Measuring What Matters: How CEO's View the Success of Learning and Development

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Some mysteries are meant to be solved. And in this article, the mystery of the top executive's view of success in learning and development is brought to light in a survey with CEO's of Fortune 500 Companies.

The Mystery

Measuring the success of learning and development has earned a place among the critical issues in the learning and development field. For decades, this topic has been on conference agendas ;. Journals and newsletters regularly and dedicate space to it. Professional organizations have been created to exchange information on measurement and evaluation, and more than 50 books are written on this important topic. More importantly, top executives have an increased appetite for data about the business contribution

Although interest in the topic has heightened and much progress has been made, it is still an issue that challenges even the most sophisticated and progressive learning and development functions. The top executive group, the most important stakeholder, is the key. While some learning and development leaders argue that developing a successful evaluation process is too difficult, others are quietly and deliberately implementing effective evaluation systems and reporting results to executives. The latter group has gained tremendous support from the senior management team and has made much progress. Regardless of the position taken on the issue, the reasons for measurement and evaluation are clear. Almost all learning and development professionals share a concern that they must show the results of learning investments to senior executives. Otherwise, funds may be reduced or the function may not be able to maintain or enhance its status and influence within the organization.

Executive Dilemma

The dilemma surrounding the success of learning is a source of frustration for many senior executives. Most executives realize that learning is a basic necessity when organizations experience significant growth or increased competition. Formal learning is also important during business restructuring and rapid change, where employees must learn new skills and often find themselves with heavier workloads in a dramatically changed workforce. However, during an economic decline, executives are not so sure that learning and development is needed, as evidenced by the reductions in learning and development team members in this recession.

Executives intuitively feel that providing learning opportunities is valuable, and they logically anticipate a payoff in important, bottom-line measures, such as productivity improvements, quality enhancements, cost reductions, time savings, and improved customer service. Yet the frustration comes from the lack of evidence to show that programs really work. While results are assumed to exist, and learning programs appear to be necessary, more evidence is needed, or executives may feel forced to adjust future funding. A comprehensive measurement and evaluation process, designed with top management in mind, represents the most promising, logical, and rational approach to accounting for the learning investment

CEO Survey

Attempting to do the impossible, we conducted a CEO survey aimed at obtaining direct feedback about the success of learning and development from a significant number of CEOs in large organizations. To our knowledge, no significant data has come from these elusive groups, although many one-on-one interviews are presented in profiles in magazines, but rarely do they discuss specifics on results. Surveys of this nature are often directed to heads of learning and development, where they are asked about their impression of the results their executives want, instead of obtaining this information directly from the CEO's. A few surveys have been attempted at the top executive level, but, unfortunately, the survey is instead passed down to the CLO.

To obtain the executives' views on learning and development, we sent a survey and a letter with instructions that asked the CEO not to forward our survey to the learning and development department, in hopes that we could hear directly from this important executive. Brief and easy-to-complete with a self-addressed, stamped envelope, the survey was formatted and designed for the most optimal response rate possible, which for us, was at least 10 percent and an optimistic 30 percent.

Techniques to achieve a higher-response rate

Data were collected from October 2008-February 2009 using the most accurate CEO database directly from *Fortune Magazine*. We discarded any firms on the list who were currently facing economic turmoil, such as AIG, Lehman Brothers, General Motors, Ford, Merrill Lynch, Morgan Stanley, Chrysler or, any company that reported a significant loss. This trimmed 99 companies out of Fortune 500, leaving 401 for this survey. We selected 50 large, private sector employers, using Hoover's website as a guide. Essentially, these companies would be listed in The Fortune 500 if they were publicly held companies. Together these provided a total of 451 in the large company sector to receive this survey.

In our work at the ROI Institute, we teach our participants how to achieve a high response rate on questionnaires. In a well-executed ROI study, for example, it is not unusual to have 70 to 90 percent return rate. We applied the same discipline, determination, and techniques to this project, as this group was particularly difficult to reach. Their exclusivity is in part a result of their "gatekeepers" (assistants, vice presidents, and more), who protect them from tasks that may be deemed time-consuming or not essential to their role. In many large organizations, dozens of gatekeepers may be assigned to filter merely one executive's requests and demands. Consequently, we knew that our approach for this survey had to be creative. We used 10 powerful techniques to achieve a higher response rate. Here are four of them:

1. Survey responses were anonymous, unless CEO's elected to provide contact data (No one did!)

2. A copy of our book, *Show Me, the Money: How to Determine ROI in People, Projects, and Programs*, was enclosed as a small token of appreciation for their participation in the survey; however, Top executives, and CEOs', have reacted positively to this book. The mere title speaks to them, as they have been demanding, "show me the money" for years.

3. We wrote personal notes on almost all of the letters, based on our relationships with that organization. For many of them, we are shareholders and wrote a plea for results as an act of accountability. In other cases, we are customers and wrote that we were interested from a customer viewpoint. We used this angle whenever it carried weight, such as for Charles Schwab, but not for Proctor and Gamble. Sometimes we would mention our current relationship, with phrases such as "We have projects ongoing," "We serve as a regular consultant," or, as in the case of IBM Services, "We act as an official subcontractor." Other notes revolved around our love for the company and their products, when it was appropriate, such as, "We love FedEx Kinko's" or "Starbucks" or "Whole Foods," who are a part of our everyday lives. A personal approach helps to move the survey past the gatekeepers, and, perhaps, stand out along numerous other requests.
4. Perhaps our most powerful act was to use someone else in the company, who was not in the learning and development area. In approximately 20 percent of these firms, we knew someone, usually a middle manager. We asked them to deliver the book and survey directly to the CEO. Of course, we provided incentives, such as additional books or a great bottle of wine. These personal touches were deliberately designed to get our survey beyond the CEO's gatekeeper.

Response rate

Ninety-six individuals responded, representing a 21.3 percent of the total. Executives chose to remain anonymous, some did not answer particular points or provide comments. A few executives gave us extensive comments and seemed to take a great interest in doing so. Some sent us thank you notes for the book; others said they were not able to accept the book based on ethical reasons and returned it; and a few passed it along to others and let us know who received it.

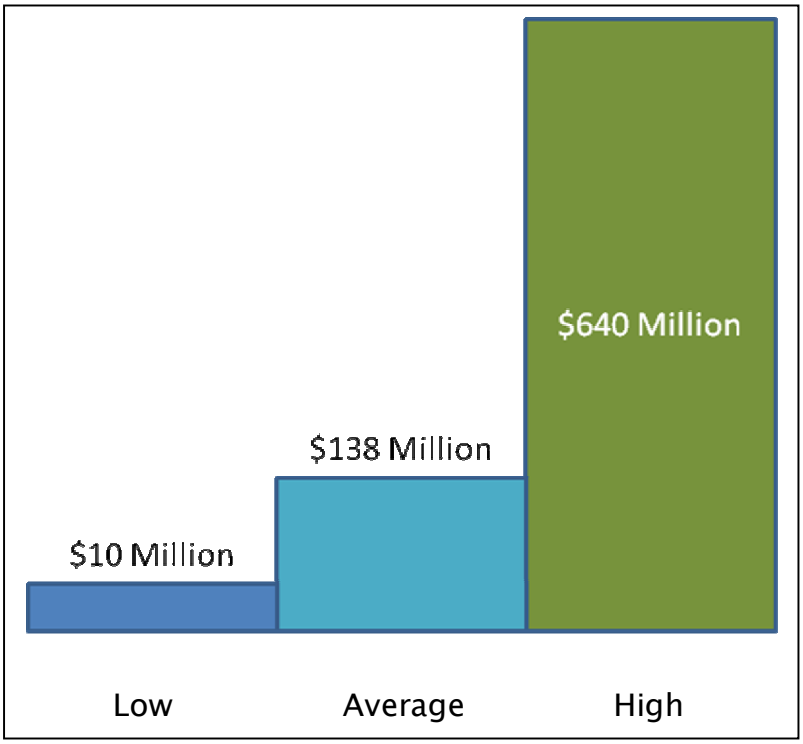
This response is especially significant when considering the difficult economic circumstances during the time the survey was conducted. Trying to spend a few minutes on a survey addressing learning and development is not at the top of the agenda most executives have during this time frame. To our knowledge, all of the returned surveys were actually completed by the CEO, which was our request. We suspect that if a CLO had completed it instead, he or she would have acknowledged it.

Results

Investment in learning and development

Investments of these companies range from a low 10 million to a high 640 million. Sometimes executives scribbled notes about how they were not sure of the exact amount. The average number was 138 million. As shown in Figure 1.

Figure 1. Investment Range



Regarding the rationale for setting the investment level, CEO's selected a strategy from a list. Figure 2 shows the responses. Although these results confirmed what we expected to a certain extent, a few surprises surfaced. Only four percent acknowledged that they try to avoid these investments, but we suspect that this number may be a little higher. Twenty percent of CEO's said they invest only the minimum. In part, this may be due to the current economic times, where executives have had to trim activities that are perceived to be unnecessary. As expected benchmarking was the highest (at 39%). Because we asked that only one strategy be checked we suspect a combination of benchmarking and other possibilities are being used. We limited the choice to only one in the survey to determine the dominant approach for setting the investment level.

Figure 2. CEO Input on Investment

Which if the following best describes your approach to investing in learning and development? (Check the one best answer):	
4%	We try to avoid the investment if possible, using contract workers, hiring fully competent employees who do not need training, and using temps when necessary.
20%	We invest only the minimum—what is absolutely necessary for job-skill training.
39%	We invest at levels consistent with our benchmarking studies, using measures such as the training cost per employee
10%	We invest heavily in learning and development, essentially meeting all needs that are identified in the organization.
18%	We invest when we can see some type of benefit for investing, essentially investing when there is a pay-off.
9%	Don't know/Did not respond
N=96 (Large Public and Private Firms)	

Surprisingly, a significant number of CEO's (10%) mentioned that they invested in all learning and development needs. Although we worded this option so that they would feel comfortable with the choice, this is probably over-investing. From our own experience, we see this routinely, and some executives are proud that they can invest in practically any learning request.

Finally, it's quite refreshing to see that a significant number invest when they see value (18%). We assume, however, that there are many different definitions of the term, "value," and that this does not always meant ROI calculations.

Reporting relationships

An important factor in this study is to determine how close the CLO, the head of learning and development, is to the CEO. In this study, a "1" indicates that the CLO's report directly to the CEO. A "2" means that there is two levels between them, and a "3" means that there are three levels between them. The average was 3.2, which means that the CEO is at least three levels up. This distance is a little disturbing, considering so much effort has been focused on pushing this function to a higher level of position within the company.

One challenge that has compounded accountability issues in learning and development is the lack of interaction between the learning and development professional and the senior executive team. In most organizations, this interaction is limited. Only in a few organizations

does the top learning executive report to the CEO. Even in those organizations, the time spent with the CEO is not proportional to time the CEO spends with other direct reports. Senior executives have limited time, and they spend it in those areas they perceive to be critical, important, and central to the organization's success. Unfortunately, many executives do not see learning and development rising to this level of criticality, thus, allocating little time to engaging in it. The problem is compounded when the learning and development executive reports through a one or more executives and only interacts with the CEO on special projects or an occasional review of the learning and development budget. Regrettably, these budget reviews are when senior executives hope to see a connection between learning outcomes and the business to justify increasing or sustaining budgets. It is no surprise, then, that there is confusion and misunderstanding of expectations with regard to requirements for measures of learning success.

Satisfaction with the current measures of success

Limited interaction with executives often forces the learning and development leader to "guess" what the top executives want in terms of measures of success. This guesswork becomes more inaccurate when filtered through multiple layers of interpretation. Asking top executives outright what they specific measures they want to improve often yields ineffective or misguided dialogue. After all, top executives do not see their responsibility as defining the measures of success. Essentially, they want the learning and development leaders to report improvement in measures of success that are meaningful to them in terms of business contribution.

We asked the executives a very general question regarding their level of satisfaction with the measures of success for learning and development. We created a four-point scale to force the executives to take a stand. On a four-point scale, a "1" would be very dissatisfied, and a "4" would be very satisfied. We were hoping to see at least a "3," unfortunately the results were 2.52, indicating some dissatisfaction. Figure 3 shows the results.

Figure 3. Satisfaction with Measures of Success of Learning and Development

2.5 out of 4

8%—Very Dissatisfied (1)

45%—Dissatisfied (2)

41%—Satisfied (3)

6%—Very Satisfied (4)

Metrics coverages

We knew it was easiest to have executives respond to particular checklists, and deciding which metrics to use was very critical. We provided eight categories and mapped them into the levels of evaluation. The first two categories were Inputs and Efficiencies, which are process measures or inputs to the process, including volume, costs, and speed. The next two categories, Reaction and Learning, are typical learning measures. Application is the extent of the use of knowledge and skills. Impact, which is the business measure, and ROI created much interest. We included ROI because of the abundance of information about its use. Finally, we included awards, which many CLOs are currently pursuing and reporting to the executives, particularly in large organizations.

Obviously, these map into the levels of evaluation described in the literature. The first two categories (Inputs and Efficiencies) is Level 0. Reaction is Level 1. Learning is Level 2. Application is Level 3. Impact and Awards are Level 4, and ROI is Level 5. Although other specific measures may be identified, they all should fit into one of these eight categories.

Given this list, we wanted to know three things. 1) “What metrics are being reported to you now?” 2) “What should be reported that isn’t being reported now?,” And 3) “How would you rank these in terms of value?” Figure 4 shows the responses. The first percentage column is the percent of CEO’s who checked this item as a metric being reported, the second is the percentage indicating that it should be reported, and finally, the last column is the average ranking number for the group, recognizing that the lower the number, the higher the ranking. An “8” score would indicate 8 on the list, and a “1” score would indicate first on the list. Inputs and Efficiencies were ranked 6 and 7, respectfully. Input shows the scope and volume, something executives need to know. These types of data are always being reported. While most CEO’s receive this type now, they quickly recognize its limited value. Reaction is ranked the lowest which may not be a surprise, although it’s the number 1 outcome measure reported to executives. This particular measure could be improved with more focus on content.

Figure 4. The Results on specific measures

Measure	We currently measure this	We should measure this in the future	My ranking of the importance of this measure	
			Average	Rank
a. Inputs: "Last year, 78,000 employees received formal learning."	(90) 94%	(82) 86%	6.73	6
b. Efficiency: "Formal learning costs $2.15 per hour of learning consumed."	(75) 78%	(79) 82%	6.92	7
c. Reaction: "Employees rated our training very high, averaging 4.2 out of 5."	(51) 53%	(21) 22%	7.15	8
d. Learning: "Our programs reflect growth in knowledge and skills of our employees."	(31) 32%	(27) 28%	4.79	5
e. Application: "Our studies show that at least 78% of employees are using the skills on the job."	(11) 11%	(59) 61%	3.42	4
f. Impact: "Our programs are driving our top 5 business measures in the organization."	(8) 8%	(92) 96%	1.45	1
g. ROI: "Five ROI studies were conducted on major programs yielding an average of 68% ROI."	(4) 4%	(71) 74%	2.31	2
h. Awards: "Our learning and development program won an award from the American Society of Training and Development."	(38) 40%	(42) 44%	3.23	3

Awards was rated higher than we expected. Both pessimists and optimists wrote comments. The optimists were proud of their awards and thought they reflected the quality and significance of the learning and development team. Others said that the awards mean very little and are often based on how much they're willing to spend on the award application.

The highest two areas were Impact and ROI, which should come with little surprise, because the CEOs always want to see this kind of data, especially during these tough economic times. This reporting creates a very important dilemma for learning and development: These are the least reported data sets, but yet, are of the most valuable to executives. Therein lies the challenge and opportunity for the learning and development team.

Learning scorecard

We asked about the learning and development scorecard, and we discovered that only 21% percent of the CEOs said that they had a learning and development scorecard. This is surprising, given the work to develop balanced scorecards in large organizations. Of course, a scorecard very well could be in place, but it does not make its way all the way to the CEO.

On the positive side, this result indicates some executives are reviewing scorecards on a of routine basis. For the most part, the comments in the scorecard were either negative or constructive. Only one indicated that he or she was pleased with the scorecard that is in use. The other comments were referred to as “inadequate,” “incomplete,” “doesn’t have all the data,” and “doesn’t really connect to the business.” This leaves some great opportunities to make improvement in this area.

Executive involvement

A critical issue for learning and development departments is the extent of the executive involvement. Most would argue that executives are taking a more active role or are more involved with the investment, and thus, more results will be achieved. Figure 5 shows the responses from CEOs regarding their level of involvement, given a list of possibilities. The CEOs could check all that apply. As expected, the top area is that the CEO personally approves the learning and development budget, which was indicated by 78 percent. Second on the list, indicated by 73 percent, was that they review requests for major programs, while, 61 percent review the results of those programs. 24 percent use a scorecard to monitor the progress and make adjustments. Next, 29 percent opened and closed major programs while 21 percent host or conduct periodic review meetings, and only 18 percent actually teach segments of major programs. Disappointingly, the two lowest ones, holding periodic review meetings and being involved by teaching segments, can have the most impact on learning and development success. Periodic review meetings represent an opportunity to review progress, make adjustments, and check results. This is a great way to stay connected and provide feedback to see the results in order to boost funding in the future. Getting involved in teaching is a powerful way to connect learning and development to the organization and deliver value. Jack Welch (GE) and Andy Growe (Intel) are two examples where this was extremely effective.

Figure 5. CEO Involvement

	"In what ways are you personally involved in learning and development?
29%	I introduce/close out major programs
18%	I actually teach segments of major programs
73%	I review requests for major programs
61%	I review results for major programs.
24%	I use the learning and development scorecard to monitor progress and make adjustments
22%	I conduct/host periodic review meetings to examine the success of learning and development
78%	I personally approve the learning and development budget with input from others.
18%	Other:_____

Summary

In summary, while the results are based only on 96 executives, the amount of information is significant. To our knowledge, the results may be the highest level of CEO involvement in research on measuring the success of learning and development ever assimilated. The results present some challenges for the CLO and the learning and development team. Next month, we'll offer perspectives on how to address these issues.