How smart are we?

corporates spent 359 billion USD in 2016 but spent 0 USD to measure its outcome?

In the year 2016, US $359 billion globally was spent on corporate training according to an article published Oct 2019 in Harvard Business Review by Steve Glaveski

The same article highlighted the frustrations of learning community as under :

- 75% of 1,500 managers surveyed from across 50 organizations were dissatisfied with their company's Learning & Development (L&D) function;

- 70% of employees report that they don't have mastery of the skills needed to do their jobs;

- Only 12% of employees apply new skills learned in L&D programs to their jobs; and

- Only 25% of respondents to a recent McKinsey survey believe that training measurably improved performance.

So what is going wrong?

In 1972 Kirk Patrick outlined a 4 level training evaluation model - feedback, learning, behaviour change and lastly outcome

ROI was to be calculated on the training investment based on the level 4 outcome evaluation

50 years later, we are still struggling We are unable to arrive at a model to measure outcomes and ROI and most training programs are at level 2 evaluation at best

Last week I was taking to a very senior head of training in a Fortune 100 company which brought home this point clearly

He asked me a simple question - how does one measure the outcome of training our petrol pump attendants - to smile and engage with the customer better?

Improvement in sales of the petrol pump can be used as an outcome but how do we know it is because of the training when there are many things that impact pump sales

This set me thinking deeply

I have been a great proponent of people performance measurement as distinct from business performance measurement. How does one separate people performance from busines performance ?

When we discussed this in a group , we agreed that in a petrol pump, a single attendant Performance may be difficult to measure but we should be able to measure the attendant team performance

Let's look at some metrics that lead to the main business outcome in a pump viz sales

- No of customers serviced

- Ticket size of customer sales

The lead indicators for the above two metrics are

- no of repeat customers

- % digital transactions in the pump

Is it possible to correlate statistically these two variables to the previous two metrics and ultimately to pump sales?

Yes it is very easy. Statistical models today can tell you from the data if there is any statistical correlation between repeat customers in a pump and sales

If you can do that , then we have a solution to our training problem

- define that the training objective is to increase repeat customers

- Set up the measurement model for measuring and reporting repeat customers

- Calculate the financial benefit of a single repeat customer

- Develop an entire training program designed to increase repeat customers by training attendant to engage with customers better

- Develop ten things the attendant must do to engage better with the customer - develop this from star attendant's best practices - not from theory

- Set up a pilot project to train a cohort and measure the repeat customer increase and it's financial value

- Statistically measure the correlation between training date and customer increase

- If there is a high correlation - then Calculate the ROI of the training

The core idea is that all training programs must start with a measurable performance enhancement as the objective and design and develop the training content from the star role practitioners

If you adopt this , we can establish that the training investments are financially relevant

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