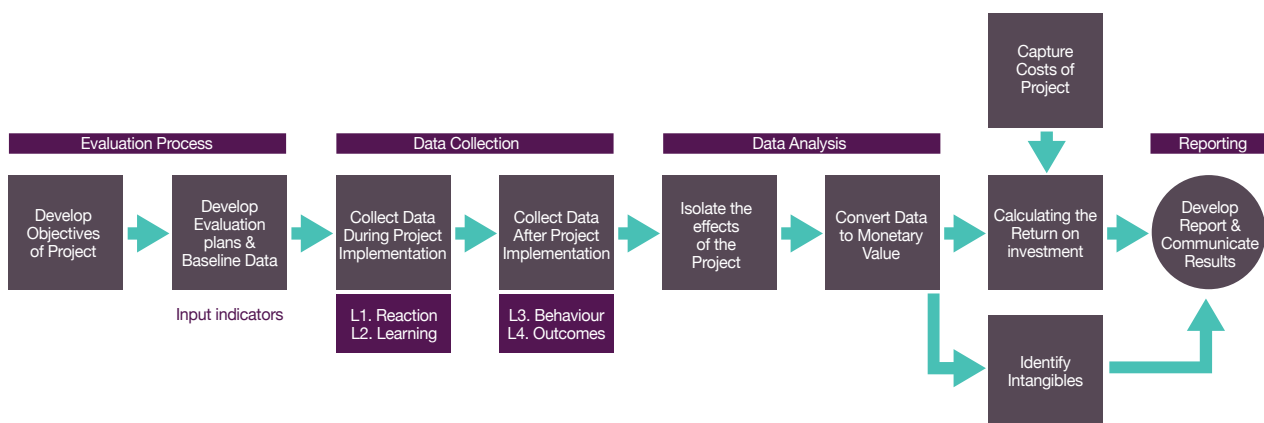
Phillips ROI Model

In the category of models focused on Decision Makers, the Phillips ROI Model is a popular extension of the Kirkpatrick model to include a specific section five looking at ROI. The model is clear and indicates what five areas to measure, including the four Kirkpatrick Levels and the costs, to calculate the ROI figure. The model takes intangibles into account, aspects that are not measured in monetary terms, customer satisfaction for example, and utilises estimates in areas such as isolating the effects of a programme's business impact, to allow for other factors (Phillips, 2007). The end goal is to provide a tangible figure showing the return to the business versus the cost of the intervention in ratio or percentage terms. In support, the model provides many tools such as 10 critical success factors and a methodology with 12 guiding principles as follows:

1. When conducting a high-level evaluation, collect data at lower levels.
2. When planning a high-level evaluation, the previous level of evaluation is not required to be comprehensive.
3. When collecting and analysing data, use only the most credible sources.
4. When analysing data, select the most conservative alternative for calculations.
5. Use at least one method to isolate the effects of a project.
6. If no improvement data are available for a population or from a specific source, assume that little or no improvement has occurred.

7. Adjust estimates of improvement for potential errors of estimation.
8. Avoid the use of extreme data items and unsupported claims when calculating ROI.
9. Use only the first year of annual benefits in ROI analysis of short-term solutions.
10. When analysing ROI, fully load all costs of a solution, project, or programme.
11. Intangible measures are defined as measures that are purposely not converted to monetary values.
12. Communicate the results of ROI methodology to all key stakeholders.

Fig 2. Phillips ROI Model (Phillips, 2007)



An Alternative Slant

Many of these models have experienced a lot of success both commercially and in terms of delivering results, yet why has no model emerged as the de facto for L&D? Also, given the increase in demand for business impact metrics from senior leadership teams, why are only 11% (Ahmetaj and Overton, 2018) of organisations reporting ROI?

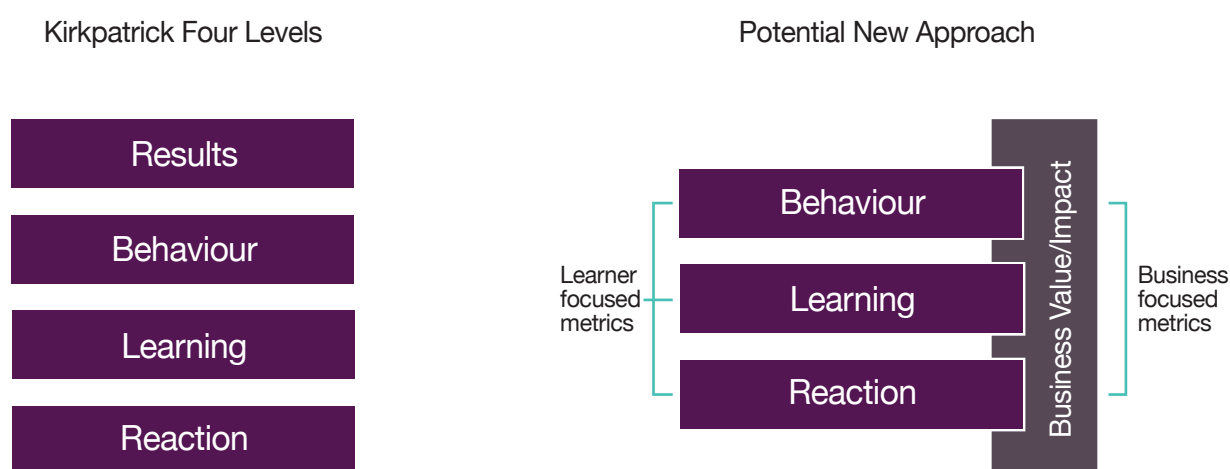
Looking at practitioner models we know the majority of L&D does tend to trap Kirkpatrick Levels 1 & 2 and a reasonable percentage trap Level 3 (Udemy for Business, 2018). The four terms associated with Kirkpatrick's levels; Reaction, Learning, Behaviour and Results are excellent in terms of being distinct and memorable, but they are also very broad and open to interpretation by each L&D professional. L&D is usually an under-resourced department and as a result, is very busy. The business of L&D is the development of people and therefore it is no surprise that the focus is on Levels 1 to 3 which are all focused on the participants or learners.

Level 4 is focused on the overall business impact and is therefore connected but one step removed from the improvement of people. The assumption that the Levels of Kirkpatrick are progressive and linked allows L&D to make statements like “well, we got to Level 3” almost forgiving the lack of need to progress to Level 4. This presents an important point, rather than the top of the Levels achievement list what if Level 4 measurement was seen as an adjacent and parallel activity?

Decision Maker models like the Phillips ROI Model provide a scaffold to show return on investment considering all the inputs and outputs and definitively show the benefit, or not, of a particular intervention. Looking at Fig.2 above and taking in to account the 10 critical success factors and 12 guiding principles it can look like a formidable task for a time-poor L&D department to engage in ROI development. Also, often L&D will say that the output is not credible to the wider organisation as there will be feedback that other factors were at play beyond any L&D intervention, which of course may well be true. The problem arises when L&D take this as an opt-out not try to show business value from L&D. As stated earlier, only 33% of business leaders believe L&D impacts business outcomes (Udemy for Business, 2017).

So what might an adjusted approach look like? The first step towards a sustainable model might look at simply moving the business value aspect from the chain, even visually, to consider the activity as a separate one. This could help focus on delivering results rather than being able to forgive oneself for not achieving the Level as part of a sequence. If Business Value is identified as a parallel activity that begins before the intervention and carries on beyond completion of the intervention, feeding on the other Levels but independent, it might bring it into more focus and reduce confusion. See Fig. 3 below.

Fig 3. A potential adjustment to the Kirkpatrick Model to assist in leveraging business value data



In the next section, this potential new approach is expanded towards a potential future model to leverage data to show business value.

7. Addressing the L&D issues with Showing Business Value

In innovation terms, when looking to create a solution, the place to start is by understanding what the problem is. In carrying out this research and listening to the contributors a picture emerges of some of the issues a new model would need to address. The problems coming to light are:

No Time: To date, in most cases, showing business value is not mandatory and therefore is seen as an additional unnecessary task to an already busy team.

No Value: The belief that any figure you show will not be viewed as reliable, it cannot show it 'caused' an outcome, so the prevailing attitude is "why bother?"

No Skills: Many L&D people come from HR or other backgrounds and are dedicated to the development of human capital therefore business analytics is not in their comfort zone. Models like Phillips look complicated and time-consuming.

It's Fine As It Is: Showing the behavioural and learning outcomes have always been enough, and in fact, in a lot of cases L&D generate these for their own sake because no one is looking for metrics.

Context: As mentioned at the start of this report "context influences the nature and type of analytics" (Williams Van Rooij, 2018 p.289). This can lead to frustration when looking to show business value as models can be too vague to offer support or too prescriptive to be flexible.

In spite of all the points above, the Learnovate/IITD workshop in May 2018 showed the single biggest question for L&D is, how to show value up the management chain. So how might a model be developed to help support L&D in addressing these issues and concerns and thereby show business value. L&D managers should choose to show value before it is requested of them. Leveraging the research and case studies in this report, the following is a guide to the future development of a model fit for purpose and a guide for those who wish to start leveraging business value data now.

No Time - The issue of showing business value is an urgent one.

"You need to provide compelling evidence that training delivers bottom-line results and contributes to mission accomplishment." (Kirkpatrick and Kirkpatrick, 2015).

"Learning in organisations is intended to improve performance measurably.... This is one reason the interest to demonstrate business impact is so high in L&D." (Arets, 2017)

33% of business leaders believe L&D impacts business outcomes (Udemy for Business, 2017).

The Novartis case study is indicative of how L&D is taking the ability to show business value as key to their function. Darren and Ken have put together a business case to resource this activity as a distinct, senior role, not just to show value but to provide predictive analytics to the organisation. Not every organisation will need a separate resource and again as shown through the case studies L&D are also taking on this role.

In saying that, if time is an issue for L&D a model should provide a happy balance between being open to interpretation and overly prescriptive. The model should be directional, accessible, flexible and easy to follow.

No Value - The case studies in this report provide insights to potentially answer the “no value” question and possibly provide the encouragement for L&D to pursue the development of business value metrics. Traditionally the arguments around metrics fall into two areas; the credibility of any metrics generated and the difficulty in accessing data to develop metrics. With credibility, the Phillips model provides a rigorous method to answer that question. The model considers all inputs in terms of time, costs, behaviour change etc. and then seeks to identify the business outcomes in terms of a meaningful method and provide a figure-based ratio or percentage on return per euro spent etc. The figure is intended to be robust and assignable to the L&D intervention. Yet as reported earlier only 11% of Toward Maturity respondents calculate ROI (Ahmetaj and Overton, 2018), the Association for Talent Development (ATD) report 18% (Patel, 2010). The arguments against the method are the amount of effort required and the use of subjective measures such as the contribution of training ratio (Passmore and Velez, 2012), (Hogan, 2007).

The case studies in this report are from L&D teams who are valued by their organisations and seen as a strategic resource to help the business. None of these L&D teams are using a structured model to show value, rather they are a trusted partner in the business and define how to show value at the start, agree this with the senior management team and then seek to deliver it.

The case studies in this report all take a different approach to “proving” that it was training that made the business difference. Because these L&D departments are valued as part of the overall business team the percent contribution applicable to the training was not the main focus, improving the specified business outcome was the goal. If the goal was achieved and L&D’s intervention was a significant part of it, the percent was not so important. In experimental terms it is about correlation (a link between the intervention and the outcome) rather than causation (the intervention was the only cause of the outcome). Taking this approach removes much of the ‘heavy lifting’ associated with typical ROI, and shows the trust established in L&D. In addition, the eShopWorld case study discusses the benefit of showing Senior Management upfront that you understand there are other, non-L&D factors at play and while there may be elements that are outside L&Ds control, they are acknowledged and inform the solution.

No Skills – In referring to two of Udemy’s five steps to get internal buy-in; assemble your dream team and speak in numbers, the job of finding the appropriate data and compiling the results has been shown in the case studies to be more credible, and easier to do, with the assistance of the commercial and financial departments. In each case at the planning stage, it was decided what metrics might be appropriate and how they might be accessed. The main skill that is required from L&D is the passion to be a detective and work out what evidence might show the relevant business impact. That evidence might be capacity, revenues and savings, but as Udemy says, ‘speak in numbers’ because the evidence says this is what Senior Management are looking for; they may or may not appreciate detail on the Kirkpatrick Level 1 to 3 outcomes, but they will be interested in figures that show business value.

It’s Fine As It Is – There are companies where L&D is long-established and there is an underlying sense from the business of the supportive value that it provides. In a Canadian longitudinal research study of 5,000 companies, the finding was that training’s main function was just to maintain current labour productivity, (Percival, Cozzarin and Formanek, 2013). In this case, L&D is a necessary expense. This positions training as an important must-have to carry out the business function but not necessarily linked to productivity; akin to machine maintenance and good working conditions.

As stated, several times, context defines L&D. In cases similar to above the current methods of measuring are probably more than adequate for business management. However, this report clearly shows there is a strong demand for L&D to show business value and therefore the decision to deliver business metrics may not be a choice in the near future.

Context – In the previous section, the importance of context is mentioned. One of the common responses from L&D are topics such as that sales or customer service are relatively easy to work with as opposed to soft skills development or similar. Not all L&D initiatives indeed lend themselves easily to business value measurement. However, rather than take this as a reason not to undertake any attempt at measuring business it is worth considering the following two points. First, as with Servier and Woodie’s, make a start; identify training that is easy to work with and treat it as a pilot to see if you can show business value. This small step on its own might start to get the increased support for L&D from both departments and the senior management team. Secondly, think like an innovator and start with the problem; if you do not think there is an obvious business benefit to developing a particular initiative, question it. If there is no reason, why do it? The other aspect is that if you do uncover the business reason to develop an initiative you just found the metric to measure to show effectiveness.

8. Showing the Business Value of L&D - A Potential Model

This report has looked at case studies, the literature and the issues L&D face around engaging with the development of business value metrics on an ongoing basis. In synthesising the findings, it emerges that any solution should be:

Supportive in terms of guidance

As mentioned there are tools associated with Kirkpatrick's model, but most L&D practitioners are only measuring the lower levels (Ahmetaj and Overton, 2018), so value measurement is a slightly alien territory and therefore support is needed in terms of practical guidance.

Not overly prescriptive

While support is needed, if it is too formulaic or prescriptive it will lack the flexibility required to deal with different contexts. Besides, if like the Phillips model it seeks to show ROI as a robust, undisputable figure it may become perceived as unrealistic, and indeed sound more defensive of money spent on L&D than value created for the business.

A separate activity

The chain analogy is used a lot in the current measurement models. Kirkpatrick does not see the levels as a chain (Kirkpatrick and Kirkpatrick, 2015), but most practitioners do. This allows for a kind of assessment 'confession' where L&D can say, "well we got to Level 2 or Level 3 in our assessment, not bad". As mentioned earlier, Kirkpatrick's Levels 1 to 3 are all directly linked to the participant. Level 4 is about the overall impact on the overall business, therefore like apples and oranges, they should not be counted together. Yes, 1 to 3 metrics are important for other reasons and may contribute to establishing business value, but the task should be seen as an adjacent one rather than part of the same chain.

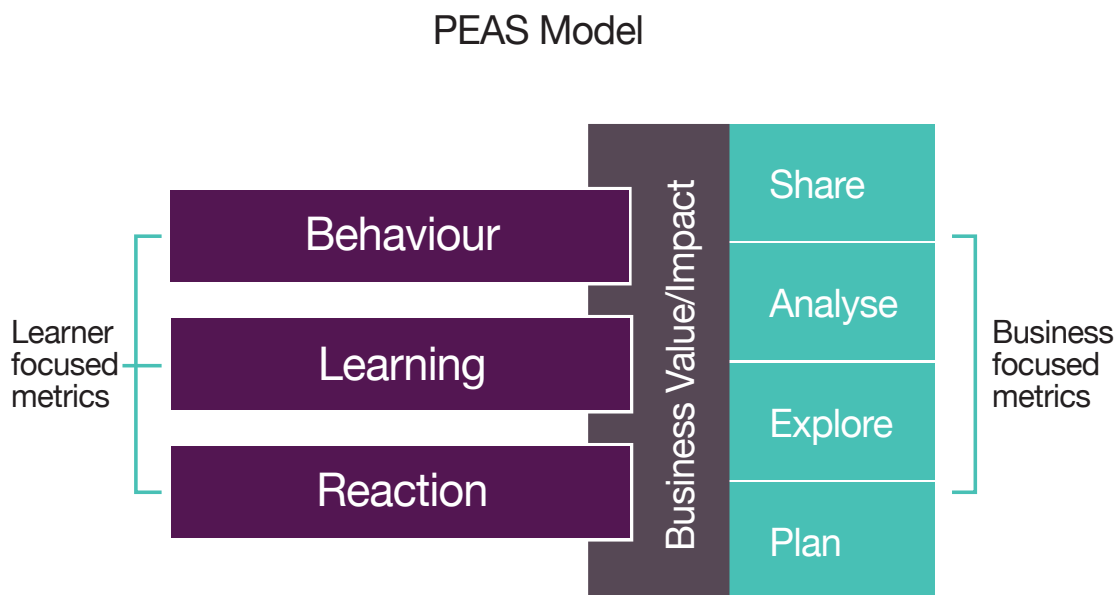
This report set out to look at how companies might approach the development of business value metrics. To this point, we have hypothesised what the issues are and a general idea of how it might be developed. In this next section, we put down some initial thoughts on what the model might look like and sow the seeds for what we would seek to develop in a subsequent project including the development of a digital solution to support business value development using data.

The PEAS Model

Our working title is the acronym PEAS. It is kind of appropriate, we know peas are good for us, but we don't always want to eat them!

PEAS stands for Plan, Explore, Analyse and Share; four stages for business value metrics development, not directly linked to learner progression.

Fig 4. PEAS: A hypothetical model to measure business value



Plan (before the intervention)

The Plan phase comprises two main tasks. First is to fully understand the problem that is to be solved through the intervention. At Learnovate we start every project by understanding and validating the problem through structured innovation techniques. Doing this allows two things to happen; one, it identifies if there is a problem that can be solved by L&D and two, it provides the insight into what can be measured to show if the intervention has been successful. As mentioned, there are structured innovation models to help with this. The model should focus on 'value proposition' or 'customer development' such as; Jobs to be Done <https://strategyn.com/jobs-to-be-done/> or Alex Osterwalder's Value proposition <https://strategyzer.com/books/value-proposition-design>. Innovation methodologies are designed to be quick and agile, so this should not be a time-heavy task. At a simple level, the 'five whys' technique is another quick way to interrogate a problem to try to identify the root cause (Serrat, 2017). The process involves, as the name suggests, questioning why a solution is requested five times to get to the actual need. For example, if a request comes in for sales training, start with the first why? The answer may be "sales are down", by proceeding with the why questioning, the real issue stands a better chance of being revealed. The answer may or may not be one that L&D is suited to solving.

The second task is to start to develop a “business case” that resonates with the senior leadership team. A business case is not the same as a business plan. It is a short document based on the findings from the innovation stage. The business case outlines the intended effect the L&D intervention should have, on what aspect of the business (not the learner), and by how much. This evidence should be offered well before a particular intervention is taken (Williams Van Rooij, 2018).

Explore (before, during and after the intervention)

In the Explore stage, it is about becoming the detective and the relationship-builder. The job is to develop a strategy to allow you to collect the data that will support your business case. The idea, as demonstrated by our case studies, is to keep it as simple as possible while still delivering the business value data you need. Again, to refer to an earlier comment, this is meant to be a flexible and practical model, so to practice, start with a case with a readily identifiable business goal e.g. cost-saving, or increased sales and productivity. In the Servier case, they looked at the time saved but went a step further to show increased productivity in terms of sales value.

The Explore phase will capture data in the current status to make your business case. It may require data to be captured during the intervention and should also capture data post-intervention to look for impact.

You will engage stakeholders in the Plan stage. You should maintain and possibly widen these connections to assist in the Explore phase. As in the Woodie’s Case, the Commercial Manager and Finance Department assisted in gathering data to support the demonstration of business value.

Barends, Rousseau and Briner (2014) suggest the following principles when gathering data:

Asking:	Translating a practical issue or problem into an answerable question.
Acquiring:	Systematically searching for and retrieving the evidence.
Appraising:	Critically judging the trustworthiness and relevance of the evidence.
Aggregating:	Weighing and pulling together the evidence.
Applying:	Incorporating the evidence into the decision-making process.
Assessing:	Evaluating the outcome of the decision taken.

Analyse (after the intervention)

Another potentially formidable aspect for L&D is the concept of analysing data, a skill often outside the portfolio of L&D. Once again, the concept is to keep it simple; most of the case studies here used a simple A vs B or pre and post-measure of an intervention. This approach gets the plan moving and as the case studies show when finance or commercial are involved, they may well be able to assist with the ‘number crunching’ and add validity to outcomes. In addition, there are many user-friendly statistics packages now emerging to allow non-statisticians to generate statistics, for example, Stats iQ <https://www.qualtrics.com/uk/iq/stats-iq/>

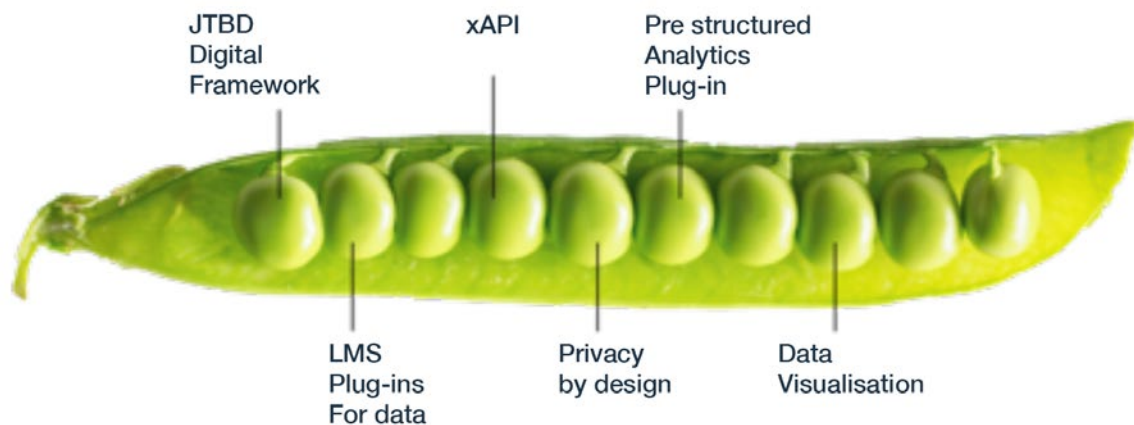
Share (after the intervention)

Again in both the literature and the case studies one of the most important, and often forgotten tasks is to share any good news in the right way to the right people. If the good news is shared in a business value format it is likely to resonate easier with the wider organisation. Also, as in the case of Woodie's, it will earn future buy-in, not just from the senior management team but also from other units in the business to see L&D as an asset that adds value rather than a 'cost centre'.

While storytelling is around since the dawn of human communication it has seen a recent resurgence as a means of teaching and learning. L&D should leverage the storytelling approach in sharing news; make them care, book-end it, make it purposeful, engaging and emotional. Visuals can also help in providing interest, context and telling a story very quickly.

9. Future Research – Development of Support Technologies

Beyond the hypothetical model, in future research we will seek to design, develop and validate a digital support framework. Leveraging some previous Learnovate research and developing some new technologies to help L&D become more efficient and effective at leveraging data to show business value. To do this we will seek to develop a use-case based on an aspect of L&D.



In this, we will seek industry input to co-create and validate our research. If you are interested in joining us on this journey contact Peter Gillis peter.gillis@learnovatecentre.org

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