



# ROI Masterclass

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## "Learning Scorecard" Collaborative Project

- ▶ eLearnity collaborative research project
  - Sept – Dec 03
  - B&Q, BP, BT, Coca-Cola, HSBC, Marks & Spencer, Vodafone
  
- ▶ Structure
  - Independent profiling
  - Best practice research
  - 3 Workshops
    - Internal practice, External best practice, Solution synthesis
  
- ▶ Exec Paper / Slides = Email :  **davidw@elearnity.com**

## ▶ Original Kirkpatrick Model (1959)

- Level 1: Reaction
- Level 2: Learning
- Level 3: Behaviour
- Level 4: Performance

**You should already know this!**

## ▶ ROI

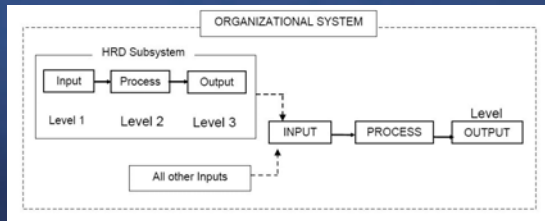
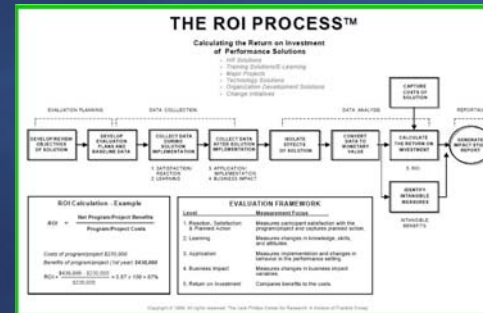
- $\text{Net Benefits} / \text{Total Costs} * 100$
- Expressed as a percentage

## ▶ Simple Addition

- Level 0: Activity
  - were they there?
  - did they do it?
  - did they complete it?

## ▶ Jack Phillips

- ROI = Level 5 of evaluation
- Graded application
- High profile in US

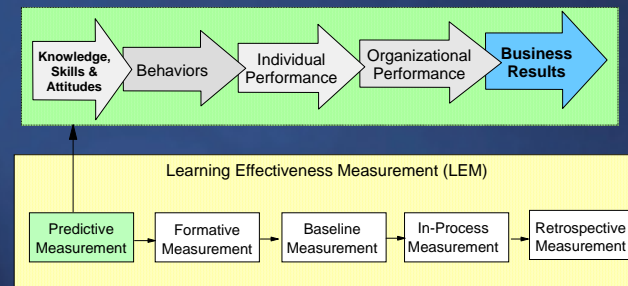


## ▶ Greg Wang

- Runs ROI.net
- Metrics-based approach

## ▶ Dean Spitzer (IBM)

- Learning Effectiveness Measurement
- Predictive Focus / Causal Chain



- ▶ Standard reference point is Kirkpatrick (1-4)
  
- ▶ The Typical Corporate Profile ...
  - Level 1 : Reaction **Generally extensive**
  - Level 2 : Learning **Sporadic, specific programmes**
  - Level 3 : Application **Rare, one or two programmes**
  - Level 4 : Impact **Almost none, some pilots**
  
- ▶ Variations
  - A couple of organisations had very little focus on L1
  - One organisation was primarily focused on L2 assessment

## ▶ Kirkpatrick

- The standard training industry communication model
- Missing pieces, implication of false causality, start with L1
- **But is it too ingrained to change?**

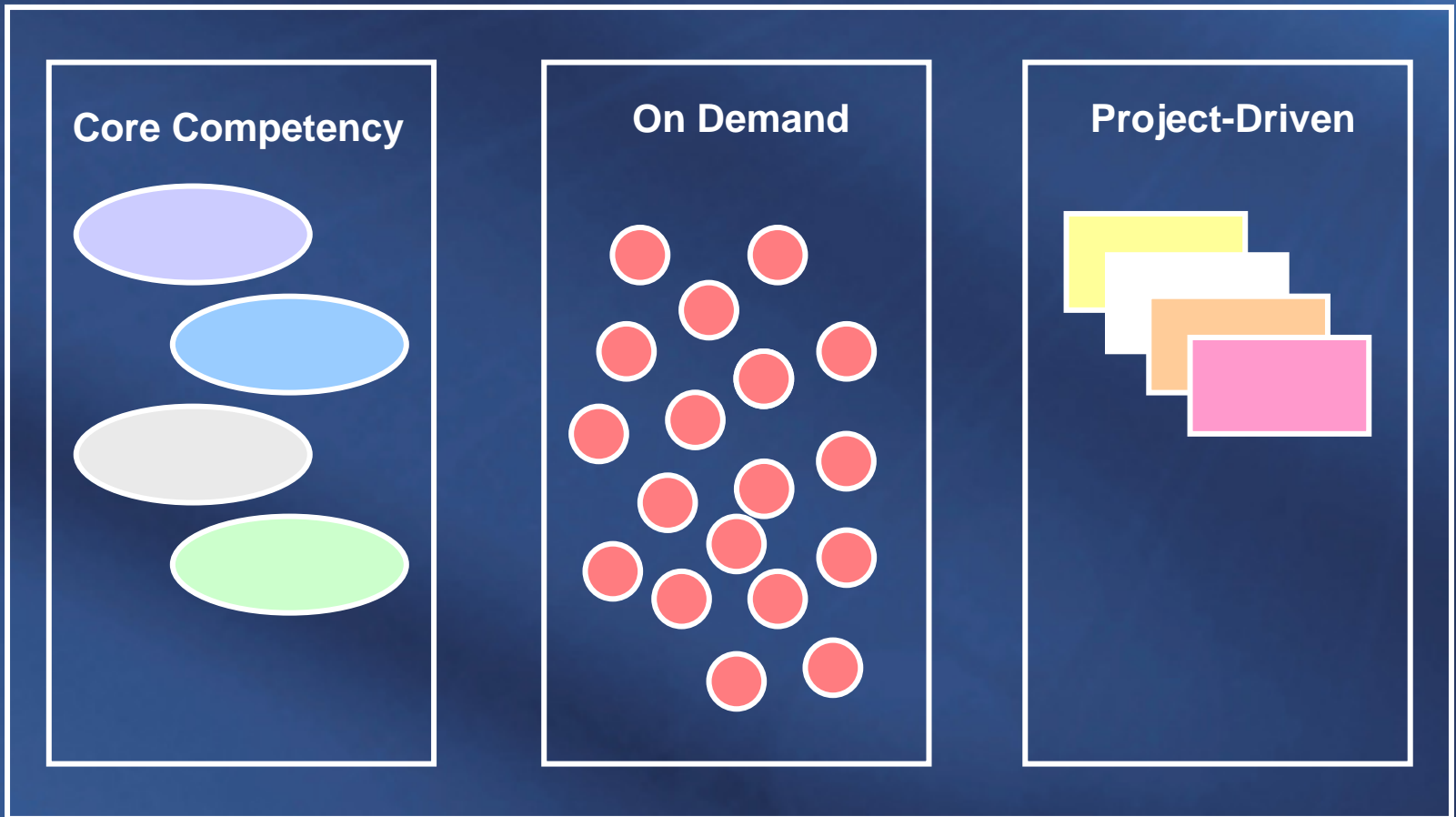
## ▶ ROI

- ROI is not another level, it's a way of presenting business information
- The ROI equation is simple, it's **the data that isn't**
- Typically **retrospective** and **defensive**
- Very difficult to get to attributable impact data in most cases
- Estimation by learners is just that, an estimate

- ▶ KP L1 (Reaction) is not a measure of value
  - Feedback on the learning process only
  - Some use for learners = opportunity for constructive feedback
  - And learning management = opportunity to tune learning process
  - Should be a background process
- ▶ Not a primary focus for valuable resources unless
  - Specifically demanded by the intervention
    - E.g. pilots, high cost, high sensitivity
  - Sampled in scale
- ▶ Recommend
  - Capture Activity information and focusing on the other levels!

- ▶ **Align** with the business
  - Performance metrics, business scorecard
  - Business credible
- ▶ Be **viable**
  - What's the ROI of working out the ROI?
- ▶ Need to deal with the **specific** and the **general**
  - Core Competency, On Demand, Project-Driven (= the **Learning Portfolio**)
  - Capable of **aggregation**
- ▶ Value can be assessed at **all levels**
  - As can ROI, don't need always to get to KP4
- ▶ More **Predictive** value = Shaping the Future
- ▶ Some **Retrospective** value = Analysing the Past

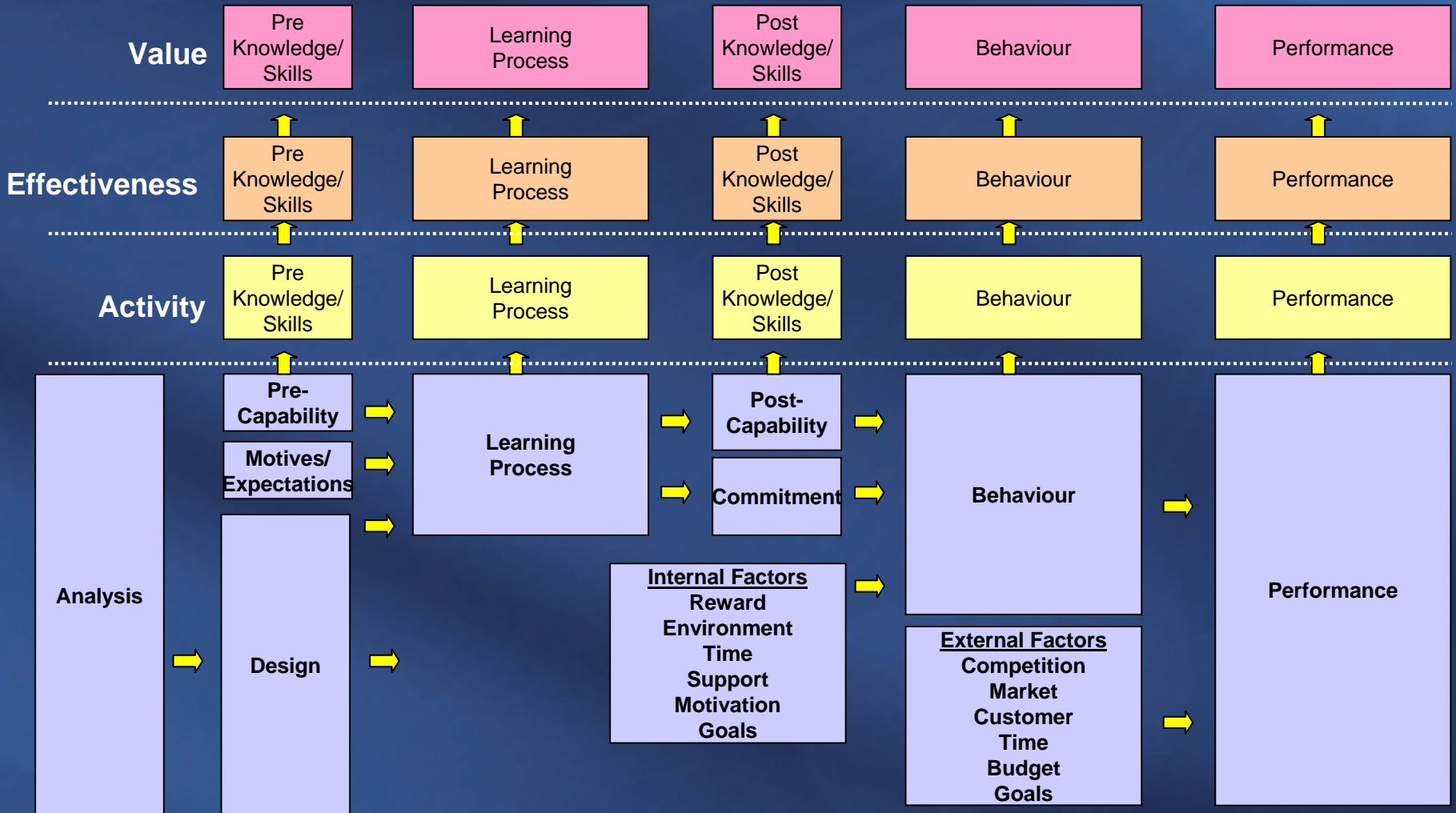
## Aggregated Learning Evaluation Framework



- ▶ Core Competency
  - The business defines the value (the Human Capital / Asset)
  - The value of the learning = the increasing value of assets
  - Learning is an ongoing process not an event!
  - L&D is not responsible for performance, the business is!
- ▶ On Demand
  - Measure activity and successful completion
  - Meaningless to value in the specific, must be in the aggregate
- ▶ Project-driven
  - Need specific measures of outcomes up-front
  - Type of outcomes depend on the project
  - The project should put a value on those outcomes

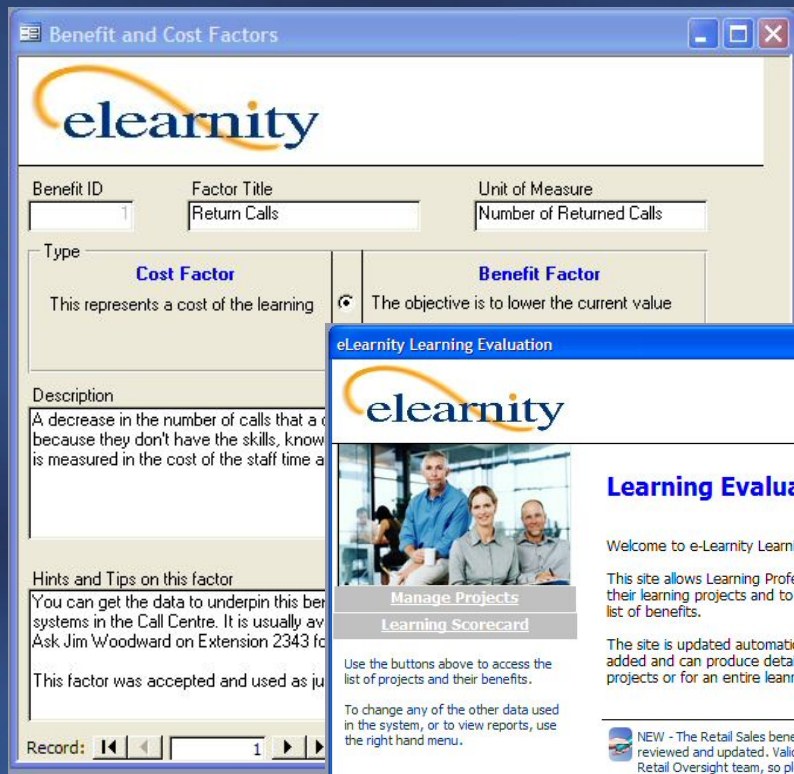
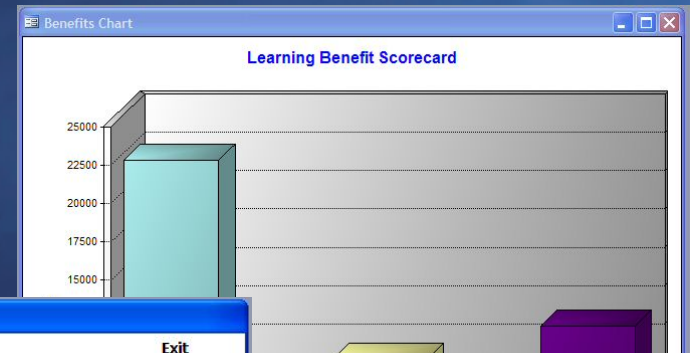
- ▶ Value = Issue Units x Exchange Rate
  
- ▶ Issue Unit = Units of measure of outcome
  - Could be learning, behaviour or impact depending on portfolio
  
- ▶ Exchange Rate
  - Standard value for that Issue Unit
  
- ▶ Types of Outcomes
  - Intangible = can't define the Issue Unit
  - Tangible = can define the Issue Unit but not an Exchange Rate
  - Commercial = can define both

<b>Valuing the Learning Portfolio</b>	<b>Core Competency</b>	<b>On Demand</b>	<b>Project-Driven</b>
<b>Driver</b>	Organisation	Individual	The Business Project
<b>Success</b>	Performing role with requisite knowledge/skills	Addressed specific learning needs	Meet specific project learning goals
<b>Level of Assessment</b>	Behaviour (L3) & Learning (L2)	Learning (L2)	Defined by project Often Impact (L4)
<b>Valuation</b>	Organisationally (Human Capital)	Aggregated (Benchmarked)	Directly (Outcomes)

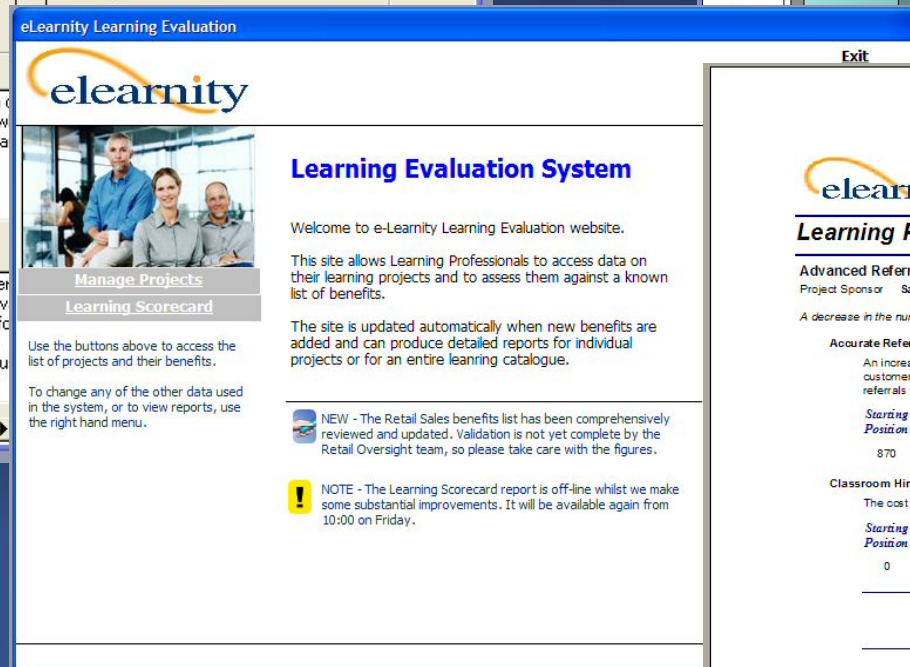


Learning Scorecard	Core Competencies	On Demand Learning	Project-Driven Learning
Value			
Effectiveness			
Activity			

**Benefit and Cost Factors**

**eLearnimity Learning Evaluation**



**eLearnimity**

**Learning Project Evaluation**

**Advanced Referral Techniques**  
Project Sponsor: Sara Hutchinson

*A decrease in the number of referrals which are rejected by the Sales team as being inappropriate.*

**Accurate Referrals**  
An increase in the accuracy of the referrals made to another sales team so that the customer opportunity has been accurately identified and time is not wasted in re-referrals or lost opportunity. Measured by an increase in the close rate of referrals.

Starting Position	Target Position	Current Position	Value per Unit	Assigned %	Target Saving	Current Saving
870	1280	1025	£145	100%	£59,450	£22,475

**Classroom Hire**  
The cost of hiring/using a classroom for each iteration of the event.

Starting Position	Target Position	Current Position	Value per Unit	Assigned %	Target Saving	Current Saving
0	4	2	£95	100%	-£380	-£190

					Total Target	Total Current
					£59,070	£22,285

- ▶ Further Research = developing & validating further
  - Piloting in specific organisations / projects
  - Philosophy / Process / Tools / Application
  - Please email me if you would like to explore further
  
- ▶ Also a public domain Executive viewpoint paper
  
- ▶ Information on becoming a research client
  - Access to underlying research and tools
  - Access to other research areas, content and market analysis

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- ▶ How is Return on Investment calculated?
  - Net Benefits
    - Total Benefits - Total Costs
  - ROI
    - $\text{Net Benefits} / \text{Total Costs} * 100$
  - Expressed as a percentage

## Main thinkers

Jack Phillips & Co. (+)

Greg Wang (+)

Dean Spitzer (IBM) (+)

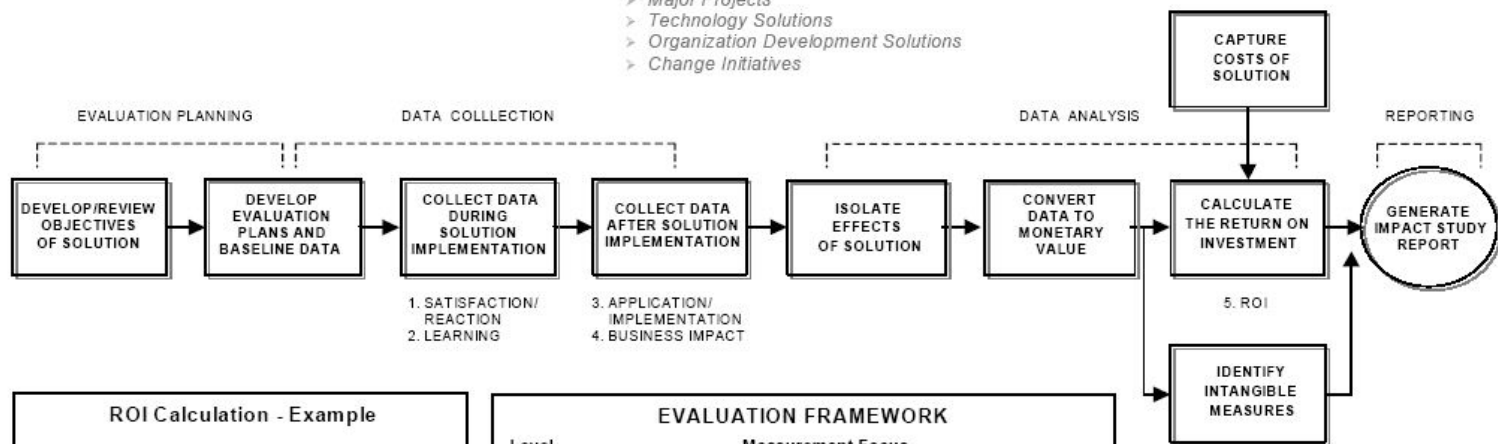
Accenture (+)

- ▶ ROI = a fifth level of evaluation (Level 5)
- ▶ Graded application of the different levels of evaluation
  - From Level 0 : 100% to
  - Level 5 at 5%
- ▶ Suggests criteria for application of higher levels
  - Life cycle, Importance, Cost, Viability, Audience size, Management Interest
- ▶ ROI Process
  - Advocates a 4 stage process
  - Level 1 to Level 4 are part of Data Collecting
  - ROI calculation is a part of Data Analysis
  - Apply confidence factors to estimates of benefit

## THE ROI PROCESS™

### Calculating the Return on Investment of Performance Solutions

- > HR Solutions
- > Training Solutions/E-Learning
- > Major Projects
- > Technology Solutions
- > Organization Development Solutions
- > Change Initiatives



**ROI Calculation - Example**

$$ROI = \frac{\text{Net Program/Project Benefits}}{\text{Program/Project Costs}}$$

Costs of program/project \$230,000  
 Benefits of program/project (1st year) \$430,000

$$ROI = \frac{\$430,000 - \$230,000}{\$230,000} = 0.87 \times 100 = 87\%$$

Level	Measurement Focus
1. Reaction, Satisfaction & Planned Action	Measures participant satisfaction with the program/project and captures planned action.
2. Learning	Measures changes in knowledge, skills, and attitudes.
3. Application	Measures implementation and changes in behavior in the performance setting.
4. Business Impact	Measures changes in business impact variables.
5. Return on Investment	Compares benefits to the costs.

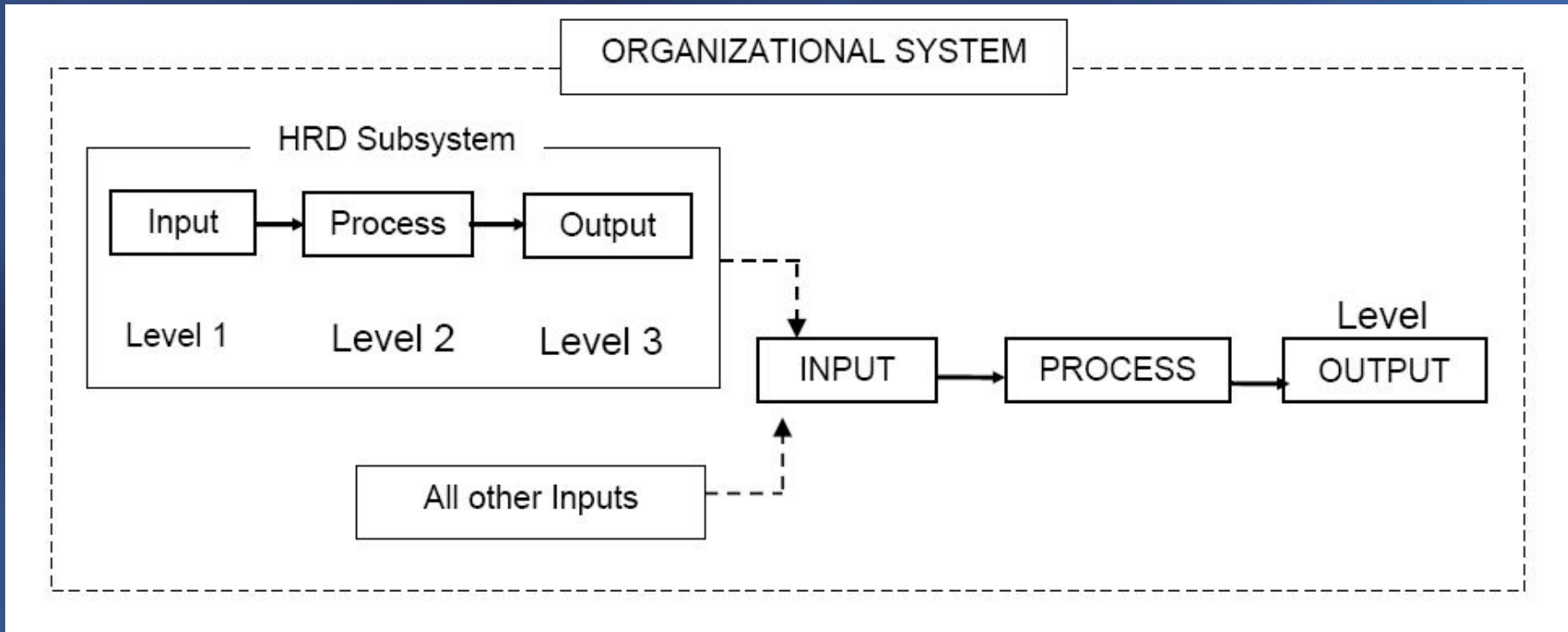
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▶ Guiding principles

- To use higher levels you must collect data at lower levels
- Focus on the highest level you are interested in
- Only use credible sources for data
- Be conservative with estimates
- Must attempt to isolate the effects of the project
- No improvement data = no improvement
- Adjust for potential error of the estimates
- Don't use extreme or unsupported claims
- Only use 1 year of benefits if it is a short term project
- Fully load your costs

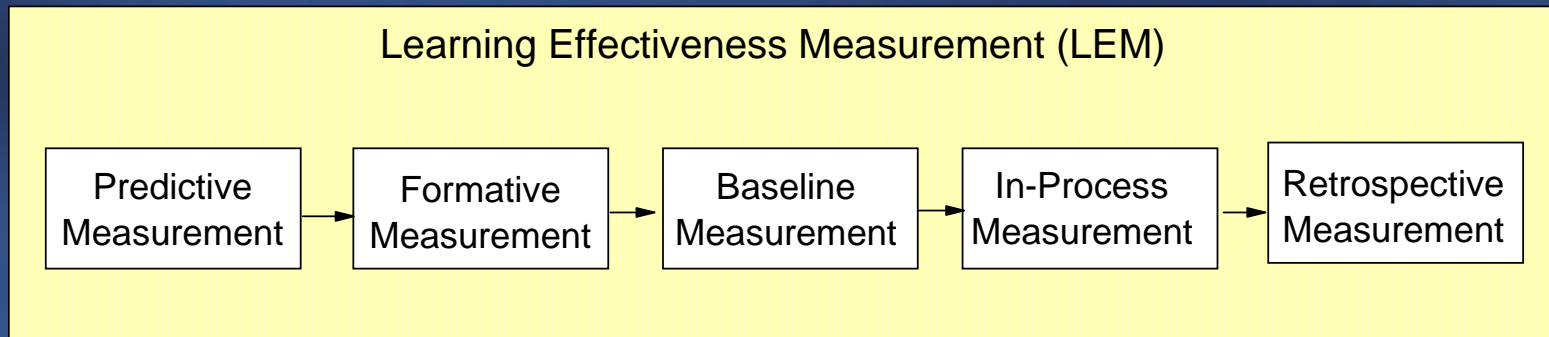
- ▶ Kirkpatrick is a classification not a method or process
  - and a communication tool
  - Is not an evaluation method, tool, nor techniques
  - No logic or causal relationship exists between any two levels
- ▶ Uses the term "Evaluation and Measurement" rather than ROI
- ▶ ROI is not a fifth level
  - ROI is a way of presenting business impact
- ▶ Advocates a metrics approach
  - "Easiest way to jump start your ROI"
  - Distinguish learning, performance and the business objectives of the program
  - Identify the relationships between the HRD intervention and the intended impact
  - Identify the most relevant metrics

- ▶ Criteria for selecting
  - Important relevant and meaningful
  - Easy to understand
  - Promoting of communications and actions/results
  - Easy to collect data
- ▶ Measurement considerations
  - Ask the right questions
  - Use your business language
  - Make it easy to understand
  - Forget about the ROI calculation first
- ▶ HRD Sub-system model

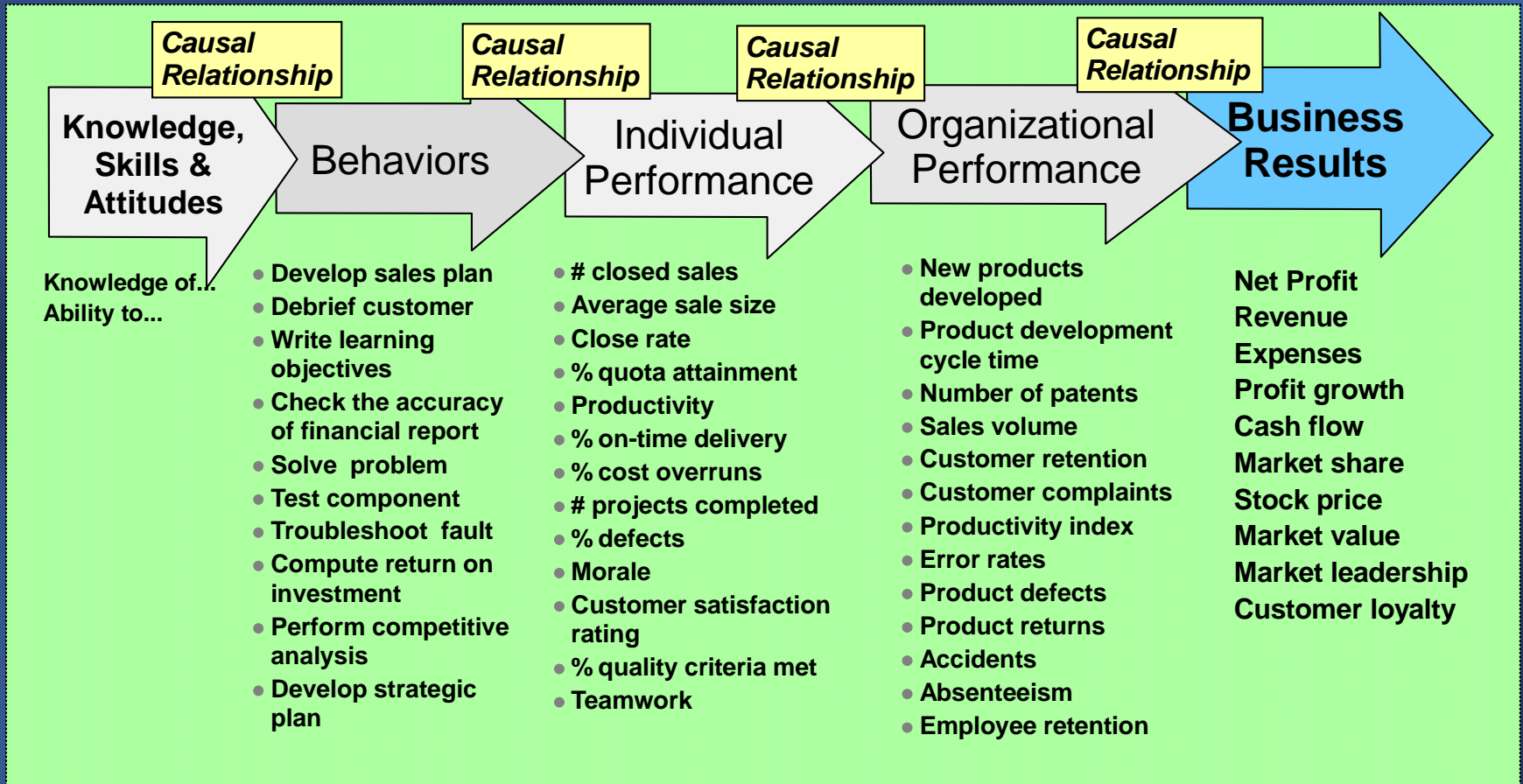


- ▶ Developed an approach called Training Results Measurement
  - Now called Learning Effectiveness Measurement by IBM
- ▶ Working back from Business Impact measures to learning measures
  - Using a "causal chain"
  - Business results
  - Organisational indicators
  - Individual/team indicators
  - Behaviours
  - Knowledge/skills
- ▶ Focus on predictive measurement rather than retrospective measurement
- ▶ Will be discussed later by John Andrews from IBM

- ▶ A methodology, or approach, for measuring learning interventions so that business results can be more accurately predicted
- ▶ The process of formulating the initial predictive measurements is key to the approach
- ▶ Has implications and influence on learning development



# Consider the causal relationships in this example



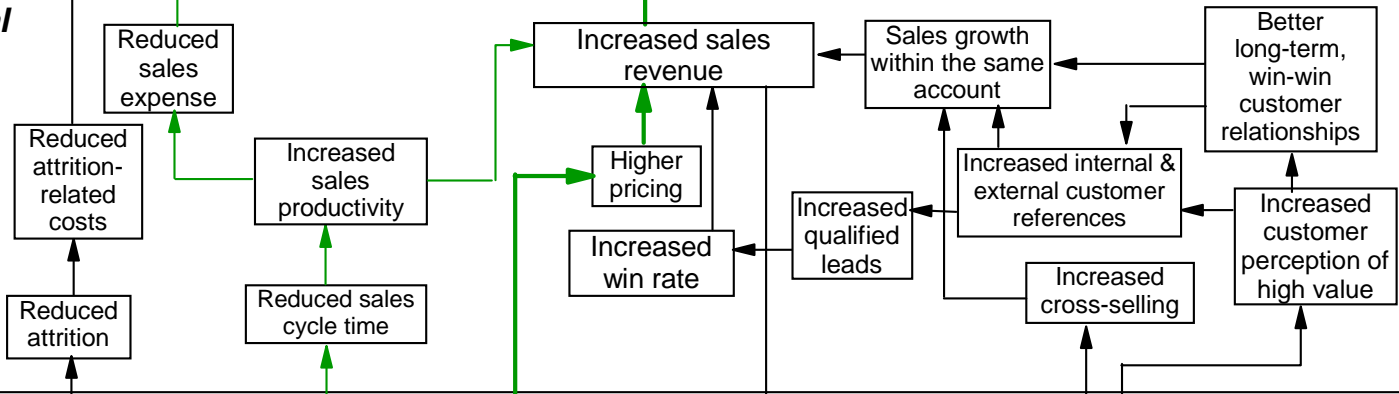
**Business Results**

**Profit**

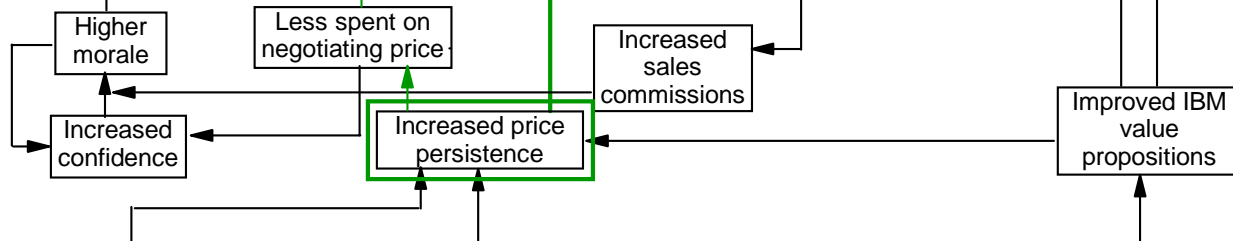
**Expenses**

**Revenue**

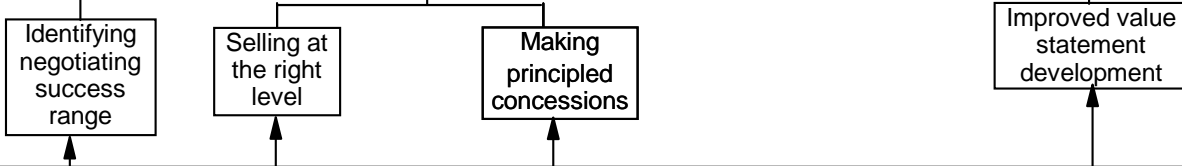
**Organizational Performance Indicators**



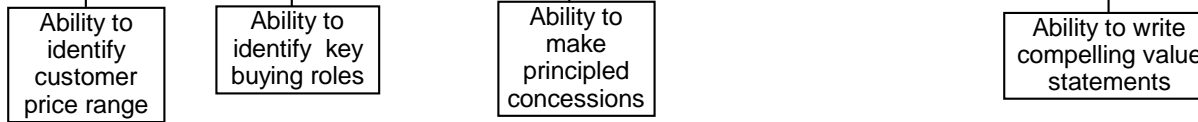
**Individual/Team Performance Indicators**



**Behaviors**



**Skills & Knowledge**

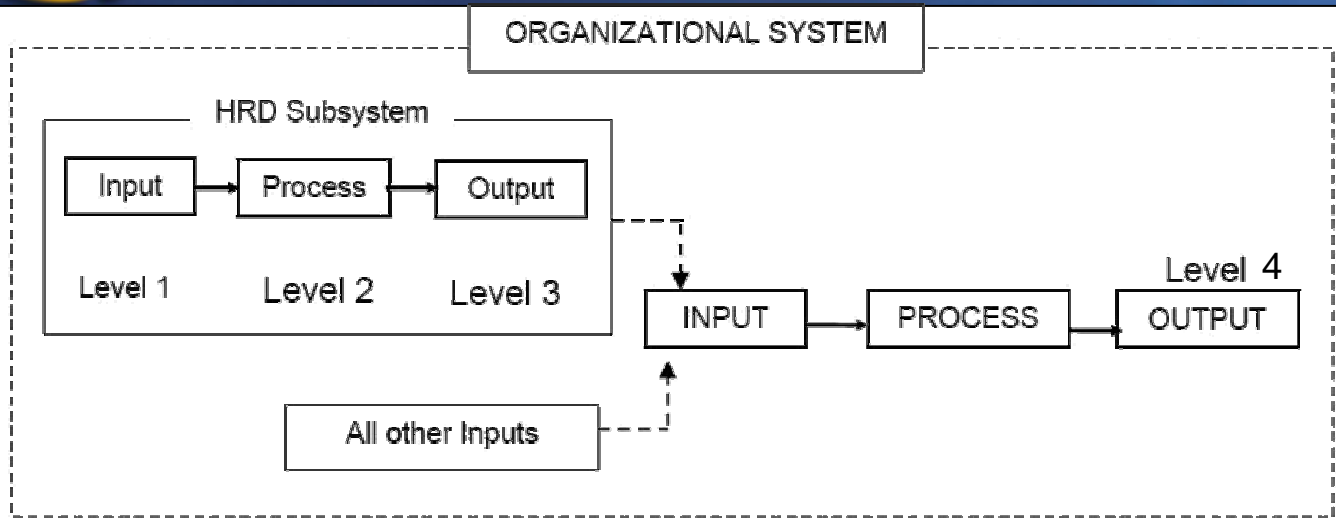


- ▶ Transformational model for learning measurement
- ▶ Developed based on internal analysis of learning and ROI
- ▶ Key focus areas
  - Time to competence
  - Level of contribution
  - Retention
- ▶ Leads to clear measures of business impact
- ▶ Attempting to build outsource relationships

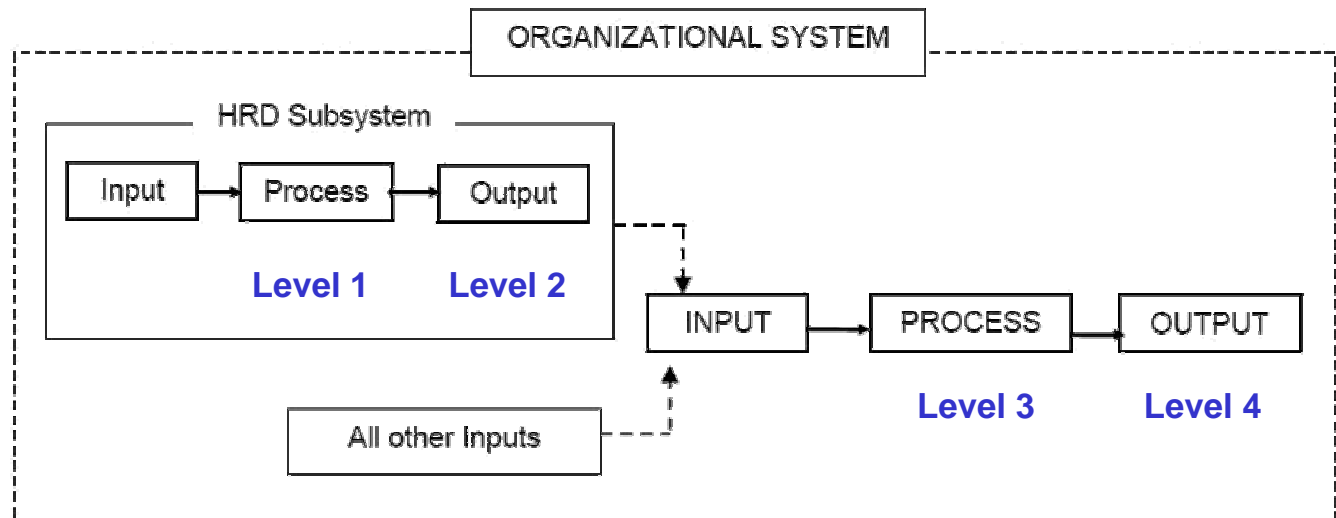
- ▶ ROI is the central focus
  - It's his business!
    - Become a licensed Phillips ROI Practitioner
  - What happens if this is not the real focus, just a potential outcome
- ▶ Many disagree that ROI is a fifth level
  - Agree with Wang, Spitzer et al.
    - ROI is a way of presenting business impact and therefore level 4
- ▶ Strong systemic approach
  - With supporting tools now available
  - See Metrics that Matter presentation later
- ▶ Methodology predicated on applying confidence to estimates from learners and management
  - Rather than really measuring actual business benefit
  - Easier to apply, but questionable in veracity
  - What's my confidence in the confidence of the learner in their estimate of the value of the training?

- ▶ Advocates metrics approach to everything
- ▶ Constructed on a project by project basis
  - How does this apply to general "on demand" learning?
  - How does it apply to learning to develop core competencies?
- ▶ Potentially a lot of effort to evaluate each project
  - Although he says not
- ▶ Issues with his HRD sub-system model
  - Level 1 measures the HRD process, not the inputs
  - Level 2 measures the output not the process
  - Level 3 measures the organisational process (application) not the outputs from learning

**Wang's Original**

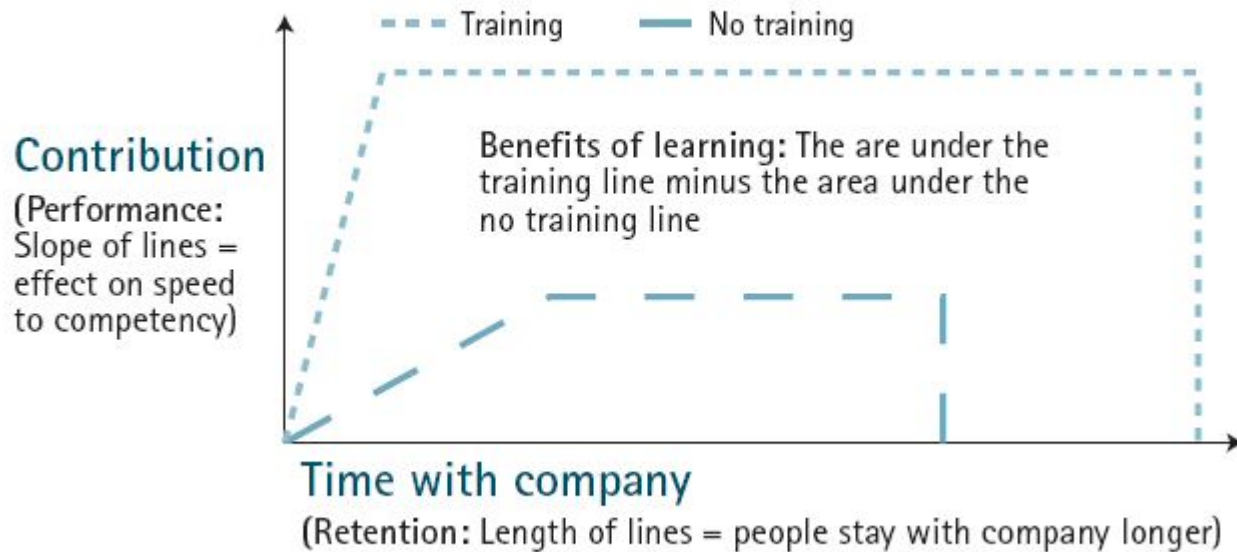


**Alternative**

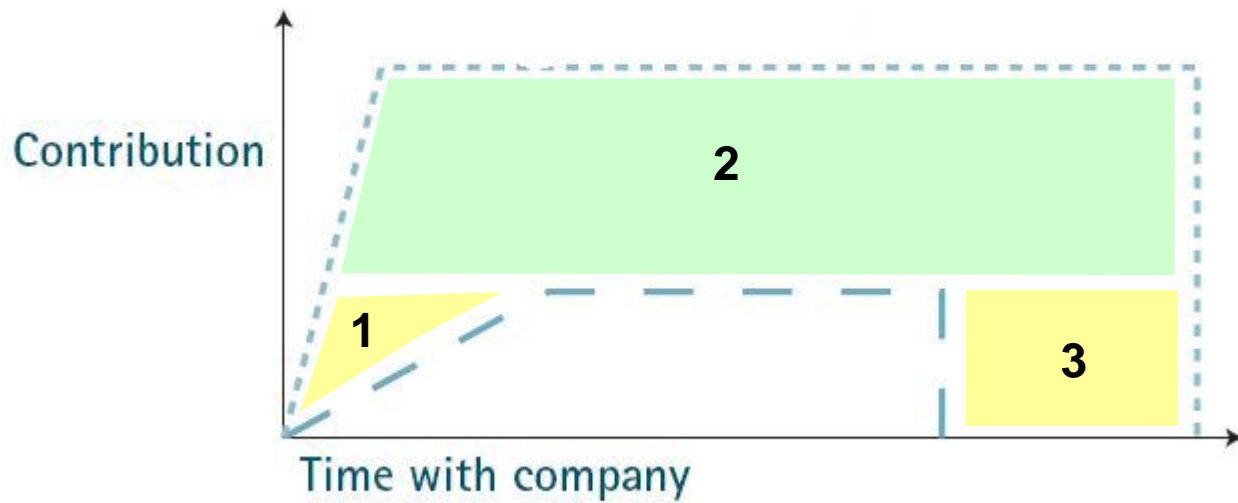


- ▶ Internal ROI model seems strange
  - They measured the added value of training by looking at the top performers and finding they did more learning
    - so they concluded that more learning equals more performance
  - but does this mean more learning creates more value
    - could just mean that higher value performers choose more training but would perform anyway
    - or perhaps both additional performance and additional learning could be caused by a separate independent factor
  - maybe if we reduced their learning time they would be even more productive
- ▶ Transformation ROI model
  - Looks fine at first
  - But the bulk of the benefit comes from increased contribution not time to competence or retention

Figure 1. A model for calculating the benefits of learning programs



Source: Accenture



Source: Accenture

- ▶ Need to start with the desired business outcomes and work back
- ▶ Meaningful measures come from :
  - clear upfront statements of the measure of the business issues to be addressed
  - the design of learning interventions that specifically address those issues
- ▶ Attribution of benefit to training is a great problem without clear measures of the issues to be addressed
  - Particularly strong from Spitzer

- ▶ Who really owns the application of learning or the required behavioural change
  - L&D, the individual or line management?
- ▶ Who really owns the value of that change
  - Who should put a value on that change
  - L&D or the business?
- ▶ What should L&D be accountable for?
  - If L&D was outsourced, what would it be responsible for?
    - Would it be Level 1 and Level 2?

- ▶ L&D must justify itself as a function as well as with high visibility projects taken individually
- ▶ Need an aggregating model
  - Many to many relationships
    - Many projects
    - Many benefits
    - Many costs
- ▶ Overall these design issues suggest a database approach rather than individual spreadsheets

- ▶ There seems to be very little focus on the competence to perform the evaluations
  - Other than from consultancies who have a vested interest in controlling who does it