Can We Talk About ROI?

by Judy Rosenblum

During difficult times there is usually more pressure to prove that every dollar spent in a business generates value. Training budgets are usually the first up for this kind of scrutiny, and this recession is no exception. Many CLOs, training directors and learning and development (L&D) professionals have been asked to "prove it." While the approach may not be this direct, it is often underlying the comments about L&D operating as a business or, more to the point: "What are we really getting for our money?"

First, let me say that we should always be asking ourselves whether the way we are investing in the development of our people and organizations is generating value for participants and return for our companies. If we are not accomplishing this, it is hard to argue that we are leaders in our organizations. But how we prove it is another story.

I have been working in this field for the past 20 years, and before that I was a strategy consultant. So it seems I have spent most of my professional life in "prove it" professions. The question about whether or not ROI can be calculated for training investments has been around for a long time.

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In its first incarnation, it was easy to beat. If you held any positional authority or influence in your firm or company, you could simply stare down the executive committee by asking, "Can we afford not to invest in our people?" That's what I did.

But through several smaller economic downturns the question persisted, so I began to look into what it would take to follow best practice, which at that time—about 10 years ago—consisted of very precise, very complex mathematical equations. I determined at that point that I would have to add three people to my staff to be able to fill out the metrics, and that did not seem worth it.

As time went on, I continued to follow the quest for ROI and more broadly the levels of return methodologies that had become so popular. I decided that the best way to approach the topic of value and return was to carefully construct a promise up front to my CEO for each investment I made and then to deliver on my promise. No numbers were involved, just a clear description of the outcome we had agreed on when we decided to make the investment and a promise to follow up to make sure that that outcome occurred.

Shortly thereafter, I came to Duke Corporate Education (Duke CE). It was a particularly attractive opportunity because the executive education industry was one of the few professional services businesses left in which you could gain distinction and competitive advantage by purely listening to the client and designing to the outcomes on which you had agreed. Design to outcome became a mantra that persists today. But what those outcomes were and are deserves real scrutiny. Our clients still talk about learning objectives, and a number of them still feel most comfortable in the realm of programs where you can count the number of people who have attended and understand whether they liked the experience and whether they believed they gained value from it. We work together to deliver against those learning objectives and strive to make sure that participants gain value. But, as they say, is that all there is?

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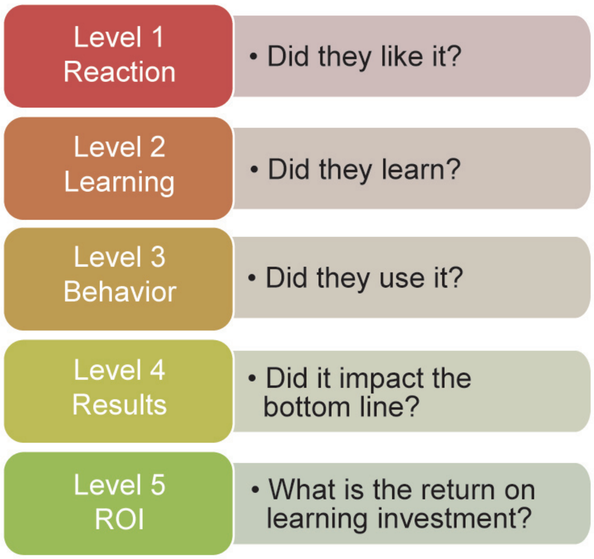

Kirkpatrick and Phillips model of ROI

Now we all realize that models that articulate the levels of return on training have been part of our vocabulary for a long time. As you move through the levels, the return increases as participants actually apply what they are learning in their jobs. Level 1 is easy. It can usually be accomplished with what we fondly refer to as "smile sheets." Level 5 is not. It means following your participants home. These models represent our interpretation of what should be happening as a result of our work. They are helpful, and they push us to think in terms of relevant outcomes. That said, they are not the language of business. And that is the language we must speak.

Even as we design to outcome at Duke CE we now have to question the starting point. Learning objectives are not enough. Phrases that begin with "participants will understand" are usually not enough. We must be connected to the goals of our clients, and that means internalizing what they are trying to make happen in the business, seeing the gaps that are getting in the way, understanding why they are present and building systemic solutions to close them. I often refer to this as an audit trail. I want my people to be able to stand up in a meeting and trace their work from its outcome directly back to goals, strategy and the promise a company makes to the market in the language of the business.

I want business objectives before learning objectives.

Recently I spent two days with 24 Chief Learning Officers from companies and organizations from around the world. I led a session on the increased pressure to demonstrate value and return from investments in L&D. They told me that the issue is not ROI. The issue is not dollar-for-dollar spend. The issue is about being in the business. It is about seeing what needs to be done clearly and why. It is about being able to articulate the need and the solution in the context of the company's goals. It is about being focused and targeted and doing what you say you are going to do. They are right.

I would add one more thing. It is about changing our thinking about what is enduring. The days of curriculum are coming to an end. As L&D leaders we need to recognize that we are not immune to change. We have to be prepared to build, change, eliminate and start again. We should be reviewing our stuff yearly. We should be focusing on building new processes, routines and delivery mechanisms that enable an array of learning opportunities everyday on the job when it's needed. That is what is enduring today: the processes and the people who can get in front of and respond to the needs of the business. The content can and will change as the priorities of the business change.

So I guess I'm still not on the ROI bandwagon, although it is a terrific opportunity for consultants to make money. I guess I'm more in the GDP camp:

- **G**et in the game. Spend your time on business goals.
- **D**o what you say you are going to do.
- **P**rove that you did it and show why it mattered to the business.