



White Paper

Showing the impact of learning

How to demonstrate the impact of learning

Introduction

It has always been important for the L&D function to show its impact on the organization. There is no shortage of ideas on this topic. Several organizations exist with their own unique methodologies; “Proving the value of L&D” is a perennial topic at conferences and there are innumerable white papers already written on the subject, each with its own special way of measuring value. Rather than suggesting a single method for showing the value of learning, however, consider a different approach: two different types of benefits accruing from learning, both which show value.

There are three key reasons for showing the value of learning programs. First, to ensure that learning is taken seriously, and as meriting continued investment—including continued funding of the learning and development department. The executive who signs the check for a learning initiative only does so if he or she can be sure that it is a contributor to the organization.

Second, a focus on benefit will ensure that learning programs are related to existing organizational measurements. In other words, it will make sure that L&D is delivering in line with business needs that have already been identified.

Third—and most importantly—learning and development is about improving the performance of people in the workplace.

Meeting stakeholder expectations

Who sets the standard by which the value of learning will be measured? Not the L&D department. The value is set by the business—and both the measure of value and the people who decide it will be different for each learning program.

Before beginning to demonstrate the benefits of your learning program, it is vital to identify who the evidence will be presented to, and to realize what they consider important. Is it cost savings? Greater sales? A competitive edge through improved product knowledge? Better customer service? Having this conversation with stakeholders at first will give the direction on which to focus.



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Types of benefits

According to an old business maxim, there are three ways to improve things: make them better, faster or cheaper. The benefits of learning are no different. The trick is to identify the benefits, to attribute them to learning (if possible) and to measure them (again, if possible), and very often the benefits will be associated with doing things better, faster or cheaper.

For the L&D department, it is essential to be clear about the range of benefits a program can bring, and to be able to calculate them where possible.

The benefits of any program fall into three types:

- Attributable but non-measurable benefits
- Indirectly attributable and measurable benefits
- Directly attributable and measurable benefits

Some benefits will almost always be in one category. For example, an improvement in employee morale will almost always be a non-measurable benefit, unless the organization has in place a sophisticated employee morale-monitoring process. There will, however, be some benefits that may fall into one category or the other, depending on circumstance.

It is important to learn how to deal with each of these benefits and how to make the calculations that will demonstrate to your financial officers that your e-learning program is bringing the organization real, clear value for the money.

Attributable but non-measurable benefits

Benefits which are associated with training, but which cannot be measured, are often called 'soft benefits.' Although widely accepted as benefits of training, they cannot be quantified and so they should never be relied on to support a learning program unless they have already been specifically identified by one or more influential stakeholders as vital to organizational success.

These include:

- Giving management a better insight into workforce strengths and weaknesses
- Maximizing the dissemination of company culture
- Providing more targeted training
- Increasing employee morale and engagement
- Improving teamwork

These are all important things for any organization, but, as they cannot be measured, a learning program that relies only on these for its justification will seldom be funded, and if funded, will always face the risk of closure.

The only thing worse than relying on these benefits to justify the work of the L&D department is to rely on the department's own internal metrics such as days of training delivered and completion rates for e-learning courses. These may be measurable, but they are not business benefits, and it's on business benefits that the leadership will always focus.

Indirectly attributable and measurable benefits

Benefits which can be measured are usually called 'hard' benefits. For a learning program, these can include:

- Faster speed to market
- Reduced employee turnover
- Reduction in accidents
- Reduction in work defects
- Increased customer satisfaction
- Increased sales (if the training is on sales)

These are all benefits which any executive in the organization would be pleased to have. However, while properly deployed learning will contribute to these benefits, it will only ever share that contribution with other factors.

For example, a program focused on reducing workplace accidents might include learning as one part of the program along with improved signage, work-aids and new safety features on equipment. Even if the program appears to consist only of learning, it will still—if implemented properly—rely on management input. The emphasis placed by management on workplace safety will always determine how seriously employees take it.

With such indirectly attributable and measurable benefits, it would be a mistake to claim that learning was responsible for the entirety of any one of them. Such a claim would damage credibility and lessen the chances of being taken seriously with any subsequent claim about the benefits of learning.

It would be better to claim a conservatively small percentage of the benefit. In many cases, this is still substantial in monetary terms—and the key is to be able to calculate the benefit. For example, take the service sector, where there is often high staff turnover. Some companies in this sector produce e-learning programs which provide the staff with qualifications that they value and which increase their performance on the job. Although these qualifications are portable between employers, the usual effect is both an increase in performance and a reduction in staff turnover.

Suppose that after a year of the e-learning program, it was found that staff churn had dropped from an annual rate of 20% to 18%. For a company of 1,000, that 2% drop represents 20 employees retained. If each employee cost \$5,000 in advertising and administrative costs to recruit and train, then by not having to recruit these retained personnel, the organization has saved itself \$5,000 for each of the 20 people, or \$100,000. If the reduction in staff churn is maintained through the program, then this is a \$100,000 annual saving.

In such an instance, there appears to be a direct link between the e-learning and retention and it might be tempting to say that the annual \$100,000 saving was entirely due to the training program. This, however, would ignore any management influence in ensuring that employees took the time to train properly. It also ignores any opportunity cost associated with the employees not being available while they were learning, and so on. No such claim would be credible.

While it might be theoretically possible to produce a reasonably accurate view of each of the individual factors involved, it is a better use of time to aim for a credible estimate, veering on the conservative side.

For example, suppose in this case that the e-learning program cost \$50,000 to produce and deliver. Factor in the opportunity cost of the time employees spent in training by calculating the hours taken to complete training, multiplied by their hourly wage. Get an estimate of the amount of management time devoted to the training, and cost that in as well. The aim is to get a believable idea of the costs associated with the program.

Suppose that the additional costs total \$25,000. This brings the total cost of producing and delivering the course to \$75,000 (\$50,000 + \$25,000).

The benefit can be represented in two ways. It can be shown as a simple savings calculation:

Annual savings: \$25,000 (\$100,000 - \$75,000)

It can also be shown as an annual return on the investment made in the training:

$$\begin{aligned}\text{Annual return} &= \frac{\text{benefit} - \text{cost}}{\text{cost}} \times 100\% \\ &= \frac{\$100,000 - \$75,000}{\$75,000} \times 100\% \\ &= \frac{\$25,000}{\$75,000} \times 100\%\end{aligned}$$

A 33% annual return is very respectable. Whether the benefit is presented as a saving or as a return, it is important to show the calculations and stress that it is a conservative estimate. This makes the figure that much more credible.

Directly attributable and measurable benefits

Calculations such as these for non-attributable benefits make up one part of the benefit calculation. The other part is made up of the directly attributable benefits. Directly attributable means there is no doubt the program caused the benefit directly. This usually also means that there is little need to make the sort of estimates made above for extra costs, or, if they need to be made, the estimates can usually be made within acceptable boundaries.

Directly attributable benefits often revolve around cost reduction. With well-delivered e-learning in particular, there are usually plenty of ways this shows itself, such as:

- Reduction of training administration
- Cost savings in classroom replacement
- Reduction of printing, production and distribution costs
- Reducing opportunity cost of work time lost during classroom training
- Online assessment development savings
- Reduction of training needs analysis

While it might be theoretically possible to produce a reasonably accurate view of each of the individual factors involved in an ROI calculation, it is a better use of time to aim for a credible estimate, and erring on the conservative side.

Not all e-learning is the same, however. A well-integrated e-learning platform which does the job well without demanding constant maintenance and which enables learning content to be created, maintained, re-used and distributed widely, is superior to a collection of tools in many measurable ways, including:

- E-learning development savings
- E-learning content update savings
- Reduction of design agency fees

One classic cost saving directly attributable to a learning system is in the delivery of courses across a wide geography. With face-to-face training, the costs are substantial, involving not just the cost of the training delivery, but also travel and accommodation.

Presenting your benefit calculations

Learning programs seldom last only one year, something worth remembering when presenting benefit calculations. To stress the point, carry out the calculations above, but extend them over a three or five year period (depending on the planning cycle in the organization) to show the value to the business of what you are proposing.

Furthermore, categorize the savings by stakeholder group as below:

		Year 1	Year 2	Year 3	Year 4	Year 5	Total
e-Learning development savings	Stakeholder 1						
	Stakeholder 2						
	Stakeholder 3						
Streamlining administration	Stakeholder 1						
	Stakeholder 2						
	Stakeholder 3						
Total							

This approach shows the benefits of the learning program to each stakeholder in understandable terms—cost reduction or improved performance impact that has direct effects. When presenting these benefits, ensure that there are calculations like those above to back up those claims.

The next step

By sticking to these principles, you can show the value of your learning program in a credible way: identify stakeholders, ensure estimates are credible, and make sure calculations are conservative.

Do not fall into the trap of getting bogged down in the detail—the benefit of refining things to the third decimal place isn't worth the time spent on it. Also, don't claim that calculations are more accurate than they are. Be clear that they are estimates.

Most L&D departments do nothing to show they are having a business impact. This is unfortunate for two reasons. First, because it is part of L&D's job. L&D has to have a business impact, and if it is not being measured, how can success be shown? Second, because any department that is not showing success can be expected to be subjected to very close scrutiny.

The good news is that there are many ways in which learning, and e-learning in particular, has an impact in the workplace, and calculating and demonstrating those benefits is not a complex task.



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