

# Perspectives, Priorities and Prosperity

Measuring learning investments' impact provides keys to value creation • BY MICHAEL E. ECHOLS



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**J**ob placement company CareerBuilder has come out with an important study titled "10 Truths About the Skills Gap That May Shock You." I strongly recommend that you read it, as it offers one nugget of particular interest: "Employers are missing critical skill in their workplace — but refuse to train employees."

There's an opportunity here for learning leaders to have an impact on the enterprise. It's what I call the three P's of value creation. For context, I want to give you some facts about value and what creates it in the 21st century global economy.

Today, learning is essentially the fuel of value creation in human enterprises. It is what imparts the energy and enriches our human assets. It refreshes the old and enables the new. It creates the possible through innovation. Yet, in spite of these grand and worthy attributes, most organizations have only limited commitment from senior leaders to the understanding and measurement of the value created by human capital investments.

Let me put this in perspective. The Cato Institute estimates that physical capital in America — the stuff on the balance sheet — totals \$45 trillion. In contrast, similar estimates posit that human capital in America totals \$740 trillion. That is 16 times the physical capital.

Learning is an investment that increases the value of human capital, yet we spend only a minuscule amount of resources to measure the effect of our learning investments. This steps right in the face of what we all acknowledge as the inevitable talent crisis.

In the U.S., accountants track the physical capital on our balance sheets. Today the U.S. Bureau of Labor Statistics estimates there are more than 1.25 million accountants at work in the U.S. economy. These professionals are working to measure the impact of physical capital investments — the \$45 trillion part of our economy.

But what about the \$740 trillion part? Were there a proportionate number of professionals measuring the impact of human capital investments, there would be more than 20 million people devoted to that work. I would be willing to bet that in your own organization you cannot find even 20 assigned to this important task.

The elements of value creation begin with beliefs, get implemented in actions and result in value outcomes. These three elements, the three P's of value creation, are:

**Perspectives:** Learning does not take place in a vacuum. The other leaders in the C-suite have signifi-

cant influence on the value created by learning. When it comes to demonstrating learning value creation, the CEO will ask why, the CFO likely doesn't know how and will need to be shown, and by charter, the CHRO will look to minimize risk over maximizing return.

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**Priorities:** Innovation is everyone's No. 1 priority these days. Often overlooked is the fact that cultivating innovation requires that leaders promote and enable experimentation. At the heart of experimentation is measurement to determine which learning and development interventions produced positive results and which did not. The action then is to discard those of little value and invest in those of greater value.

**Prosperity:** The risk of financial collapse is behind us. It's time to shift our energy from obsessive cost cutting to passionate value creation. Clayton Christensen examines the challenge of shifting from efficiency to market-value creation in his June *Harvard Business Review* article titled "The Capitalist's Dilemma."

Where should we look? Today's golden innovation nuggets are not likely found in the cells of budget spreadsheets. The real gems of value creation from learning are buried in the bowels of big data. For example, large-scale experiments that compare outcomes from learning interventions with the outcomes of a control group would be a productive use of big data.

The opportunity is for learning leaders to become agents of change in the value creation process. They need to become champions of innovation by designing experiments and measuring the value created from each learning innovation. **CLO**