Measuring the Value of Professional Development

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Is your company achieving a **positive return** on investment on **training and learning programs** it offers? Do these programs align with the **strategic goals** of the company? Are they **positively contributing** to those strategic goals through practical application of your intended training outcomes? Do you have **documented performance measurement** indicators to support these initiatives?

In today's market, **extreme diligence** is necessary to ensure that the financial—and human—capital expended by businesses provide value to the bottom line. According to the **2007 Survey of Business Process Initiatives, BPTrends, 81 percent** of **Business Process Management** (BPM) initiatives in the financial and insurance sectors were measured either in advance (as a part of cost justification), analyzed after the initial pilot, analyzed after final rollout or are periodically measured as a part of continual improvement and benchmarking.

The impact of learning can also be measured and evaluated against the company's **bottom line**. Learning is paramount in developing and maintaining skills at both the individual and organizational levels. These skills provide management and staff with tools to **sustain competitive advantage** and operate the business at a **higher performance level** on a day-to-day basis.

We need to make sure the programs designed to teach employee productivity skills are achieving desired results in a fashion that weighs the cost of the program against increases in productivity and profitability. **IBM's Global CEO Study** indicates more than **75 percent** of CEOs feel **training is vital** to the future success of a company. We should be interested as well.

How does the mortgage lending industry stack up to other industries? The **2006 Mortgage Bankers Association Cost Study** indicates that the **net cost** for lenders to originate a loan is **$2,049**. One component of that cost is the **training of personnel**. Education and training activities represent **$8 per loan**. Assuming the average loan volume for Cost Study survey respondents is **39,494 loans** originated annually, education and training expenses run in the neighborhood of **$316,000 a year**.

Considering that the total salary expense runs **$1,208 per loan**, a training budget that equals **0.7 percent** of the annual payroll budget is a modest investment. The **American Society for Training and Development** (ASTD) **State of the Industry Report**, a primary resource for measuring workplace learning, reports that training programs typically comprise **2.2 percent** of an annual payroll budget.

Doubling your education and training budget may not be the best practice in today's cost-conservative environment; rather, methods should be implemented to **accurately measure the value** that your training programs contribute to the bottom line.

Efficient organizations **leverage training resources**, building development programs that align with the core capabilities and strategies of the company. While many employees can benefit from fundamental industry education, you may want to consider an in-house versus outsource approach to sourcing and administering educational content.

For example, **CampusMBA** provides a wide range of education services delivered in **paper, CD, Web** and **classroom-based** environments. These courses are formulated to provide a comprehensive and balanced view of the industry to your employees. Using existing delivery systems such as CampusMBA for broad-based industry information can help you free up your training resources to build and execute specific programs that match your strategy, operational characteristics and production goals.

Looking at Workplace Learning in a Different Light
"Workplace learning" is more than just creating training programs that teach employees how to use company tools. It is about maximizing opportunity. Establishing return on participants' investment is a critical factor in developing concrete, strategy-oriented learning programs.

· **Strategy**: Increase sales
· **Objective**: Increase sales revenue per loan officer by 10 percent
· **Training participants**: Loan Officers
· **Participant cost**: 2 hours time (avg. $125.00 hour)
· **Average sales quota** (current): $250,000
· **Sales quota increase**: $25,000
· **Average commission**: 8 percent
· **Commission on increased quota**: $2000
· **Return on participants' investment**: $1,750

Identifying specific **key performance indicators** (KPI) enables you to better measure program effectiveness against business-critical benchmarks. A learning program may include soft skills and customer relationship practices that enhance loan officer pull-through rates. It may also facilitate the development or use of marketing approaches and templates to promote your most profitable products and services, resulting in greater market penetration. In both cases, we can easily identify a KPI which must be impacted by the training program: pull-through rate and number of customer leads.

Benchmarking the effects of the program before rolling it out to your entire distribution channel is as equally important. You would not want to train and implement the entire sales staff on a program that had minimal or worse, negative impact to designated KPI. On the other hand, if your program achieves the desired results and is validated by the pilot, then you can be confident that a contribution to the bottom line has been made by your workplace learning professionals.

So how is it done? I was recently exposed to a methodology that can help measure and identify programs that are positively contributing to the strategy and goals of the company. The **Phillips ROI Methodology** provides a **five-level framework** for evaluating programs.

The Phillips ROI Methodology is a method taught by the **ROI Institute** (www.roiinstitute.net). It provides a standardized approach to determining a programs return on investment (ROI). This methodology was developed by **Jack Phillips** in the 1970s and is used by more than **2,000 organizations** worldwide. It has been estimated that more than **5,000 impact studies** are conducted annually using the methodology in the fields of learning, development and human resources.

Typical uses for the Phillips ROI Methodology include **Competency Systems**, **e-learning programs** and **organizational development** programs, implementation of **technology**, **career management** programs, **executive coaching** and **Total Quality Management** initiatives. The methodology is highly adaptable and proven.

What's so beneficial about it? The Phillips ROI Methodology, or any high-quality method or process, provides a fundamental requirement of program evaluation, standardization. Since ROI can be a fairly subjective process, adopting standardized methods for evaluating investments and capital expenditures helps to level-set that evaluation. A methodology provides the learning officer with a tool to show the value of the learning function and programs to the bottom line.

Once a methodology is in place, your company can benchmark the programs offered against one another to learn how they perform over time. Benchmarking sets the stage for continual process improvement and execution on the company vision and strategy. In addition, it may reveal insight into how the learning function can drive efficiency into business operations or indicate poorly performing programs needing content redesign or retirement from your program inventory. .

What's involved? As with everything procedural or methods-based, a picture is worth a thousand words. The ROI Methodology follows a strict process and includes five different levels of evaluation.

Level 1: Reaction, Satisfaction, and Planned Action. The most often used evaluation level, **Reaction, Satisfaction** and **Planned Action**, is based on course/event data collected at the conclusion of a learning program. At this level, you are answering questions about the program as it applies to relevance and importance to the job, how much new information did the participant gather by attending and whether participants intend to use it in their job and, of course, whether they would be willing to recommend the course to another participant.

Level 2: Learning. This evaluation is based upon data collected from written tests, exercises, demonstration of new skills,case studies, self and peer assessments and possibly simulations. At this level, you are answering questions about new knowledge and skills that were learned, and improvements in confidence or ability as they relate to applying information from the program in a business setting. This evaluation level is capturing whether learning has occurred.

Level 3: Application/Implementation. This evaluation is based upon data collected to measure the extent that new knowledge and skills are actually applied. A post-program questionnaire can be used to collect information about how effective the participant has become in applying the knowledge or skill, the frequency with which they are applied/used, and notation about any barriers or enablers to adequate application of knowledge or practice. This evaluation level is capturing the actual use of the program content.

Level 4: Business Impact. This evaluation is based upon data collected that shows how the application of knowledge and skills has impacted the business performance of the participant. These consequences of training can be measured and represent items like work output, work quality, cost measurement of activity, time to completion of activity, employee job satisfaction and customer satisfaction.

Level 5: Return on Investment. This evaluation is based upon data collected at the previous levels, but converted into money. Costs are also included in this level and a return on investment and benefit cost ratio is calculated for the program. This evaluation level answers, in financial terms, the effectiveness of the program.

Does that mean I have to evaluate all my programs at Level 5 to understand if they are providing value? Not necessarily. The program evaluation level should be determined up-front based on a number of factors, including program cost, economic value, whether it is linked to a strategic goal, or compliance or risk related training, to name a few.

According to Phillips, the frequency with which evaluation level is used should be commensurate with the characteristics of the program. There is a cost for completing ROI in and among itself, so be wise to that when evaluating programs.

Future Food for Thought
Budgets are getting tighter. Consumers, investors, and stakeholders expect more with less, better efficiency, better execution, fewer mistakes and greater return. Employees are looking for tools and training that will make them more efficient and successful in meeting their responsibilities to the company.

Cutting the training budget may not be the best decision. Instead of trimming those dollars, look more carefully at how those dollars are spent. Look to third-party providers to help with fundamental education where appropriate. MBA, your technology provider and other third parties you do business with may be able to meet those demands in a more cost effective way, freeing up your own resources to focus on meeting strategic goals. Build a methodology or follow a tested one like the Phillips ROI Methodology to evaluate workplace learning initiatives and monitor the effectiveness of those programs going forward.

When you have success, share it. Most importantly, apply what you have learned to the next program.