

# Beyond Smiley Sheets: Measuring the ROI of Learning and Development



**UNC**  
KENAN-FLAGLER  
BUSINESS SCHOOL

**By: Keri Bennington**  
**Account Director**  
**UNC Executive Development**

**Tony Laffoley**  
**Program Director**  
**UNC Executive Development**

## Introduction

A recent report by the Chartered Institute of Personnel & Development found that evaluation was a top priority among learning and development (L&D) professionals (*Personnel Today* staff, 2012). Despite this fact, calculating return on investment (ROI) on development programs is still rarely done; a McKinsey Quarterly report found that only 8 percent of organizations actually evaluate the value of L&D initiatives (Palmer, 2010). And too often, those who do track ROI rarely go beyond asking for feedback from participants immediately after the event.

With today's challenging economy, L&D budgets are receiving more scrutiny than ever. Participant feedback forms (i.e., smiley sheets) administered immediately after a learning program are no longer enough, and HR and talent management professionals are feeling the pressure to look for more solid evidence to justify the investment in their programs. This is particularly the case in leadership development programs, where the focus is often on the development of intangible skills. Because L&D programs often provide more long-term value rather than short-term effects, senior leaders may consider eliminating them as an easy way to cut costs. Even if executive sponsors are satisfied today, they may not be tomorrow. It makes sound fiscal sense to go beyond smiley sheets and to establish robust measures that capture ROI so that even the most critical of reviewers can see the value of L&D programs in an organization.

In the mid-1990s, Laurie Bassi, then a researcher for the American Society for Training and Development, discovered that the more a company invested toward developing employees, the higher its stock value went the following year (McCann, 2011). Her research put actual dollar figures to something L&D professionals have known for years-- investing in employees pays off. Learning opportunities result in higher levels of employee promotion, retention, satisfaction, skills and knowledge, and this translates to better organizational performance. Yet connecting the dots by demonstrating a real bottom-line ROI remains a continued challenge.

To help connect the dots and overcome the challenge of measuring the ROI of development programs, this white paper:

- Reviews the classic four-level model of evaluation.
- Discusses the challenges in assessing value for new and existing development initiatives.
- Offers suggestions on how to ensure that L&D evaluations reflect what executive leadership expects.
- Provides steps to consider when evaluating the ROI of development programs.
- Shares examples of companies that have effectively demonstrated the value of their L&D programs.

## Kirkpatrick's Four Levels of Evaluation

Donald Kirkpatrick is perhaps best known for creating the classic four-level model of evaluation. His simple paradigm—which still serves as an excellent framework when evaluating development programs—identified four distinct evaluation tiers:

1. Reaction
2. Learning
3. Behavior
4. Results

The first level, **reaction**, captures participants' satisfaction with the experience immediately following the event. These smiley sheets gather participants' thoughts and feelings about the program, the moderator, the content, the venue, etc. Level two, **learning**, captures the increase in knowledge, skills or capabilities as a result of the experience.

Level three, **behavior**, assesses the transfer of learning—whether participants successfully applied what they learned to their work. This level can also involve assessing changes in behavior and attitudes that result from the experience. The final level, **results**, assesses participants' changes in performance or behavior and how those changes have benefited the entire organization (i.e., bottom-line results).

Kirkpatrick argued that to obtain a meaningful evaluation, it was necessary to evaluate the L&D experience at each level. This has proven easier said than done. Most learning professionals find it a challenge to assess beyond the first level to demonstrate long-term learning and organizational benefits, and it is this longer-term, bottom-line impact that many senior leaders want to see.

## The Challenges in Assessing the Effectiveness of a Learning Program

**N**ot surprisingly, evaluating effectiveness is particularly challenging when the targeted outcomes involve softer skills such as improved collaboration, decision making, innovativeness and the ability to think strategically—common learning objectives in many leadership development programs. It can be difficult to assign a hard-dollar value to such skills, or to show a correlation between the learning initiative and the acquisition of the targeted skills. It is also often a struggle to find the time to follow-up appropriately after the program has occurred (a step that is important in determining long-term impact and transfer of learning). Additionally, if the post-program evaluation process and measures were not carefully planned at the program development stage, such post-mortem evaluation may lack a budget and adequate support.

These challenges can be overcome, however, and the acquisition of skills—even soft skills—can be assessed.

### Tips to Measuring ROI

1. **Don't go overboard.** ROI need only demonstrate value beyond a reasonable doubt. Find out what the executive sponsor identifies as success and stick to that.
2. **Shift from a quality to a results mindset.** When designing L&D programs, it's all about delivering a quality experience that encourages learning. When evaluating, it's about results. When calculating ROI, focus less on the quality of the experience and more on the effect of learning.
3. **Calculate ROI continuously.** Always know how the L&D program is performing so adjustments can be made. This not only helps improve the program, but can justify how dollars are being spent at any time. *(Continued...)*

### Tips to Measuring ROI (...continued)

4. **Build a step-by-step case for ROI.** Analyze organizational needs and develop strategic learning plans, prioritize them and present them with sound justification—based on anticipated ROI – about why senior leaders should support them.
5. **Gather data beyond the program delivery and don't forget data that is already available.** Evaluation and feedback should come from as many sources as feasibly possible—from participants, their supervisors, peers and senior leaders.
6. **ROI isn't just about money.** When analyzing results, consider such learning measurements as quality, effectiveness, job impact and business results.
7. **Be conservative in ROI calculations.** To compensate for bias, self-reported ROI should be factored down and follow-up evaluations should be weighed more than evaluations reported immediately after the program.
8. **Represent the money outlay as a per participant ratio.** Personalize it. Show the per participant cost (versus a total cost) to make the investment more palatable (e.g. for this target population we are looking at a \$7,000 investment in learning for an employee responsible for, on average, \$1million worth of business).
9. **Communicate the story behind the numbers.** This is where using anecdotal information can be helpful in confirming the numbers. It never hurts to highlight data with meaningful examples.
10. **If the ROI numbers are low, don't be discouraged.** ROI is intended to assess what is working and what should be shelved or revamped.

Source: Garvey, 2012.

## The Critical Conversation: Connecting ROI to Expectations

In an article published by Denmark-based management firm Mannaz, Scott Saslow from the Institute of Executive Development emphasized that successful evaluation starts well before the learning event occurs, at the pre-program stage. In fact, it should begin at the needs assessment stage, as the organization explores existing and anticipated skills gaps and identifies ways to close those gaps.

It is at this point that L&D managers should have a critical conversation with senior leaders to answer the question, “What will constitute success for this learning initiative?”

Mutual agreement on the evaluation criteria at this stage is critical, and L&D professionals should come prepared to lead the discussion. Some questions to keep in mind when speaking with executive sponsors:

- What correlations will be considered valid measures of ROI? For example, one could correlate a leadership development program that targets high performance and strategic change with an increase in employee motivation and engagement survey scores and/or retention rates.
- When the learning program can’t take all of the credit, what attribution will it receive? If it is agreed that the program will have a positive effect on a particular organizational goal, but it cannot be attributed with 100 percent of the achievement of that goal, delve further with senior leaders to agree on a percentage of credit. For example, the learning program could receive partial credit (i.e. 5 percent) for any operational cost savings found in the supply chain process.

Baseline assessments may be taken during this phase if part of the evaluation will be a “before and after” assessment. For example, if a goal is to improve collaboration across departments, a baseline assessment among participants from each department can occur before the program and again at appropriate intervals afterward (three months, six months, and one year) to determine the level of improvement.

Palmer (2010) recommends five steps for HR and talent management professionals to take when designing successful learning and development programs:

1. Know the organization’s strategic priorities.
2. Understand how the L&D function can contribute to those priorities.
3. Identify L&D programs that will support the organization’s strategic direction.
4. Build it with metrics.
5. Pitch it like you’re the CFO.

When designing a program from the ground up, these steps ensure that a focus on ROI is directly connected to the organization’s strategic priorities.

### Company Spotlight: Texas Health Resources

Senior leaders at Texas Health Resources (THR) realized that they needed to cost-effectively develop all of their employees to deliver a comprehensive, integrated and



coordinated level of care with a “culture of excellence.” The organization developed partnerships with local colleges to improve learning programs. THR evaluated the ROI of this program by looking at the number of registered nurses (RNs) who passed their licensure exams, decreased vacancy rates for RN positions, and faster time to productivity. THR found that RNs participating in the program had an almost 100 percent pass rate on their licensure exams. Vacancy rates for RN positions fell from 11 percent to 2 percent, employee familiarity with equipment, facilities and hospital policies increased, and employee orientation time fell from three to two weeks.

Source: *Chief Learning Officer* staff, 2010.

## It's Never Too Late to Have that Critical Conversation and to Assess a Program's ROI

**B**ut what should L&D managers do when asked to provide more measurable ROI data for established learning programs?

It is important to remember that it is never too late to have that critical conversation about what constitutes a successful learning experience. HR and talent management professionals should initiate this conversation, keeping in mind that even if senior leaders express satisfaction with anecdotes and smiley sheets now, long-term satisfaction and expectations can change with little notice. To stress the point again, HR and talent management professionals should work with senior leaders to mutually identify ROI measures (beyond smiley sheets) that are linked to the organization's key strategic objectives.

ROI measures should be related to performance after the L&D experience and, according to some, tied to a dollar figure. For example, time saved or increased output (or both) as a result of improved performance following participation in a development program can then be compared to a dollar figure (Lang, 2012).

Kirkpatrick and Kirkpatrick, however, argue that tying ROI to a dollar figure may not always be the best metric and suggest that calculating the return on expectations (ROE) may be a better one. When considering ROE, HR and talent management professionals should begin with an understanding of the desired learning outcomes, and this starts by having critical conversations with all key stakeholders--senior leaders, supervisors, peers and subordinates--all of whom can play a role in the evaluation process.

Regardless of when that critical conversation occurs, asking the right questions to gauge what stakeholders expect is vital. Some L&D professionals may make inaccurate assumptions about key stakeholder expectations (Carder, 2012). This is because they fail to ask the right questions about what the measurement outcomes should reflect, and as a result, design measurements that are off the mark, too complex or too impractical to execute. In other words, what do senior leaders want? What do they consider "successful" when it comes to learning outcomes?

For some organizational cultures, executives may see feedback and anecdotes from participants as sufficient to assess the value of an in-house leadership development program. Again, it is important to remember that while this may be enough to assess the learning in the short term, L&D managers should ask themselves if it will be enough in the next three to five years and identify more robust measures that even a chief financial officer would find hard to dispute.

## Ways to Evaluate L&D Initiatives

**T**he metrics that could be used to evaluate L&D initiatives are extensive. Here is a laundry list of measures that organizations often use to evaluate their learning programs:

- Average change in performance appraisal ratings over time
- Customer satisfaction ratings
- Employee engagement survey scores



- Turnover rates
- Percentage of promotions
- Productivity rates over time
- Retention rates

These metrics can be used effectively for standard training and development programs. The challenge, however, is to capture the less tangible, more higher-order benefits of learning, such as revenue generation or cost-savings realized through application exercises built into the program. Because leadership programs often focus on the development of skills such as adaptability, collaboration, communication, decision making, innovativeness and leading change, the intangible benefits are more challenging to measure using conventional metrics (Kalman, 2012).

Linda O'Connell, principal of Learnologies, LLC, recommends blending ROI metrics with participant and stakeholder feedback and anecdotes to better convey the total value of leadership development programs. Jack Philips, chair of the ROI Institute agrees. He recommends integrating anecdotal evidence at the same time traditional data is collected. It can then be used to augment the data when it is reported to senior leaders (Kalman, 2012).

### What Fortune 500 Companies Are Using to Measure L&D Effectiveness

- Employee replacement costs\*
- Turnover costs
- Economic value of employee behaviors
- Economic benefits of increased job satisfaction, organizational commitment or similar job attributes

\*According to the Society for Human Resource Management, the average replacement cost of an employee is between 100 and 125 percent of the employee's annual salary.

Source: *Green & Brainard, 2005.*

## Steps to Consider When Evaluating the ROI of Development Programs

The following steps can serve as guidelines for L&D professionals who want to create development programs that effectively demonstrate ROI.

### Step 1: Have that Critical Conversation

This cannot be emphasized enough. The first step in any evaluation process—regardless of when that process begins—is to initiate a discussion with senior leaders to identify what success for each learning program means to them.

### Step 2: Make Smiley Sheets More Robust

Smiley sheets can be biased due to the immediacy effect. To minimize this bias, re-assess participants three to six months after the program and combine the data with concrete examples from participants that outline how they have applied what they learned.

If possible, request the same feedback from the participants' supervisor, peers and subordinates. To build collaboration and to set expectations, identify this goal during the planning phase and conduct a baseline assessment before the program.

### Company Spotlight: Owens Corning

Senior leaders at Owens Corning credit the company's culture of innovation as a key reason



why the company remains an industry leader in the glass fiber industry.

When the company approached UNC Executive Development, they wanted to expand on that culture and foster innovation that lead to real business results. Therefore, it was important that the program be developed with measures that could be reviewed at its conclusion.

Owens Corning worked with the university to design and deliver a two-week "Innovation Boot Camp" for some of their global business leaders with an objective that at the end of the experience, participants would be ready to return to their offices with an innovative idea that could be commercialized and developed into a new product, service or solution. The first week of the program focused on teaching teams business foundations. *(Continued...)*

### **Company Spotlight: Owens Corning (...continued)**

The second week focused on the development of the innovative ideas identified by participant teams. At the end of the program, teams presented their ideas to peers and received a “go or no go” recommendation to determine whether the idea should be presented to Owens Corning’s senior executive team. Owens Corning measured program success by tracking the number of innovative ideas senior executives identified as most viable and approved to develop further. The company has significantly increased market share and revenue in targeted growth areas, offering two very concrete measurements of the program's success.

### **Step 3: Include Real Business Challenges in the Program**

Leadership programs often focus on helping high-potential employees think and act more strategically. To measure such a program’s effectiveness, consider building actual strategic business challenges into the design so participants can apply what they are learning. For example, if the strategic challenge is global expansion, challenge individuals or teams to craft a market-entry plan and have them present it to senior leaders. Such a deliverable, if implemented, can represent significant ROI in the eyes of executives.

Duke Energy has used this approach to good effect. Its two-week Strategic Leadership Program, focuses on developing mid-level managers’ leadership skills, teaches participants how to evaluate business decisions and how to execute business strategies. The program culminates with participants working through an actual strategic challenge identified by senior executives (Palmer, 2010).

### **Step 4: Integrate Learning Programs into the Organization’s Performance Management System and Hold All Stakeholders Accountable**

To increase the probability that the targeted outcomes of a program remain a focus area for participants, ensure performance appraisal goals reflect those targeted outcomes for participants and their supervisors. This step may require gathering information about an employee’s productivity before and after the program. In cases

where it is too late to gather pre-program data, consider using a control group of equivalent employees, business units or organizations to compare against.

In cases where hard data is difficult to identify, think creatively. At IBM Europe, for example, a key aspect of a leadership development program for high-potential women is a robust mentorship program. To ensure the mentorship program is working as intended, the company expects participants to be promoted within a year of the start of the mentorship. Failure to obtain a promotion is seen as the sponsor's failure, not the candidate's (Cater & Silva, in Kelly, 2012). While this may be too radical a metric for some organizations, the lesson here is not to be afraid to think differently when creating evaluation criteria.

Also, do not overlook data that is often readily available when planning evaluation. Retention rates of program participants versus non-participants and promotion and engagement scores which translate to increased employee participation and productivity are areas where employers realize real value. These should be tracked and measured, not only for participants, but for their subordinates and supervisors too.

### Company Spotlight: J.C. Penny

In 2008, J.C. Penney found itself among the bottom of all retailers in customer satisfaction.

The organization needed to engage and educate its 155,000 associates in 1,100 stores, logistics centers and headquarters to raise its customer satisfaction rating from 43 percent. J.C. Penney therefore had a straightforward measure for their program's success: improved customer satisfaction ratings. The retailer educated its associates through a multi-faceted approach that had distinct messages for each targeted population (store leaders, store associates and home office associates). A key to the initiative's success was to obtain support from all store leaders. Store managers then received the learning so they could "champion" the message. All store associates then participated in learning sessions—delivered by store managers and the training supervisor team—within three months of the store manager's learning program.

Customer satisfaction ratings increased from 48 to 63 percent by the end of 2010, ranking J.C. Penney as top in customer service.

Source: Chief Learning Officer staff, 2010, Business Impact Division.



## Step 5: Assign Participants Actual Projects after the Learning Experience

This step can be particularly helpful when assessing the effectiveness of leadership development programs. For example, if the goal of a leadership development experience is to improve project management skills, assign participants an actual project to manage after the program concludes, and establish check-point measurements as the project progresses. Check-point measurements could include the participant's ability to assemble an effective strategy, the effectiveness of his or her communication skills, the ability to acquire the necessary resources and the ability to meet budgets and timelines.

## Conclusion

**E**mployers today expect all business units to meet higher standards of accountability, and the HR and talent management function is no exception. L&D professionals cannot (and should not) accept that smiley sheets will be enough to demonstrate the ROI of learning programs. Instead, they need to engage senior leaders early to decide which measures should be used to determine the ROI for these programs. This conversation is critical because L&D professionals need to demonstrate the value of their learning programs based on metrics previously agreed to with the ultimate decision makers to justify the investment in learning and development.

## About UNC Executive Development

Our approach to program design and delivery draws upon the power of real-world, applicable experiences from our faculty and staff, integrated with the knowledge our client partners share about the challenges they face.

We call this approach [The Power of Experience](#). We combine traditional with experiential and unique learning to ensure that all individuals gain relevant new skills that they can easily implement within their own organizations. Through action learning and business simulation activities, we challenge participants to think, reflect and make decisions differently.

### Our Approach: The Partnership

Our team customizes each leadership program through a highly collaborative process that involves our clients, program directors, faculty and program managers. We are dedicated to following-up with our clients and individual participants to ensure that their learning experiences have been meaningful and impactful. This integrated approach consistently drives strong outcomes.

### Our Approach: The Results

Our executive education programs are designed with results in mind, and we are focused on successfully meeting our clients' business and academic expectations. Below are a few examples of the results our client partners have achieved:

- Leadership refocused with new strategy and cohesive vision
- Strategic plans created for the global marketplace
- Supply chains streamlined
- Products redefined
- New markets targeted
- Cost-saving measures developed
- Silos leveled
- Teams aligned

Participants leave empowered to bring in new ideas, present different ways to grow business and tackle challenges. The result is stronger individuals leading stronger teams and organizations.

### Contact Us

**Website:** [www.execdev.unc.edu](http://www.execdev.unc.edu) | **Phone:** 1.800.862.3932 | **Email:** [unc\\_exec@unc.edu](mailto:unc_exec@unc.edu)

## Sources

Bersin & Associates staff (2012 January). *The Corporate Learning Factbook 2012*, Executive Summary. Oakland, CA: Bersin & Associates.

Businessballs.com staff (n.d.). Kirkpatrick's learning and training evaluation theory. *Businessballs.com*. Retrieved from <http://www.businessballs.com/kirkparicklearningevaluationmodel.htm>.

Carder, D. (2012 Spring). Six critical measurement mistakes and how to avoid them. *Training Industry Quarterly*. Retrieved from <http://www.trainingindustry.com/TIQ>.

Chief Learning Officer staff (2010). 2010 Business Impact Division. *Chief Learning Officer*. Retrieved from <http://clomedia.com/articles/view/business-impact-division-1/print:1>.

Chief Learning Officer staff (2010). 2010 Vanguard Reward. *Chief Learning Officer*. Retrieved from <http://clomedia.com/articles/view/3946>.

Chief Learning Officer staff (2011). 2011 Vanguard Reward. *Chief Learning Officer*. Retrieved from <http://clomedia.com/articles/view/2011-vanguard-division-1/>.

Garvey, A. (2012 September 24). Ten tips to measure training ROI. *Trainingzone*. Retrieved from <http://www.trainingzone.co.uk/topic/leadership/10-tips-measure-training-roi/179893>.

Green, T. & Brainard, M. (2005 April 28). Calculating the return on investment (ROI) for organizational development (OD) and human resource (HR) initiatives. *Brainard Strategy*. Retrieved from <http://www.apex-ps.com/articles/ODHHROI.pdf>.

Kalman, F. (2012 January 27). Express learning's ROI through storytelling. *Chief Learning Officer*. Retrieved from <http://clomedia.com/articles/view/express-learning-s-roi-through-storytelling/print:1>.

Kelly, K. (2012). The new business imperative: Recruiting, developing and retaining women in the workplace. *UNC Kenan-Flagler Business School*. Retrieved from <http://www.kenan-flagler.unc.edu/executive-development/custom-programs/~media/3A15E5EC035F420690175C21F9048623.pdf>.

Lang, A. (2012). Training program evaluation. *Integral Defense Solutions*. Retrieved from <http://www.integraldefensesolutions.com/wp-content/uploads/2012/06/Training-Program-Evaluation.pdf>.

McCann, D. (2011 June 1). Measured response. *CFO.com*. Retrieved from <http://www.cfo.com/printable/article.cfm/14577155>.



Nielsen, L. (2012). Dispelling the touchy-feely stigma. *OD Practitioner*, 44, 1. Retrieved from <http://c.ymcdn.com/sites/www.plexusinstitute.org/research/resmgr/files/odp-quantifying.pdf/>.

Palmer, S. (2010). Making the business case for learning and development: 5 steps for success. *UNC Kenan-Flagler Business School*. Retrieved from <http://www.kenan-flagler.unc.edu/executive-development/custom-programs/~media/5D2A2B1BFB794F8AAA023BD33D68844F.ashx>.

Personnel Today staff (2012 April). Measuring the impact of learning: Quick-fire links. *Personnel Today*. Retrieved from <http://www.personneltoday.com/Articles/23/04/2012/58483/measuring-the-impact-of-learning-quick-fire-links.htm>.

Philips, J. (2007). Calculating the impact of ROI on HR programs. *ROI Institute*. Retrieved from [http://www.competentiebeleid.be/assets/waarom/Measuring\\_ROI.pdf](http://www.competentiebeleid.be/assets/waarom/Measuring_ROI.pdf).

Philips, J. (2008). Measuring ROI in the public sector. *ROI Institute*. Retrieved from <http://www.calhr.ca.gov/Documents/measuring-roi-in-the-public-sector-course-materials.pdf>.

Poulin, M. (2012 Spring). Assessing learning and performance. *Training Industry Quarterly*. Retrieved from <http://www.trainingindustry.com/TIQ>.

Saslow, S. (n.d.). Measuring the impact and ROI in executive development programs. *Mannaz*. Retrieved from <http://www.mannaz.com/articles/impact-and-roi-in-executive-development>.

Yeo, K. (2009 July 22). Measuring organizational learning: Going beyond measuring individual training programs. *Human Resources iQ*. Retrieved from <http://www.humanresourcesiq.com/metrics/articles/measuring-organizational-learning-going-beyond-meal/>.