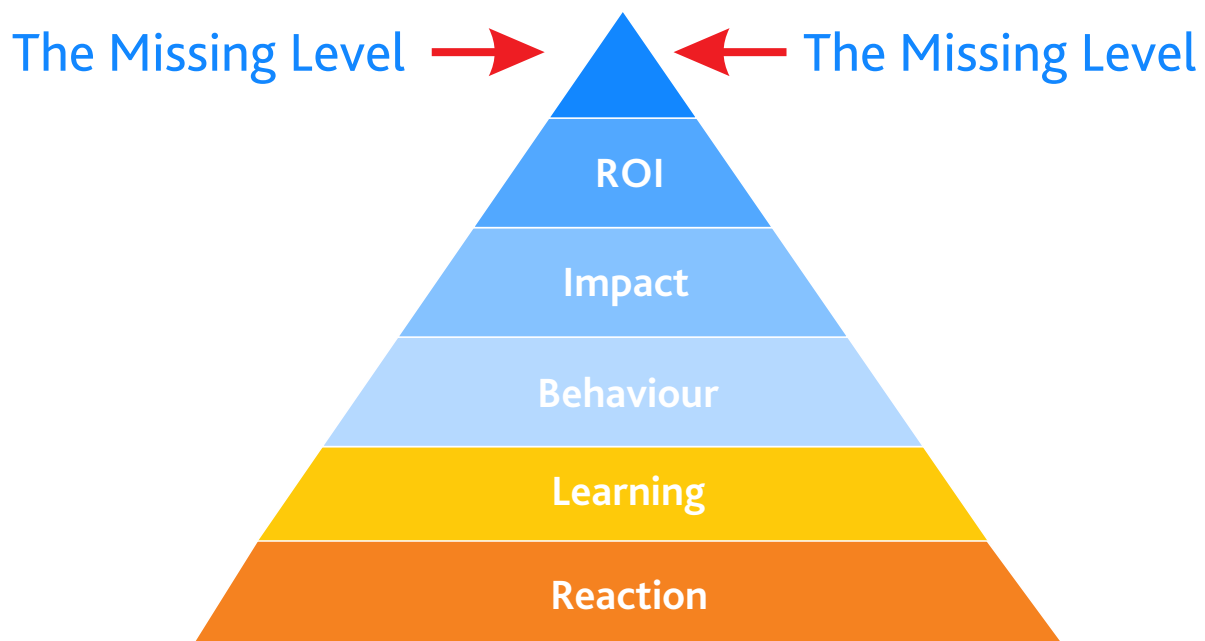




TRAINING ROI

The missing level...

The little known measurement that makes Kirkpatrick & Phillips complete



Written by Sean McPheat



About the author, Sean McPheat



Sean McPheat is the **Chief Executive Officer** of the **MTD Training Group**.

Founded in 2001 and having trained over 200,000+ staff since, MTD specialise in management and leadership development and also sales effectiveness programmes.

MTD specialise in **management development**, **sales effectiveness** and **digital content** creation.

Please click on the link below for further details about MTD's services.



www.mtdtraining.co.uk

Sean is regarded as a **thought leader within the L&D industry** and has been featured on CNN, BBC, ITV and has over 300 different media credits to his name.

He has created a number of [thought leadership whitepapers](#) that have gone viral throughout the L&D community.

2017 was a very successful year for MTD as they won **2 prestigious L&D awards**.



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Today, Sean continues to lead his team to design and delivery innovative L&D solutions that focus on **getting the results** that you are looking for.

His daily LinkedIn posts and muses receive millions of hits each month and he is often asked to keynote at events worldwide.

We hope you enjoy Sean's latest whitepaper – **"Training ROI – The Missing Level"**

Introduction

“What impact has the training had on the business?”

It's the question that all L&D, HR and Finance Directors and ultimately the MD and CEO want to know.

At the end of the day **if we're spending £x on training**, then **what are we getting back** in return?

For some companies a “happy sheet” or feedback form is enough.

But for most, that just isn't cutting it.

As L&D and HR move more and more to a **business partner relationship model** within the organisation we need to be able to quantify the ROI of our L&D department.

Not to justify its existence (although in some businesses this may be the case) but conversely to be able to ask for more budget, **to do sexier and more impactful L&D activities** – and you can only ask for more if you have an iron clad business case of what you've done in the past and its impacts and what the likely impacts will be in the future.

Yes, L&D has had to go all commercial on us.

So what's this special report all about?

Well, I appreciate you've most likely heard of the **Kirkpatrick model** (4 levels) and **Phillips** (5 levels) versions of training evaluation (If you need a refresher, I'll do that in the next chapter)

They have set the standard for over half a decade now when it comes to working out what the impacts on the business have been with regards to training and development activities.

Some companies go into great depths to measure their L&D activities across all 5 levels and others just focus on the **Reaction and Learning** elements because they are easy to implement, monitor and track.

The Kirkpatrick model (first 4 levels) and Phillips version (5 levels)

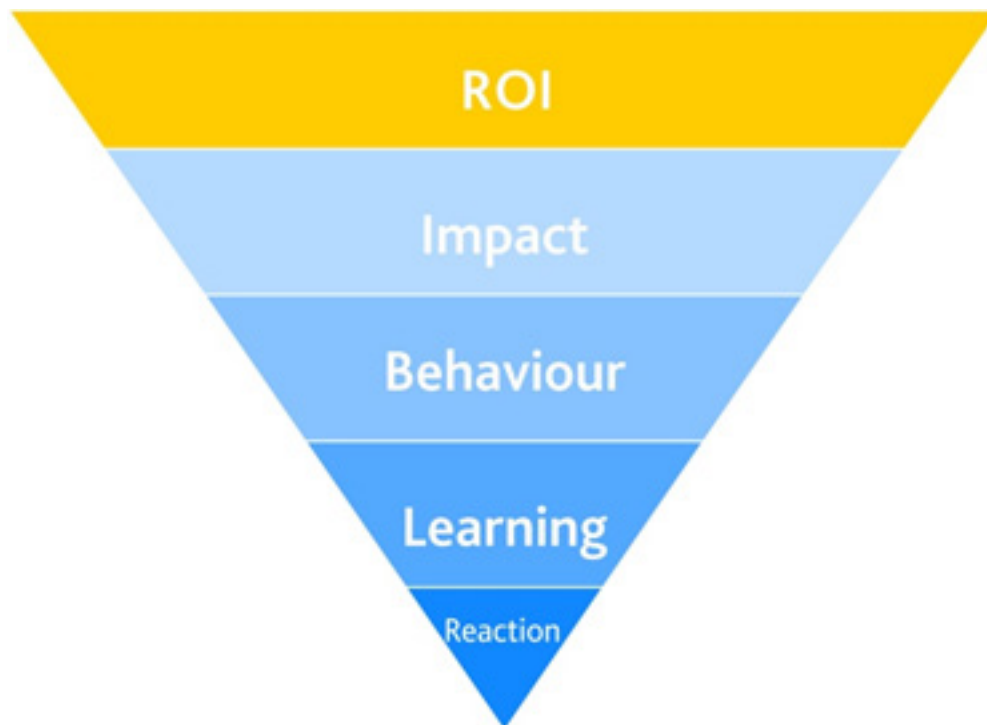


Now I'm not going to say that this model is flawed but there is **one fundamental thing missing**.

Have you noticed it?

Or have you thought of it yourself?

Before I talk about what level is missing, in my opinion, the pyramid should be first, turned upside down, like this:



Remember, effective training and development is all about **implementing and embedding** the learning back in the workplace.

Therefore, as L&D professionals we should be spending a lot more of our time on providing our staff with activities and **creating the right learning environment** within the business that have the biggest benefit to the organisation.

Those include changing behaviour and making an impact (i.e doing!) and hence we should have measurements in place to capture the results that result from each.

Don't get me wrong, assessing the learning and knowledge of our staff after a learning event is great and should be encouraged.

But...

- What are your staff doing with the learning?
- What are they doing to change their behaviour?
- What are they changing at work?
- What are they trying out?
- Where's their implementation plan?
- How are they going to turn the knowledge into a reality

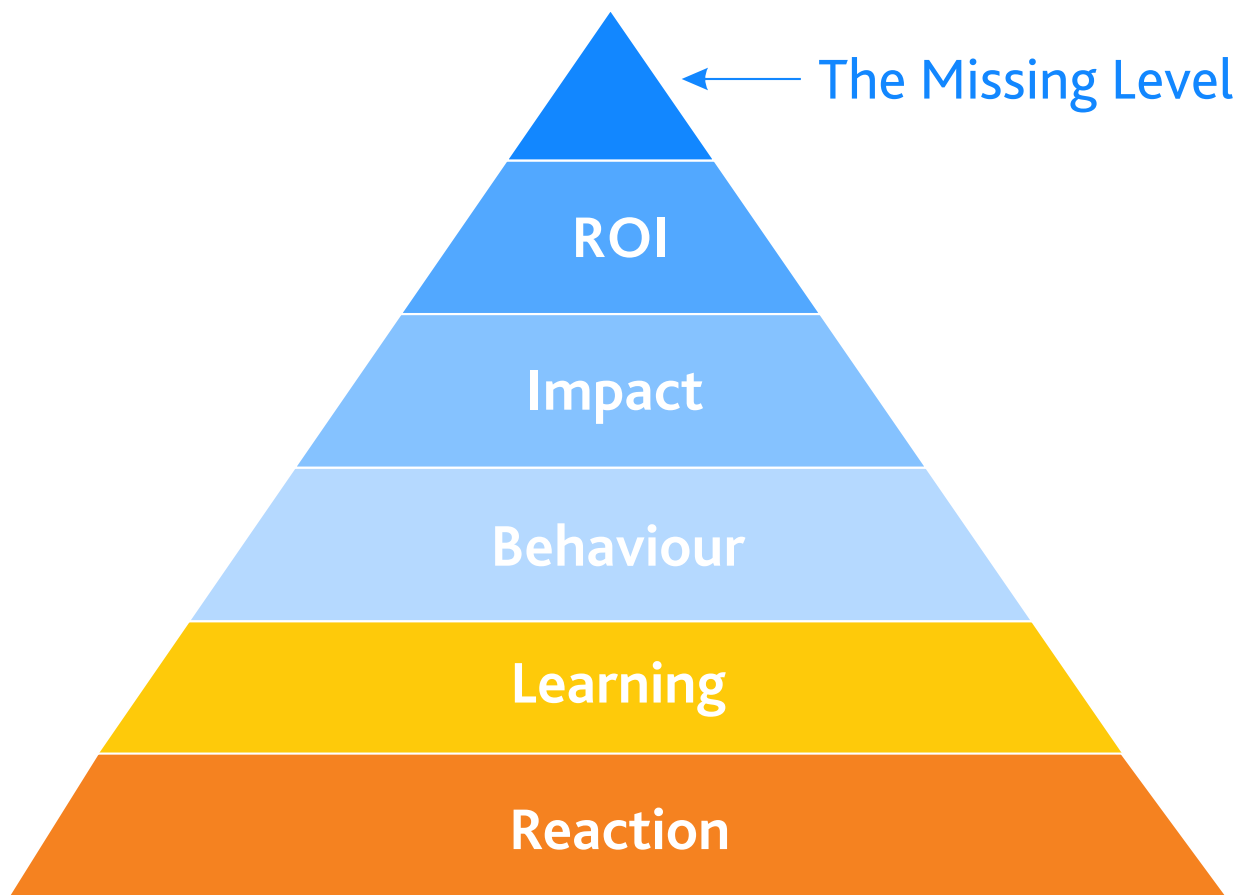
You never want to hear from a delegate that it was “a good 2 days” but then they do nothing with the learning.

Instead, as well as providing your staff with courses and learning events you also need to be thinking about how you can support them back at work to implement the learning.

Therefore, I’m turning the pyramid on its head to focus the mind on the most important parts and also the ones that have the biggest impact on the business!

So what’s the missing level?

Well, **it sits over ROI** and has a long standing impact on the business...



Before I reveal what the missing level is called let’s remind ourselves of the other levels to put it into context.

It will then make a lot more sense...

Training Evaluation

Okay, so **let's remind ourselves of Kirkpatrick and Phillips.**

Donald Kirkpatrick first published his ideas about training evaluation in 1959, but it wasn't until 1975 when he further defined them in his book, *Evaluating Training Programmes*, that they began to command industry attention.

Since then, awareness of his ideas has gradually increased and has been bolstered by a redefinition and updating in his 1998 book, *Evaluating Training Programmes: The Four Levels*.

The rest as they say is history, and today, **Kirkpatrick's Evaluation Model has arguably become the industry standard** within the learning and development community.

The four-stage evaluation model that has stood the test of time for its ease of use and its applicability to all types of training.

However, the model elements have been updated to reflect how training has changed since that time, so I'll include the enhancements along with the basics.

The Four Levels

Level 1: Reaction

The first level of evaluation considers the way that your delegates react to training, including the degree to which they actively participated in learning and contributed to the learning experience.

This also includes consideration of relevance, meaning how they will be able to apply what they have learned to their job.

Delegate satisfaction levels are usually assessed using a feedback form, often referred to as a 'Happy Sheet'.

Verbal reactions and post-training surveys can also be used to assess reaction.

What's great about this level of assessment is that it's quick, easy to do and inexpensive.

Level 2: Learning

This level considers the knowledge, skills, and attitudes (KSA's) that delegates gain from the training, in addition to the confidence that they can do it and the commitment to actually see it through on the job.

This is usually assessed by conducting and comparing the results of tests carried out before and after training.

Assessment can also be done via interview or observation.

Like Level One it's relatively easy to set up, and is really useful for assessing clearly quantifiable skills.

Level 3: Behaviour

This level evaluates the degree to which the new KSA's are applied on the job, including processes and systems in place that can reinforce, encourage, and reward critical behaviours.

Compared to levels 1 and 2, Level 3 requires much more participation and skilled observation from line-managers.

Behaviour is assessed via observation and interview over a period of time so as to assess behaviour change, how relevant that change is, and whether it is sustained.

Level 4: Results

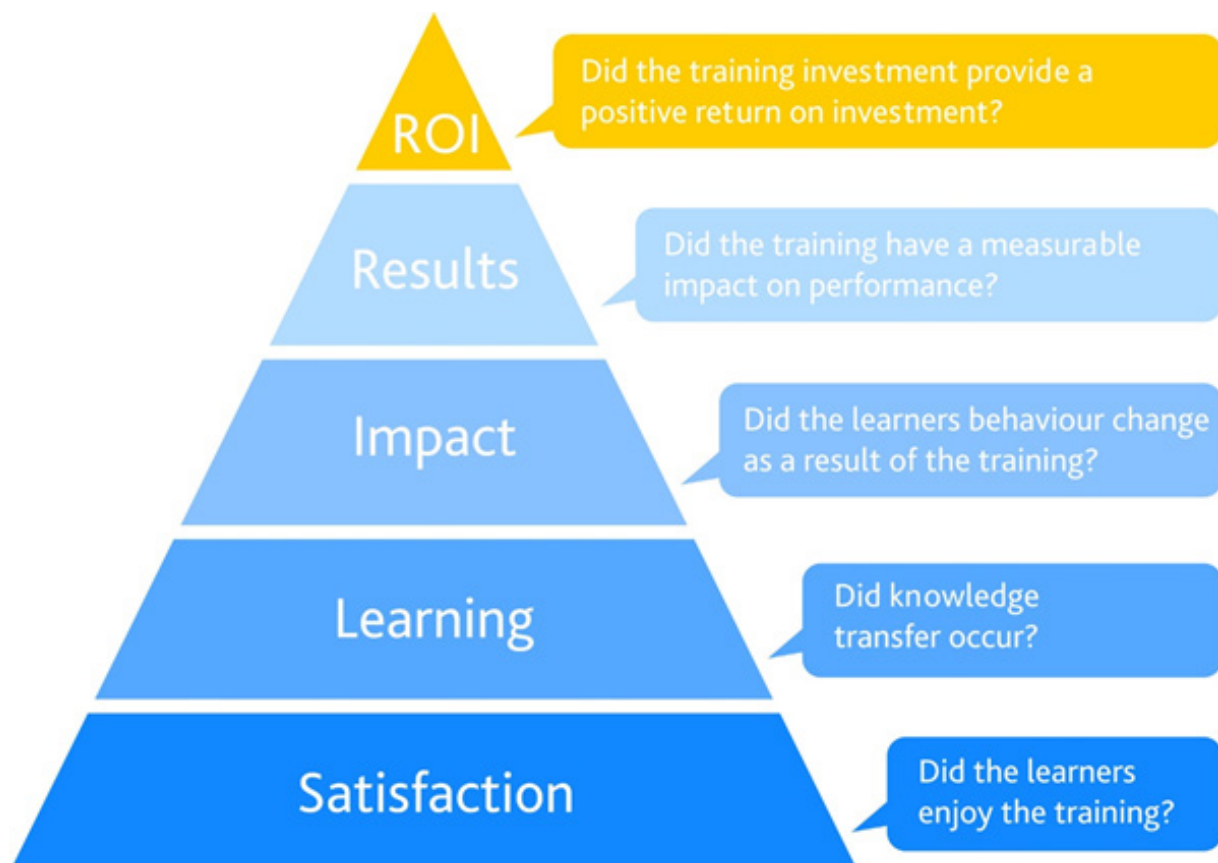
The final level considers the impact that the change in KSA's have on the organisation, including observation and measurements that demonstrate the application of critical behaviours being on track and leading to the desired results.

Some of this can be measured through calculation of a return on investment.

This represents a fundamentally different challenge to levels 1 to 3 as individual assessments are carried out.

It's about relating the delegate's behaviour change to real bottom-line improvements and organisational performance metrics in a credible and believable way.

A unit of change in learning should be directly linked to a specific improvement in a key organisational metric.



The Model In Practice

It appears a sound and attractive theory, so how does a willing L&D professional apply the Kirkpatrick model in the workplace?

Even though **Level 1 Evaluation**, (happy sheets), are unlikely to raise even an eyebrow in the boardroom, they should not be dismissed as lightweight.

They have an important role to play in helping you develop engaging training, without which learning will be impaired, and the higher levels of training evaluation will be compromised.

For example, a lack of post training learning from level 2, might be as a result of poor training delivery that can be easily identified in level 1.

Here's an initial list (not exhaustive) of some of the key criteria that you'll be looking to assess in Level 1:

- *Did the delegates think it was worth their time?*
- *Was the event viewed as successful?*
- *Was it suited to their learning style?*
- *Was the session engaging?*
- *Was it relevant and appropriate?*
- *Was it too easy or too hard?*
- *Was the event pitched at the right level?*
- *Was the training delivered at the right pace?*
- *Quality of the venue*
- *Quality of refreshments and lunches*
- *Quality of the joining information*
- *Quality of the learning atmosphere created*
- *Presentation skills of the trainer*
- *Knowledge of the trainer*
- *Variety in the methods used by the trainer*
- *Helpfulness of the trainer*

Once you have collected all of the data, it's crucial that you act on it where appropriate, delivering constructive changes based on feedback and suggestions from your delegates.

Level 2 learning evaluation looks at **learning/knowledge acquisition**.

This normally takes the form of some kind of assessment evaluation with the ultimate objective of proving (or disproving) that learning has occurred.

This can take place before and after the event. Interviews and observations can also be very useful in determining if someone has acquired the right knowledge.

You can also make modifications to Level 2 evaluation processes, by incorporating modern gamification tactics and processes.

By gamifying this part of the evaluation process using leaderboards and badges you can reward learning, and create a healthy sense of competition that will boost engagement and learning too.

Interestingly, the way that you assess and recognise knowledge acquisition in Level 2 can actually boost engagement and ultimately enhance learning.

Level 3

This level of learning evaluation comes with significantly greater challenges than levels 1 and 2.

You'll need to look at how well your delegates have modified their behaviour as a result of the training that they have received.

Are they actually **applying the learning in practice?**

Ways to achieve this can include:

- *360 degree feedback*
- *Assessments based around KPI's or specific criteria*
- *Self-assessment*

You'll also need to be aware that behaviour change can only be expected to happen in a conducive environment.

For example, let's say that you miss out Level 1 and 2 assessment and just focus on post-training office behaviour and note that no behaviour modification has occurred.

It would be easy to assume that the training didn't work and that the trainees didn't learn anything.

This could indeed be the case, but it could be that **learning did actually take place but trainees are simply not applying it.**

There are many reasons why learning might not be applied, such as the manager not allowing them to apply the new knowledge, or not providing supporting opportunities for them to practice.

The reasons could be more intrinsic such as the employee having no desire to apply the knowledge or lacking the confidence.

That's why an important ongoing enabler of level 3 evaluation is creating a work environment that promotes the application of new learning.

Managers should be actively encouraged to consider linking reward and recognition programmes to applied learning by awarding and publicly praising staff for deploying new skills, techniques and behaviours.

Managers will have a big role to play in longitudinal observation and data collection, but knowing how time-pressurised managers are, L&D professionals may need to devote time to motivating line-managers to prioritise this activity.

In level 3 you'll be looking to answer some key questions:

1. Have the trainees **applied any of their learning?**
2. Are trainees **able to train others** with their new knowledge, behaviour or skills?
3. Do trainees seem **aware that their behaviour has changed?**

For Level 3 evaluation to be successful you'll need to get managers on-board and make the evaluation process effortless, or at the very least, relatively easy and straight-forward.

Level 4

In practice, this stage of evaluation will require the biggest investment of time and resources.

You need to make a credible link between macro benefits, (or results in the business) and specific training, in order to assess the true organisational impact of that training.

It's not easy and will require persistence and intellectual rigour to get it right.

The kind of outcomes you may consider trying to link training to could include:

- ***Increased productivity***
- ***Lower staff turnover***
- ***Increased customer satisfaction***
- ***Increase staff engagement levels***
- ***Increased sales revenues***
- ***Fewer mistakes or less waste***
- ***Number of complaints***
- ***Customer retention***
- ***Wastage***
- ***Quality ratings***

Level 5

There is one still piece of the training evaluation jigsaw left and this is held by Jack Phillips who built an important fifth level of training evaluation on top of the Kirkpatrick four.

In his book, 'Return on Investment in Training and Performance Improvement Program', the author puts forward the Phillips model.

It shows L&D practitioners how to calculate the ROI of training using the data gathered from Kirkpatrick's Level 4 Evaluation, and put it in a more actionable format.

You'll definitely need your calculators and basic algebra for this stage of the analysis!

The **Level 5 evaluation equation** looks a little like the following:

$$\text{ROI \%} = \frac{(\text{£ Benefit of Training} - \text{£ Cost of Training})}{\text{£ Cost of Training}}$$

Cost of Training

So, how does it work in practice?

Here's a **case study example** to help you get a feel for this model.

Let's say that by introducing a new e-learning system you predict that productivity will increase by 20% of over the next 2 years, yielding an additional £100,000 in profit.

This £100,000 is our £ Benefit of Training.

But, how much will it cost?

Let's say your LMS implementation costs are £20,000.

Also, let's say you lose 50 coders with an hourly charge out rate of £100 an hour for an hours training, at a total lost opportunity cost of £5,000.

This means your £ Cost of Training is £25,000.

Now, if we run all these figures through our equation, voilà, we get the magical, Holy Grail ROI figure to impress the boardroom.

In this case it is 300% ROI which remains that we have recouped three times the original investment.

ROI 300 % = (£ 100,000 – £ 25,000) / £25,000

This is quite a **simplified look** at the ROI calculation and there are greater levels of detail and refinement that will need to be explored in real-world practice.

The Missing Level

Another Quick Fix?

For the majority of the minority of organisations who do actually work through the thorough process of all 5 levels, once this analysis is complete then that's it.

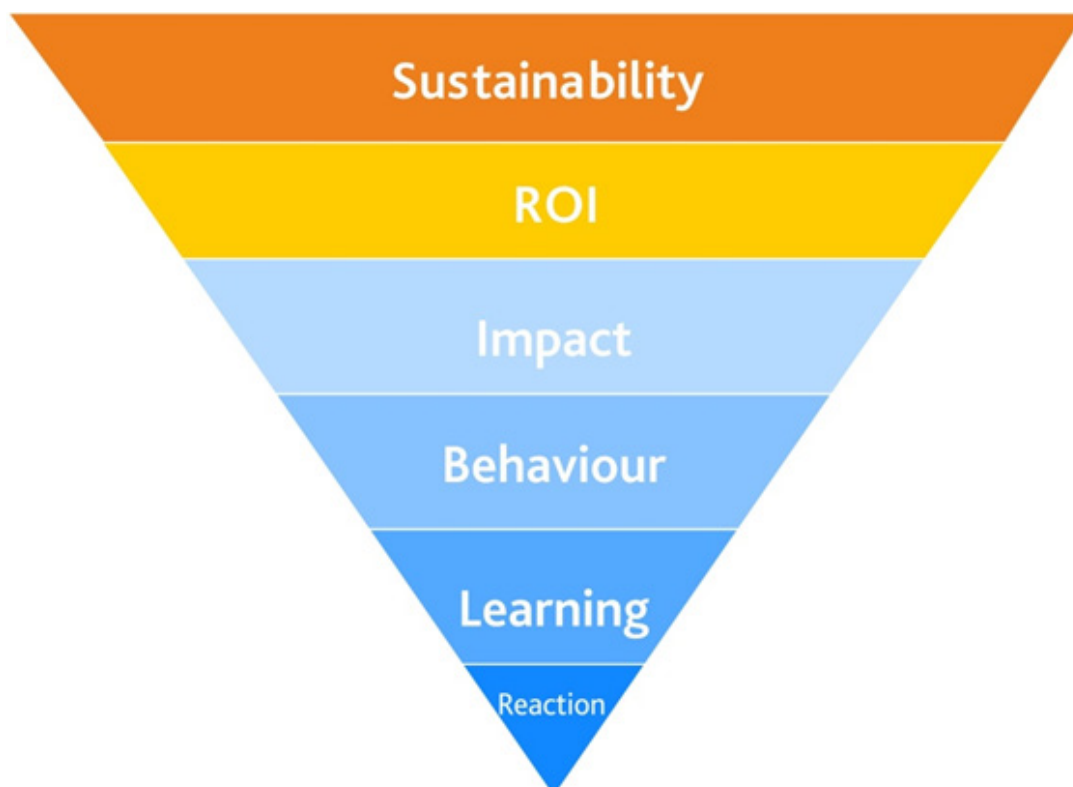
The ROI is calculated, the event is deemed a “success” or not and then we move onto the next.

And herein lies the problem...

Where is the process or the approach to make sure that the learning/training/programme has an impact in the short, medium and long term?

How can we create a legacy asset from the event?

Indeed, the whole missing level is about.....**Sustainability**.



So how can you make your learning sustainable and how can you measure it?

A quick search for the **definition** of “sustainability” in the Cambridge Dictionary comes up with this...

★ the ability to continue at a particular level for a period of time:

In terms of L&D this means that how can we ensure that our learning and the impacts they have are **maintained** over time?

All too often a programme is run or a course has been delivered and that's it – you might notice a **spike in improvement** (like the image below) but then slowly over time some of the improvements dwindle out.

No steps are put in place to make sure the improvements are sustained and indeed, improved upon over time.



And that's the ultimate aim – that improvements are maintained over time and that these are regularly measured.

Let's take a look at a typical training event to illustrate what I mean...

Example

12 Month Management Development Programme

3 months ago Louise completed the final day of a **6 module** management development programme that her company designed and delivered. She was one of 24 managers who attended the programme in 2 groups of 12.

The company is now evaluating the success of the programme now that the managers have had 3 months to embed the learning.

In reality the managers have had far longer than this because the last module was delivered only 3 months ago. Module 1 was delivered 12 months ago so Louise should have made big improvements from the content and learning that was covered.

The scores are in and in terms of the **REACTION LEVEL (Level 1)** all was great.

Criteria	Score Out Of 10
Quality of content	91%
Delivered at the right pace	93%
Quality of materials	92%
Quality of trainers	95%
Was the training helpful in my role	94%
Was it practical and “real world”	92%

In terms of the **LEARNING LEVEL (Level 2)** managers were requested to submit an assignment that would be marked.

This was part of an **ILM qualification** (Institute of Leadership & Management)

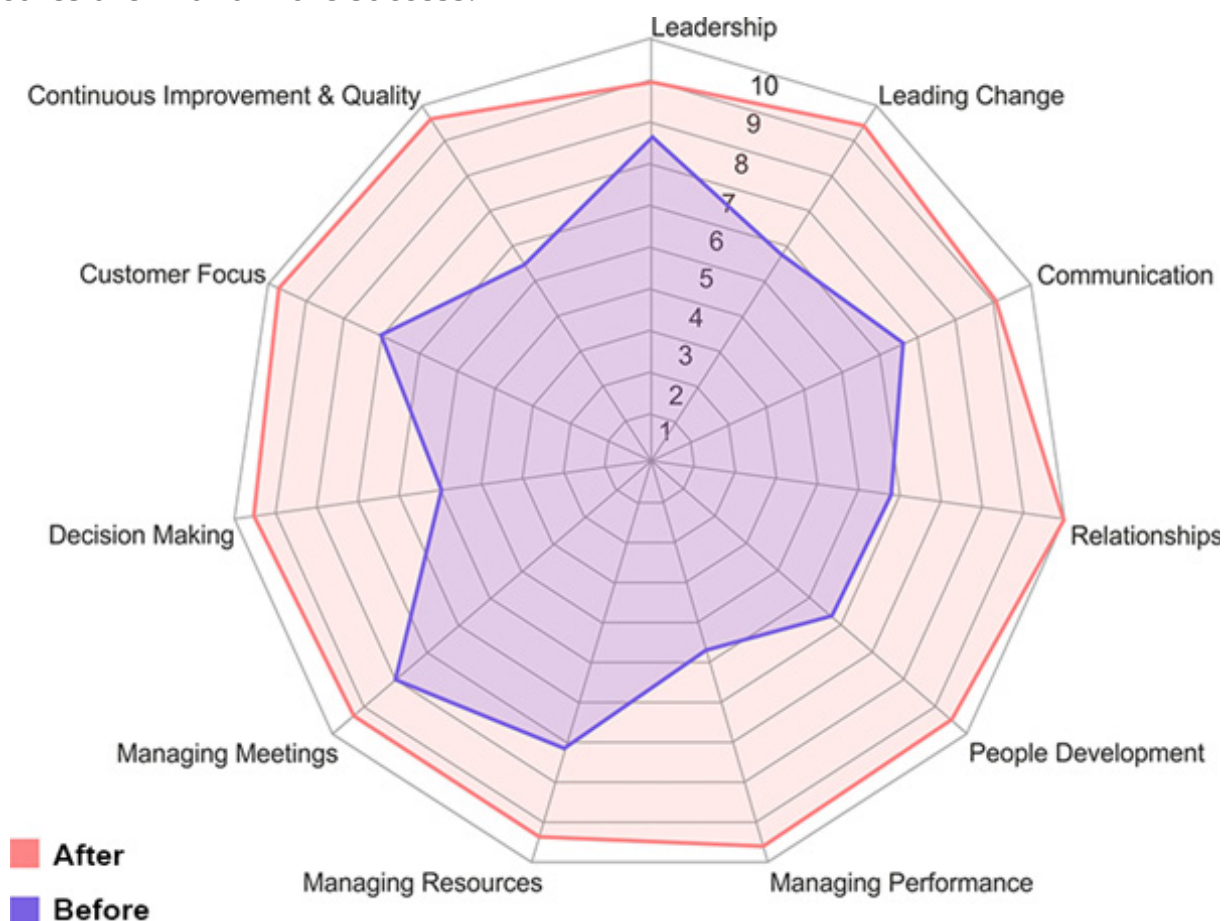
23 out of 24 managers passed the qualification by achieving the required pass mark.

Hence a **95.83% pass rate. Success!**

As part of the MDP a **pre-programme 360 degree feedback** exercise took place to provide a benchmark of the strengths and areas of development for the managers. This was also to be used as the **BEHAVIOUR LEVEL (Level 3)** measurements.

Now, 3 months after the training a further 360 degree feedback study took place so the company could compare the scores **pre v post programme**.

The scores are in and more success!



On average, across 11 categories (see above) and 70 different statements there was an **improvement in pre v post programme scores of 21%.**

Level 3 passed!

Now most organisations leave it at that (indeed, if they have got this far in an evaluation) but this company wanted to see what the Impacts were on the business and what the ultimate ROI was.

So for **IMPACT (Level 4)**, data was gathered from various sources, surveys were sent to the managers to provide evidence and business impact improvements were gathered.

Some of the highlights from the results were:

Criteria	Was	Now
Staff turnover across 24 teams	19%	8%
Cost savings	-	£125,000
Wastage	22%	16%
Errors	12%	10%
Call quality ratings	88%	94%

Note, all of the above results had direct links to the content and programme – **evidence was required.**

In terms of **ROI (Level 5)** the company now need to quantify the benefits by trying to establish a monetary figure for as many of the criteria as possible.

So for example; staff turnover.

What does it cost to recruit a new member of staff?

- *Recruitment agency fees*
- *Time spent (£ per hour x # of hours) in reviewing CV's*
- *Time spent (£ per hour x # of hours) in interviewing*
- *Lost productivity of new starters (in £)*

Before it was 19% and now it's 8%. What was it costing the company before and now?

The company added up all of the monetary factors and came to a gross figure of £250,000.

The cost of designing and delivering the MDP was £50,000.

$$\text{ROI \%} = \frac{(\text{£ Benefit of Training} - \text{£ Cost of Training})}{\text{Cost of Training}}$$

Cost of Training

Based on the ROI equation above we can insert the figures

$$\text{ROI \%} = \frac{(\text{£250k} - \text{£50k})}{\text{£50k}}$$

ROI % = 400%

Over the course of the 12 month programme and the 3 months since there has been a **400% ROI**.

High fives all round and indeed these are **excellent results** but will they last?

What about next year?

The year after?

What if the managers don't lead as they have been doing and the staff turnover increases again?

I have seen it happen in organisations where staff turnover decreased during and for a period after a programme only for it to actually increase and go beyond what the original figure was!

It's a bit like yo-yo dieting.

You lose the weight and feel great.

Then over time your bad habits creep back in and you actually put on more than you lost in the first place!

The same can be said for some training events.

You immediately know when someone has been on a course.

They come back **bouncing into the office** and start to implement what they learned.

They get results.

But then over time they slip back into some bad habits.

Of course, I am generalisation but it does happen.

The Ultimate Goal

In the example above the programme looks like a great success.

But why would you stop measuring the success of it and more importantly, the impacts that it has had over the medium to long term?

Why would you only measure the effectiveness of the event after say 3 or 6 months after the event?

The ultimate goal for any L&D activity is sustainability.

Just like anyone can lose 7lbs in weight quite easy. It's keeping the weight off and doing the things that got you to lose the weight on a **CONSISTENT** basis that should be the ultimate yardstick.

The same can be said for L&D.

Why L&D is Shooting Itself In The Foot

“Do more with less”

It’s a mantra and incantation that every L&D Manager seems to have to uphold.

Budgets are tight and you have to make the most of what’s available.

In order to get more training budget (or indeed get what you did last year!) you need a business case.

And what better way to prove the business case by providing the sustainability impacts of your training activity in the medium and long term. i.e thinking more of the life time benefits it has had on the business.

For example...

Assume that all of your managers have gone through an MDP 5 years ago...

- How many are still here compared to the company average attrition rate?
- What have they done in the business since that has been related to the training?
- How has their progress been monitored and indeed measured?
- Have their 360 degree feedback scores improved further?
- How have they taken their game onto the next level?
- How have they shared their learning with others and within the organisation?

All of these factors and more impact the effectiveness of the training – not just the immediate period after the training has taken place.

What happens in year 2 if a manager negotiates a deal of £300,000 because of something they did as a result of the programme?

Where is that captured?

Measuring Sustainability

A different mindset is required ..

I’ve alluded to some of the ways that you can measure the effectiveness of the training in the medium and long term to prove the sustainability of it and to provide the lifetime benefits or value of it.

You don’t want to go over the top with everything but you could and should put processes in place to measure the LTV of an event or indeed a person.

You’ll really be cooking on gas if you can!

LTV means **“Life Time Value”** and the term is more synonymous with client acquisition.

i.e “How much can we spend on acquiring a new client/customer knowing how much they are worth to us in the future?”

If we use this in an L&D context then we can ask “How much can we spend on an employee on developing their skills knowing that they are worth X to us in the future”

By knowing this figure you will be able to:

- Work out training budgets more effectively
- You can ask for more budget **WITH** proof of the benefits (short, medium and long term)
- Calculate what an employee is worth to your organisation in addition to benchmarking figures like “Overall revenue per employee” at a high level
- Decide what courses, events and programmes have the biggest ROI for your company
 - o Split out into:
 - ▶ Best for short term fixes
 - ▶ Best for long term results

What to do next...

I hope this free whitepaper has given you some food for thought?

It's now time for you to brainstorm!

Gather your L&D team into a meeting room and on either separate whiteboards or flipcharts write down the following questions:

- “How can we measure our training more effectively at levels 3, 4 and 5?”
- “How can we measure for sustainability in the future?”
- “What's the LTV of an employee? What's the LTV compared to training spend per head?”
- “What initiatives can we put in place to share knowledge, successes and impacts of our training?”
- “What development activities can we introduce to make our training more sustainable?” (Refreshers, resources etc)
- “Do we need to change or add anything internally to make this happen?” (Internal coaching, mentors, systems etc)

Irrespective of the outcomes that you will create you'll find the whole process of completing this exercise illuminating!

It will get you thinking and approaching your L&D in a different way.

Enjoy the process and I wish you all the very best.

For further information about MTD:



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