How to Quantify the ROI of Learning in Your Organization

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INTRODUCTION

Return on investment: For good reason, most firms today are concerned with it. Yet ROI is an elusive term. It may represent different things to different organizations, and it is often difficult to measure and quantify.

Yet all agree that ROI is important. At budgetary meetings, L&D leaders are often asked to justify the cost of their proposed initiatives. Although training has a positive impact on staff performance, enables the company to maintain compliance, and can be a vital partner in helping companies achieve their corporate goals, L&D executives sometimes find themselves in the position of defending department expenditures.

This is where ROI comes into play. A firm grasp of this critical KPI can aid L&D leaders who are trying to secure funding or gain the attention of the C-suite.

In this paper, L&D professionals representing a variety of verticals share their perspectives on the topic. They discuss how their own organizations define ROI, illuminate the metrics and benchmarks they use to determine ROI, and weigh in on the role learning management systems can play in terms of ROI.

Defining return on investment (ROI)

When most people hear the term *ROI*, they immediately think of money. This is not surprising, as many of the factors typically associated with ROI have financial undertones. These include:

- Saving money
- Decreasing costs
- Increasing productivity
- Generating business leads
- Improving profit margins
- Creating value

However, there are other ways of defining return on investment that are not directly tied to finances. At some companies, the ROI of corporate training is calculated based on other factors, such as:

- Shortened time to competency
- Fewer errors in work, leading to fewer complaints from clients
- Better customer satisfaction
- Improved efficiency
- Creation of relationships
- Effectively meeting the needs of customers

Sometimes the two categories overlap. One L&D leader defines his service organization's take on ROI in customer-centric terms. By understanding what his customers want and effectively delivering on those needs, he believes the organization creates something of value. That ROI, in turn, results in a revenue cycle.

Defining the ROI of learning can be complex. Basic guidelines include clarifying what the organization is seeking to accomplish, and identifying the goals and the metrics used to measure success. While trending metrics that repeatedly appear across engagements exist, firms should avoid generalizing ROI to measurements that don't resonate with their audiences. When defining ROI, experts note that it is wise to consider the point of the view of the learners, as well as the organization. They add that corporate KPIs must be aligned and transparent.

One L&D leader cautions that it is easy to tie what he terms "fake numbers" to business metrics. This practice blinds senior-level executives to real ROI, which in his opinion is all about building relationships. "Our successes have integrated us into every facet of business, so much so that we are included in almost every

Measuring skills with Adobe Captivate Prime LMS

Skilling, reskilling, and upskilling are important to every organization, but the real challenge is measuring impact. The methodologies, application, and outputs of learning are usually dispersed, which makes it difficult to measure its effect on the business.

Adobe has taken skill-based learning to another level. Just about everything a learner does in the Adobe Captivate Prime LMS can be tied back to development of skills and competencies. The key to this strategic alignment lies in identifying and associating critical skills that are most likely to enable the achievement of business plans. Once the skills are clarified, appropriate training can be developed and deployed. This ensures that none of the training investment made by the organization is unaccounted for, and the L&D team gets due credit for the improvement that actually leads to increased performance and business results.

Adobe Captivate Prime LMS enables companies to map the performance of learners using the skills widget. When users complete courses, they can click on the skills map and see how their skill sets have been enhanced. Learners can also pick and choose skills they aspire to learn, and the platform will deliver personalized learning recommendations targeting those skills. To learn more, **click here**.

initiative, in every department. Whether it is brainstorming or individual contributions to a project, most see us as a must-have partner," he says.

"We track ROI by project wins, such as bringing a training in-house that normally would have cost thousands to outsource, or offering lunch-and-learn trainings to gain user adoption, thus driving engagement," he adds. "It's not about our wins, but theirs."

Finally, it should be noted that ROI can be described in various ways. Some organizations balk at the term *return on investment*. While they may examine the impact of workplace training initiatives, they don't use the word *ROI* because they don't want to limit the conversation to finances. Instead, they might employ a term such as *return on learning* (ROL), which offers a different angle on the subject.

Metrics and benchmarks commonly used to evaluate ROI

The metrics and benchmarks that organizations use to evaluate return on investment vary greatly from company to company. When building a basic impact analysis, one L&D leader focuses on specific details. He looks at learning path completions, average grades per learning path, and average completion duration for learning paths. He examines lesson completions, average grades per lesson, and the amount of average user activity on learning paths or lessons compared to the number of errors in work. He also considers such factors as time to competence, time to productivity, number of customer complaints, and customer satisfaction index.

Another performs similar detailed analyses. He examines monthly, quarterly, and annual usage statistics of his firm's online eLearning resources and pores over help desk call statistics, offering more targeted learning sessions for the topics with the highest number of help desk tickets. He places a lot of value in surveys. He issues corporate-wide engagement surveys to measure staff satisfaction with the training programs offered. He has employees rate training sessions immediately after they conclude, looking to achieve a 6 or higher (on a scale of 7) on 75 percent of the evaluation questions. And he regularly queries staff to ascertain whether they have sufficient time built into their work program for learning; whether they think the company provides sufficient opportunities for career enrichment; and whether the learning resources available to them are aligned with business needs.

Measuring task completions and asking trainees to anecdotally rate their experiences are common methods for evaluating the ROI of learning, yet some believe they miss the mark because those activities don't correlate to big-picture changes. One leader believes the key metric is behavioral change. Depending on the organization, behavioral change could be defined as fewer workplace accidents, higher employee retention, more comprehensive onboarding, or improved employee engagement.

This same leader notes that it can be hard to accumulate relevant data on the ROI of learning because training is still described in fuzzy ways, often based on how the training process made participants feel. "You can read 100 articles on training ROI and not have a single concrete takeaway," he says. "Best practices have been oriented around post-training evaluations, which is ridiculous because the only thing that should matter is real, tangible, measurable results."

Aiming for a more scientific approach to calculating ROI, some devise customized time and/or money equations. "The metrics we use to evaluate ROI is how many learning projects are created (either facilitated, storyboarded, or programmed) as indicated by a portion of revenue," explains an L&D professional. "The question we typically use for ROI is: If we invest in this technology/training or if we create new custom code, will it cut down on our costs or improve the productivity of programmers and instructional designers?"

She describes creating custom code to create learning interactivities in virtual reality. "Our assessment for ROI was determining if custom VR code would cut down our programmer's time to create SCORM-wrapped VR eLearning with activities built in, in the future. Our ROI for this assessment was how many months of custom programming it would take to actually develop proprietary VR eLearning code, and how long did we think this investment would save us in the future by cutting down on the time it takes us to create VR eLearning for clients."

Some firms' metrics and benchmark criteria evolve over time. One large organization switched from L&D Level 1 – 3 metrics (based on the Kirkpatrick Evaluation Model) to individual business area metrics. While the organization looks at a variety of factors, time to performance is a critical metric that is commonly found across a majority of its learning engagements.

The L&D leader at an organization that measures ROL (as opposed to ROI) employs a similar process, minus the detailed cost/revenue analysis. "We measure the behavior change (Level 3) and the business results (Level 4) from the training program. Metrics include incremental dollar sales gained as a result of the training, reduction in costs such as negotiated pricing, and reduction in time to achieve the results," he explains.

"In a true ROI calculation, you would measure all costs incurred as part of the training program and the incremental revenue gains in both topline sales and bottom-line profits, per Jack Phillips, Level 5," he adds. "A true ROI calculation would also compare a control group versus a test group of learners to ensure the results were directly attributable to the training program."

As previously stated, there are many ways to calculate ROI. Some organizations measure milestones rather than metrics, while others look at sales numbers or membership growth. However, whatever metrics companies are looking at, it is also important to pay attention to the competition.

"When companies or organizations forget to benchmark against the competition, they are doing themselves a disservice," warns an L&D professional.

How a learning management system can contribute to ROI

Some believe it is impossible to use a traditional LMS as an ROI-centric tool because metrics are not inherent in the design. "The heart of the problem is the ubiquitous SCORM module," explains an expert. "Since the SCORM modules are typically delivered once-and-done, it's unlikely to actually have long-term or ongoing behavioral change." His hope is that xAPI may enable a new breed of LMS that will provide long-term retention.

One L&D leader describes how his organization successfully leverages xAPI to support ROI. "We set the ROI goals and the metrics during the implementation project and essentially track the realization of those goals with checkpoints," he says. " All learning experiences are collected with xAPI to our LRS, and we combine the learning analytics with the customer's key performance indicators to provide the impact analytics, such as impact on amount of errors in production in a given time period."

Yet firms with traditional learning management systems are successfully using them to help ascertain or track ROI. They are leveraging their LMSs to monitor course enrollment, track usage and completion rates, validate learning, store content, plan future learning programs, make decisions on budgeting for new learning programs, and boost awareness campaigns to increase completions if the learning is required for compliance.

At many firms, ROI is apparent in the positive impact the LMS has on staff satisfaction and performance. Through the LMS, employees can take courses that advance their careers, improve their skill sets, and benefit the company. One expert at a large company notes that the most significant impact of the LMS on ROI is the horizontal view that employees have of all the learning programs available to them at the enterprise level. He adds that the LMS provides a consistent and centralized platform to support employees and their managers with tracking participation in various learning programs, and progress with the attainment of competencies and certifications.

He acknowledges that the LMS provides additional ROI fodder. "The LMS has enabled us to have consistency around how we design and deliver our learning programs, and has enabled us to have conversations across disparate training organizations on how we design and maintain content in our LMS learning catalog," he says. While not a panacea, he views the LMS as one component of a tapestry that contributes to supporting effectiveness.

He notes that learning management systems have improved drastically over the past years. "The LMS has matured in its technical sophistication with additional collaboration, reporting, and analytics capabilities. These features are beginning to help with better analyzing gaps and supporting efforts to build out programs with additional curricula to address these gaps," he says. "We have many courses now that incorporate a performance checklist component that the employee completes or has a peer/manager complete through observation. The ability to customize this component with business area performance measures is

starting to help us bring the LMS deeper into those Level 3– and Level 4–type evaluations."

One service organization is carefully tracking LMS data and using it as part of its ROI evaluation. "We use the survey function of the LMS to track numbers reported by our research department in a quantifiable format. Numerical values are applied to holistic levels of satisfaction across individual educational courses," he says. "Additionally, we measure satisfaction scores for the content's difficulty, narration, visual effectiveness, over-all aesthetics, ease of use, functionality, and the platform's cooperation with existing learning technologies." Thus far they have collected a year of recorded data. He anticipates gaining a better perspective after three to five years of compiled data elements.

He believes that their LMS separates them from the competition, which they count as an important ROI. "We can provide online education to customers at their convenience. They can access classes any time of the day or night, without having to step foot in a classroom," he says.

The LMS has also allowed his organization to seamlessly meet market changes. "Technological advance-ments occur rapidly in our field, and we are able to quickly update content to align with modernization of the content specifications for certification exams," he says.

CONCLUSION

Those in the L&D industry know it is important in today's business climate to quantify the ROI of learning. The challenge with measuring the value of training as a business growth metric is that it has not yet gone through an ROI transformation the way other KPI-measured sectors have. In general, there is a lot of anec-dotal evidence but very little in terms of hard metrics.

L&D may want to look toward sales and marketing for guidance. In the last decade, those two sectors have dived deep into analytics. When evaluating ROI, they have a plethora of metrics, funnels, and behavior anal-ysis based on measurable, observable data.

One expert suggests mapping out eLearning like a marketing campaign. His process entails identifying learners, specifying the KPIs related to the core behavioral impacts desired (e.g., increased sales, reduced call times, etc.), and assigning a dollar value to each KPI point. He recommends executing the campaign by delivering daily microlearning and measuring the impact on the KPIs on a daily basis. To calculate final ROI, he would measure the impact of the KPIs against the cost of training.

This is just one suggestion. There could be many more. The bottom line is that L&D can, and should, pay close attention to return on investment.

ABOUT THE AUTHORS

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