

**Knowledge**Advisors



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***Return on Learning Investment Models:  
Linking Training to Business Results  
and ROI- Measuring Level IV and V***

## Purpose

The purpose of this paper is to explain the need for Results and ROI in the training and measurement space and then articulate the models that KnowledgeAdvisors deploys to help organizations measure ROI and link training to business results.

## Why the Need for Results and ROI in Training?

According to a research study by BrandonHall.com and *Training Magazine*, the top priority of senior learning executives was to link training to business strategy, business results and demonstrate return on investment. This research is supported by KnowledgeAdvisors proprietary research and experience that clearly indicates that the learning organization of the future must be positioned today to demonstrate how training impacted the business and whether the investment exceeded the cost.

## KnowledgeAdvisors and Metrics that Matter

KnowledgeAdvisors is a learning measurement and analytics technology company that helps organizations understand how to better train and develop employees, partners, and customers.

Using our web-based learning evaluation system, Metrics that Matter™, and our extensive database of performance benchmarks, KnowledgeAdvisors helps corporate universities, training companies, and other organizations measure and improve performance.

Metrics that Matter contains three primary types of ROI models to assist clients in showcasing value to stakeholders:

1. Human Capital ROI Model
2. Business Result ROI Model
3. Impact Study Process Model

## The Human Capital ROI Model

- A Job Impact ROI
- Easy to use, practical, scalable, replicable over large volumes of training events
- Provides a financial ROI relative to the improvement in human capital performance
- Using principles of estimation, isolation, and adjustment
- Based on extensive research, part of a regular 'balanced scorecard' for learning measurement
- Assumption is that human capital's value (i.e. salary) is like any other asset that has expected value that can appreciate or depreciate over time

Example:

- Training cost per participant: \$1000
- Average fully loaded salary of participant: \$50,000
- **Estimate** in performance improvement, including training: 30%
- **Isolate** performance improvement due to training: 60% (of the 30% above)
- **Isolate** performance relative to time spent performing those skills on the job: 20%
- **Adjust** for bias, confidence, conservatism: 65%
- Training impact on performance improvement, adjusted for bias:  $30\% \times 60\% \times 20\% \times 65\% = 2.34\%$
- Calculate monetized benefit =  $\$50,000 \times 2.34\% = \$1,170$
- Calculate ROI =  $\$1,170 - \$1,000 = \$170$
- Calculate Benefit to Cost Ratio:  $\$1,170 / \$1,000 = \$1.17$

## The Business Result ROI Model

- A Deeper Level 4 ROI. Uses actual business results
- Leverage technology to make practical and scaleable
- Provides a financial ROI relative to the change in the business result that prompted the training
- Uses principles of estimation, isolation, and adjustment specific to the business result
- Part of a regular 'balanced scorecard' for learning measurement
- The analyst worksheet combines actual business results with data from learners, managers and others to estimate ROI and link training to results.

Example:

- Training cost per participant: \$1,000
- Business Result Significantly Impacted: Sales
- **Estimate/Calculate** change in sales (pre vs. post training) = +20% (sales were \$100,000 before training, now they are at \$120,000)(annualized)
- **Isolate** performance improvement due to training: 60% (of the 20% above)
- **Adjust** for bias, confidence, conservatism: 65%
- Training impact on sales adjusted for bias: Calculate monetized benefit = 20% x 60% x 65% = +7.8% (reported on the Business Result Scorecard) *next steps can be done via the analyst worksheet*
- Calculate monetized benefit = \$20,000 x 7.8% = \$1,560
- Calculate ROI = \$1,560 - \$1,000 = \$560
- Calculate Benefit to Cost Ratio: \$1,560 / \$1,000 = \$1.56

## The Impact Study Model

- A toolset within Metrics that Matter specifically designed by Dr. Jack Phillips and Dr. Patti Phillips
- A process whereby you can be certified to do it
- A formal step by step process for comprehensive impact study analysis
- A set of defined cost components for each impact study
- More comprehensive data collection instruments for end of program and post program follow up analysis
- Detailed cost wizard for input of comprehensive costs per study
- Detailed action plan templates for input of comprehensive business result and impact data per participant
- Business result analysis for each participant's business results
- A specific Phillips ROI Scorecard with defined metrics at each level of learning measurement
- Used for specific projects or programs where deep analysis is needed (about 5 to 10% of the time)



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