Demonstrating the Impact and ROI of Learning & Talent Development

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What is ROI?

$$\text{Benefits/Cost Ratio} = \frac{\text{Program Benefits}}{\text{Program Costs}}$$

$$\text{ROI} = \frac{\text{Program Benefits-Program Costs}}{\text{Program Costs}} \times 100$$

ROI Calculation Example

Program Benefits from Participants (1st year) = $750,000
Costs per Program (25 participants) = $425,000

BCR = ______________ =

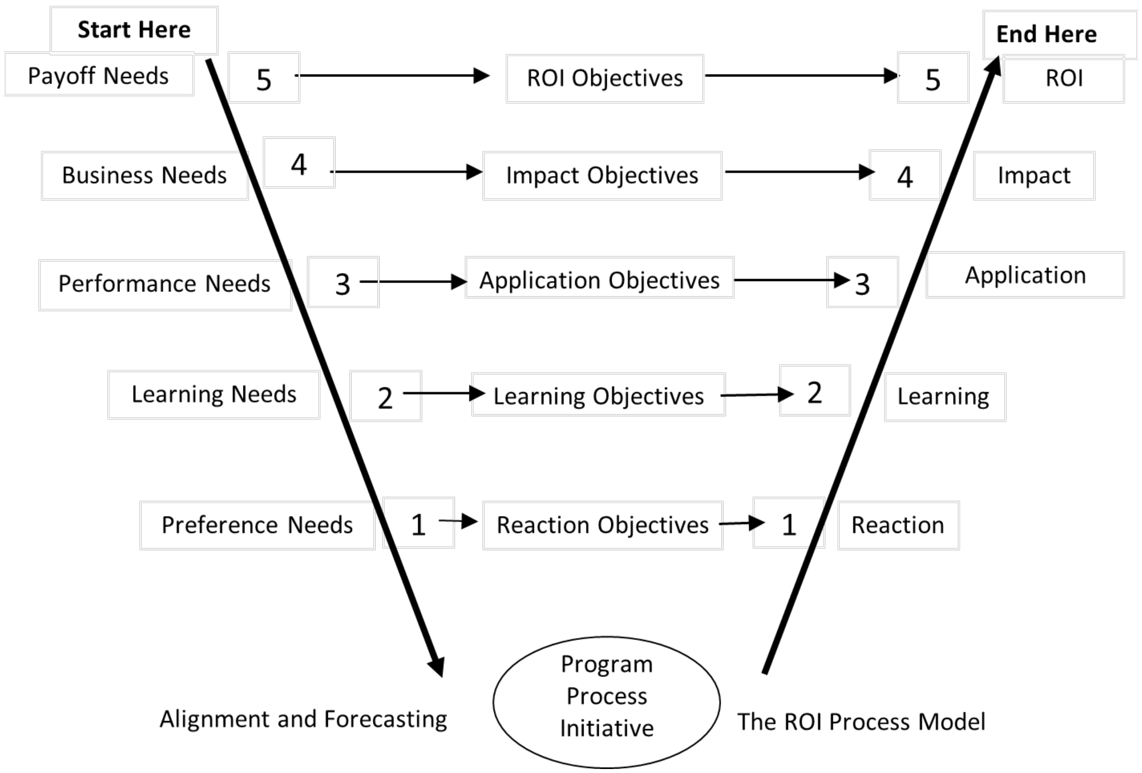
ROI = ______________ x 100 =

Evaluation Framework

Levels of Evaluation	Measurement Focus	Typical Measures
0. Inputs	The input into the project in terms of scope, volume, efficiencies, costs	Participants, Hours, Costs, Timing
1. Reaction & Planned Action	Measures participant satisfaction and captures planned actions, if appropriate	Relevance, Importance, Usefulness, Appropriateness, Intent to use, Motivation to act, Net Promoter Score
2. Learning	Measures changes in knowledge, skills, and attitudes	Skills, Knowledge, Capacity, Competencies, Confidence, Mindset, Contacts
3. Application & Implementation	Measures changes in behavior or actions	Extent of use, Task completion, Frequency of use, Actions completed, Behavior change, Success with use, Barriers to use, Enablers to use, Utility, Scrap
4. Impact	Measures changes in impact variables	Productivity, Revenue, Quality, Time, Efficiency, Customer satisfaction, Patient Satisfaction, Employee engagement, Talent Mobility, Innovation
5. Return on Investment	Compares project benefits to the costs	Benefit-Cost Ratio (BCR), ROI%, Payback period

Katzell developed four steps of training evaluation; Kirkpatrick wrote about four steps of training evaluation; Phillips added economic theory and operationalized the framework by adding process and standards and applying it in practice in not only learning, but the broader HR community and beyond.

Alignment Model



Matching Evaluation Levels with Objectives

For each objective listed below, indicate the level of evaluation at which the objective is aimed.

	Objective	Evaluation Level
After completing this program, participants should:		
1.	Decrease citizen complaints by 20% in one year.	
2.	Use problem-solving skills to uncover product defect causes.	
3.	Be able to demonstrate the five steps to calm an upset customer.	
4.	Rate the facilitator 4 out of 5 on presentation skills.	
5.	Decrease the amount of time required to develop a proposal.	
6.	Achieve a 20% ROI one year after implementation of sales incentive system.	
7.	Perceive the content to be relevant their situation (4.5 out of 5).	
8.	Decrease security breaches by 25% in six months.	
9.	Conduct a proper investigation using the seven-step process in 95% of complaint situations.	
10.	Score an average of 75 or better on new strategy quiz.	

Healthcare, Inc.

Sexual Harassment Prevention Policy Change – Launched with Executive Meeting

Target Group: All supervisors and managers (655) with subsequent meetings with all employees (6,844)

Data Collection Techniques

— (L1) Questionnaire – end of program
— (L2) Knowledge Assessment; Skill Practice – during program
— (L3) Self-Assessment Questionnaire – 6 months after program
— (L3) Employee Survey (25% sample) – 6 months after program
(L4) Complaint and Turnover Records – 12 months after program

Isolation Techniques

— Complaints – Trend Line Analysis
— Turnover – Forecasting

Data Conversion Techniques

— Complaints – Historical costs and input from experts (internal EEO/AA staff)
— Turnover – External studies within industry

Program Costs

— Fully loaded to include needs assessment, development, coordination, participant salaries and benefits, and evaluation
— Total Costs = $277,987

Benefits (Isolated)

— **Complaints**

- Value of one complaint: $24,343
- Prevented over one year: 14.8

— **Turnover**

- Value of one turnover statistic: $20,887
- Prevented over one year: 136

ROI Calculation

$$BCR = \frac{\text{Total Benefits}}{\text{Program Costs}} = \underline{\qquad\qquad}$$

$$ROI = \frac{\text{Total Benefits – Program Costs}}{\text{Program Costs}} \times 100 = \underline{\qquad\qquad}$$

Retail Merchandise Company

The Need
Retail Merchandise Company (RMC) is a national chain of 420 stores, located in most major US markets. RMC sells small household items, gifts of all types, electronics, and jewelry, as well as personal accessories. It does not sell clothes or major appliances. RMC executives have been concerned about the slow sales growth and were experimenting with several programs to boost sales. One of the concerns focused on the interaction with customers. Sales associates were not actively involved in the sales process, usually waiting for a customer to make a purchasing decision and then proceed with processing the sale. Several store managers had analyzed the situation to determine if more communication with the customer would boost sales. The analysis revealed that if the salespeople would use the simple techniques to probe and guide the customer to a purchase, they should see a boost in their weekly sales.

Senior executives asked the learning and development function to experiment with a simple customer interactive skills program for a small group of sales associates. A program produced by an external supplier would be preferred to avoid the cost of development, particularly if the program proved to be ineffective. The specific charge from the management team was to implement the program in three stores, monitor the results, and make recommendations.

If the program increased sales and presented a significant payoff for RMC, it should be implemented in other stores. The sales associates are typical of the retail store employee profile. They are usually not college graduates, and most have a few months of retail store experience. Turnover is usually quite high and formal training has not been a major part of previous sales development efforts.

The Solution
The learning and development staff conducted a very brief initial needs assessment and identified five simple skills that would need to be covered in the program. From their analysis, it appeared that sales associates lacked these skills or were very uncomfortable with the use of them. A program called “Interactive Selling Skills” was selected–a program with significant use of skill practices. The program had two days of training, where participants had an opportunity to practice each of the skills with a fellow classmate, followed by three weeks of on-the-job application. Then, a final day of training was conducted that included a discussion of problems, issues, barriers, and concerns about using the skills. Additional practice and fine-tuning of skills were part of that final session. The program, an existing product from an external training supplier, would be tried in the electronics area of three stores and sixteen people would be trained in each store. The program was taught by the staff of the training supplier for a predetermined facilitation fee.

Questions for Discussion

1. Why is RMC investing in Interactive Selling Skills?
2. What is the specific business measure they are targeting?
3. How should Level 3 Application and Level 4 Business Impact data be collected?
4. Which method should be utilized to isolate the effects of the program?
5. How should the business impact data be converted to monetary values?

Notes

About ROI Institute, Inc.®

ROI Institute, Inc., founded in 1992 as a service-driven organization, assists professionals in improving programs and processes using the ROI Methodology® developed by Dr. Jack J. Phillips and Dr. Patti P. Phillips. This Methodology is the global leader in measurement and evaluation including the use of return on investment (ROI) in non-traditional applications. ROI Institute regularly offers workshops, provides consulting services, publishes books and case studies, and conducts research on the use of measurement and ROI. This makes ROI Institute the leading source of content, tools, and services in measurement, evaluation, and analytics. Working with more than 100 ROI consultants and 45 partners, ROI Institute applies the ROI Methodology in 20 professional fields in more than 70 countries. ROI Institute authors have written or edited over 100 books, translated into 38 languages. Organizations build internal capability with the help of ROI Institute and its ROI Certification process. By successfully completing this process, individuals are awarded the Certified ROI Professional® (CRP) designation, which is respected by executives in organizations worldwide.

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