

Workforce Performance & Learning

Return on learning, Part 3: Measuring the return on investment in training

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What is the value of an organization's training programs? What is the return on investment in enterprise learning and other workforce enablement initiatives? Although these are very basic questions, few organizations can answer them with an adequate degree of rigor. It's a curious situation: although executives usually can provide detailed information about their return on investments in equipment or other physical assets, many of the same executives do not know what their companies are spending on workforce enablement, much less the measurable value it is delivering.

Why would one wish to know detailed information about the return on learning? For us—a team from Accenture's internal capability development group leading a transformation of the company's internal training programs—it was not merely an academic exercise. The motive was, in part, extremely practical: prove to our steering committee and the sponsors of our transformation initiative that their continued, ongoing attention to training at Accenture was a sound business investment. Not only was it "the right thing to do," the learning transformation program would also deliver a measurable impact to the company's bottom line.

The shortfall in traditional measurement techniques

The program we developed to assess the ROI in learning was extremely methodical, starting with basic questions and proceeding to more difficult ones. The first question was simply whether an ROI in learning even exists. The integrity of a measurement process really depends on starting from zero. So our approach was to begin with the presumption that there is no

value to learning, and then see what evidence there was to the contrary.

In fact, much of the traditional evidence turns out to be somewhat shaky on close inspection. Reviewing the secondary literature, some of the work done in calculating the return on training investments is guilty of misrepresentation and over-reliance on soft data. Survey data (for example, "Did you enjoy this course?" or "Would you recommend this course?") is often the foundation of such studies.

However, to create a sound ROI model for training, one needs to look beyond operational statistics like numbers of courses and satisfaction scores, and instead determine whether employees actually made a better contribution to the organization because of the course. To use an analogy, assessing the quality of medical care is not a question of whether people are "satisfied" with their hospital visit; the right question is whether they become healthy again.

So although the secondary research revealed that a number of studies were untrustworthy, we learned that others were more solid. Based on this, we determined that the quest for an ROI in learning was justifiable.

Another set of questions was about training's tangible and intangible impacts on business. We wanted to include in our model only those elements for which we could find good data. For example, although one may affirm intuitively or anecdotally that training has a positive effect on knowledge sharing and morale, an adequate model for tracking those business impacts does not exist. So the bad news was that we had to

leave out a number of promising ways that learning can have an impact on performance. But the good news was that the results would be conservative—and thus more believable.

Creating the model

With a foundation based on the questions answered to this point, we proceeded to build a defensible ROI model (see figure). The model, validated by university experts in statistics, plots employee contribution against time with the company. Each company must assign its own metric for contribution based on the nature of its business. In Accenture's case, contribution can be assessed most persuasively by the metric of "per-person margin." The other axis, time with the company, measures the increase in value received from employees the longer they stay.

The model is founded on three solid insights. First, a company with better training opportunities can hire better employees. (Our own surveys found this to be true: recruits are willing to accept a slightly lower starting salary in return for the opportunities afforded by better training.) Second, employees at a company that provides better training opportunities will stay with the company longer. Third, employees at a company that provides better training opportunities will achieve competent levels of performance faster.

In the simplified conceptual model summarized in the figure, the overall effect of training on the business should be the area under the line for the company that trains minus the area of that for the company that does not provide training.

At this point, the analysis turned more rigorous. The rules of engagement were to, 1) use only hard data—that is, not "Were you satisfied?" but "Did your contribution increase?"; 2) use only hard analysis (not "Is there a correlation between training and contribution?" but "Controlling for experience, economic cycles and other factors, is there a correlation between training and contribution?"; and 3) consider all training in the analysis, not just the best training.

We used per-person margin as the outcome variable and analyzed millions of data points. We found that, all else being equal, employees who took more training were more valuable overall because they had more billable hours and higher billing rates, and also stayed with the company longer. Accounting for the measurable factors under the rules of engagement, the result of our analysis was that for every dollar Accenture invests in training employees, the company receives \$4.53 back.

Needless to say, this was a critical moment in the reinvigoration of training and learning at Accenture. The ROI number proved that training is important, and that learning investments not only are the right thing to do for our people, but also make strong financial sense.

The whole that is greater than the parts

One of our key insights from this ROI work, and a key takeaway for any organization assessing its own ROI in learning, was that the effects of learning on business performance are cumulative over time. Many who have tried to measure the business impact of learning have sought to calculate ROI by

looking at how a specific course taught specific skills to specific individuals. But any single course by itself is unlikely to have much of a discernible effect. On the other hand, when you look at several courses in conjunction with one another, you begin to see measurable effects.

Becoming more rigorous in measuring the return on investment in training is a critical step in bringing predictability and greater acceptance for enterprise learning. Such rigor can help organizations justify and inspire a renewed commitment to learning and workforce performance. It can also help keep training investments aligned with business needs by tracking business impact and redirecting workforce investments to areas of maximum effectiveness.

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Accenture's model for measuring the return on learning

