

3C Associates: Research Report

Be Valued or be Outsourced: The purpose and practise of measuring Return on Training Investment:

Current thinking from senior L&D professionals

June 2006

Table of Contents

Section 1: Executive Summary **Page 3**

Section 2: Introduction

Why knowing what Learning and Development is worth, is critical to the long term health of British business. **Page 6**

Who Should Read This Report **Page 8**

Jargon and Technical Language **Page 8**

Background **Page 9**

Objectives **Page 9**

Process **Page 10**

Sections 3: Findings

Question 1. What is the current sophistication and level of value based reporting **Page11**

Question 2 What and where are pressures to report **Page 14**

Question 3. Where and How will changes in reporting come about **Page 16**

Question 4. What tools and support are needed **Page 20**

Section 3: Next Steps

Possible Next Steps **Page 21**

Immediate Hints and tips **Page 21**

Section 1: Executive Summary

Objectives:

The Report examines the current state of value based reporting for Learning & Development activity. Value based reporting (VBR) is a term used to link Learning & Development (L&D) to business performance and results. It is not restricted to Return on Investment calculations.

The reality of the phrase "People are our most important asset" is that employee learning and development is crucial to the future growth and competitiveness of business.

The research seeks to understand to what degree L&D activity is scrutinized by organisations for the value that it adds. If L&D cannot show how it adds value it is at risk of being outsourced.

In this report several senior Learning & Development professionals share their viewpoint on the current and future state of value based reporting for L&D in their organisation.

Key Findings:

To understand client needs in relation to valuing and reporting on training impact in their organisations, the research focused on four issues:

1. Level and sophistication of value based reporting:

- The research enabled companies to be placed on a grid comparing L&D visibility to the sophistication of value based reporting.
- The interviewed companies fell into two clusters. Those with High Visibility and High Sophistication of reporting, and those with High Visibility and Low Sophistication of reporting.
- In other words, where L&D is highly visible, they are either trusted to deliver with minimal measurement, or they are expected to report in a sophisticated fashion on the value that they add. Low visibility for L&D in an organisation is associated with delivery based reporting, number and cost of training days etc.

2. Degree and source of pressure to increase and improve value based reporting:

- There is a wide variation on the pressure to report.
- Within L&D there is a fear of being outsourced, coupled with a desire to 'show the value' by L&D directors who want visible proof of the value they add.
- External pressure comes from senior management when they realise the size of the L&D budget, or when there is general discontent about the performance of L&D.
- Overall, the theme that emerged during the interviews was that the more centralised the budget, the greater the need to account for expenditures.

3. How will the pressure to value and report change in the next few years?

- The single biggest pressure for change is coming from the L&D professionals who have started to experience the benefits of value based reporting within their own organisation.
- By examining where and how measurable value is added, L&D teams identify the best way to add value with L&D.
- Change and increased pressure to value and report is driven by changes in organisational structure (centralised budgets), and is greater in organisations where L&D enjoys high visibility, regardless of the level of sophistication.
- There is a widespread belief among research participants that the industry will have to become more accountable, yet, there is little consensus as to how this is likely to happen.
- Accountability, carried out in the form of valuation, will need to be done by more experienced L&D professionals, many of whom do not yet possess the financial and analytical skills to perform the task.
- Providing the appropriate training tools and techniques to these individuals will be crucial to the future success of the function.

4. What tools and support are needed to meet current and future valuation and reporting demands?

Most participants felt they 'they don't know what they don't know'.

Suggestions for useful tools included:

- Guidelines on how to implement different aspects of ROTI activity.
- Templates for linking specific training activity to business performance.
- Analytical structures and reports to utilise existing data most effectively.
- The majority of research participants thought that valuation is essentially a post-program activity, though base measurements were pre-program.
- The participants thought that a predictive valuation model would be very helpful in linking L&D activity to business performance.

Conclusion:

- It is evident that the process of specifically linking L&D interventions to business performance is still in its infancy.
- Developing processes and tools to clearly link L&D interventions to business performance is the critical function of L&D professionals today.
- In many cases senior professionals do not possess the financial and/or analytical skills to complete this task. To help them accomplish this goal, possible next steps could include the following:
 - Identify the drivers of value based reporting for L&D in their organisation.
 - Build the skills for VBR with their teams.
 - Research practical tools and seek to share experience and best practice with colleagues.
 - Additional training and support to deliver on VBR for experienced industry professionals.

ENDS Summer 2006