Measuring the Success of a Development Program – How to Keep and Grow Resources in a Climate of Diminishing Budgets

Current economic pressures have forced many organizations to cut back on spending in the areas of human resources, organizational effectiveness, and organizational development programs. For example, within a Fortune 500 company that one of the authors previously worked for, significant budgetary and headcount reductions have occurred within the LOD (Learning and Organizational Development) and HR functions over the past five years.

Yet, not all training and development programs are meeting this same fate. Some surviving programs include those required for compliance or regulatory issues such as Foreign Corrupt Practices Act training, Good Manufacturing Practices (GMP) training, or new hire orientation.

Why is it that some training and development efforts survive the budget knife and while others do not? Our experience suggests that survival is likely due to the program's perceived organizational value or impact. The more a program is linked to the success of the company, the more likely it is to survive.

Here are a few examples of why many programs fail to meet the test:

1. The training program is viewed as a reward. Many employee training initiatives are seen as nice to have but not mission-critical. In times past, when revenues were good and budgets were fat, managers and supervisors rewarded their employees (or themselves) by attending a training or conference event at a nice spa resort without a clear business objective. The employee enjoyed a break from the day-to-day grind and perhaps refreshed his/her perspective, but the training didn't seem to have a tangible benefit. While this is not as common a scenario as it once was, it still does happen. Upon return, the employee goes back to doing the job as usual. Rarely is the employee asked "What did you learn? How will you apply what you learned to the job?" An even better follow-up would be, "Would you be willing to share what you learned with the rest of the team?" This leads us to the second reason programs fail to meet the test.

2. The training program's true impact is never measured. It's more difficult to measure an HR program's success than it is to read the bottom line of a balance sheet, but that doesn't mean results cannot be measured. To better understand how a lack of consequential measurement affects perception of a program's success, let's look at how HR programs are typically measured. An HR department or LOD function may decide to provide training for all employees across a company on a new performance appraisal process. The program coordinator driving the program's implementation establishes a timeframe and budget, determines whether the training will be provided by internal staff or external resources, develops or organizes the content, and then ensures delivery of the content, perhaps with an end-of-session evaluation on whether the participants liked the program. After the event, the evaluation scores are tabulated, and if the average of the scores was 4 or higher on a 5 point scale, the program is declared to be a resounding success. The program coordinator can then state on his/her mid-year review that "the course was delivered on time and on budget with very positive evaluations." Unfortunately, we often fail to determine whether or not any sustained changes or improvements were noticed once the participants are back on the job.

3. The training program is hampered by limited resources. A senior leader may be faced with lower-than-projected revenues or lower profit margins, and now, with a reduced budget, must make decisions on where to reduce expenses. Often, the first target is travel and training or other overhead expenses. In this scenario, the leader knows that a program was well liked by attendees, but it's difficult to defend the program when the perception is that no negative consequences would occur if the program were cut. With this information in hand, the best case scenario is that the program's budget is eliminated or deferred until "things improve"; the worst case scenario is that the role of the program coordinator is also eliminated.

So how can we as HR leaders ensure that initiatives which affect our employees' engagement, productivity, and retention ensure greater success of implementation and results? What lessons can we learn from programs and development initiatives that survive?

1. **Measurable results.** The more measurable the results, the more likely the program can be justified. For example, safety data is readily measurable and available for many industries. Tying reduced accidents or injuries to savings in lost work days, workers compensation payments, and insurance rates are very convincing arguments for providing training that will reduce these costs and the direct impact on employees' lives. Numbers and data talk, and we need to have a similar mindset with our people-related initiatives. Below we share a few simple ideas that will make a major difference in whether a program sticks or not.

2. **High level of senior management commitment.** Where there is strong commitment from senior management, budgets and programs survive. The commitment of Howard Schultz, CEO of Starbucks, is an example. As the company began to rapidly expand in the late 90s, Schultz said he wanted "to build a company with soul." This vision led to a series of practices that were unprecedented in retail. Schultz insisted that all employees working at least 20 hours a week get comprehensive health coverage -- including coverage for unmarried spouses. Then he introduced an employee stock-option plan. These moves boosted loyalty and led to extremely low worker turnover, even though employee salaries were fairly low. *(http://www.myprimetime.com/work/ge/schultzbio)*

In light of these two suggestions, how can we ensure that our programs are seen as providing value / impact to the organization? Let's start first with creating measureable results.

Measureable Results

We have seen a lot of debate and discussion, as well as some excellent books, regarding the use of metrics in an HR setting. However, even with all the discussion and resources, we're constantly surprised by how few organizations really measure the effectives and usefulness of their L&D efforts. Perhaps the measurement principles are underused because they seem too complex, require too much effort, or are perceived as not applicable since we're not measuring technical or manufacturing functions. Based on our experiences with some Lean Six Sigma (LSS) and change management (CM) training, we are absolutely convinced that these measurement concepts can be applied to any setting where a problem or challenge exists. In this article, we will lay out how these measurement principles can be applied to an HR program. While some may believe that our view on metrics as described below is more suitable for a laboratory setting than an HR setting, we suggest that there is more common ground than one might initially see.

One of the key messages we have learned using LSS and CM is the need for clearly defining the problem. It sounds simple, but through our own personal experiences, we have seen many organizations implement LOD-type solutions because someone felt like it was the “right thing to do.” For example, about 10 years ago one of the departments we were involved with began implementing a great program on career development. The desire of the department was to begin working on talent development and succession planning within the organization. While the focus of this effort was on a subset of the population, the decision was made to roll out a “career development” program from an external firm to the entire population. At the time, the organization had plenty of money in the budget, so financial restrictions were not a concern.

Ten years passed, and the department underwent many budget cuts and organizational restructurings (new leaders, new operating models, and significant workforce reductions). Now, interest in even providing smaller / limited “refresher” content from the career development program is low. Why?

Our belief is that there were no tangible criteria for the measurement of success, nor was the problem clearly defined in the first place. It’s impossible to determine if the training program solved the problem if you haven’t defined what the problem was in the first place. Without a clearly defined problem on which to focus, it’s tough to determine what data / information needs to be collected to verify whether or not the program was successful. In the absence of such data / information, the program begins to take a back seat to other “higher priority” initiatives.

As an example, training in regulatory compliance and employee safety, as well as performance management and employee engagement, were still maintained in the above-mentioned organization. Now, we’re not trying to make the point that a career development program should be equated to an employee safety training program; however, we believe that programs where a real value is perceived often survive a budget cutting scenario, like the one described above.

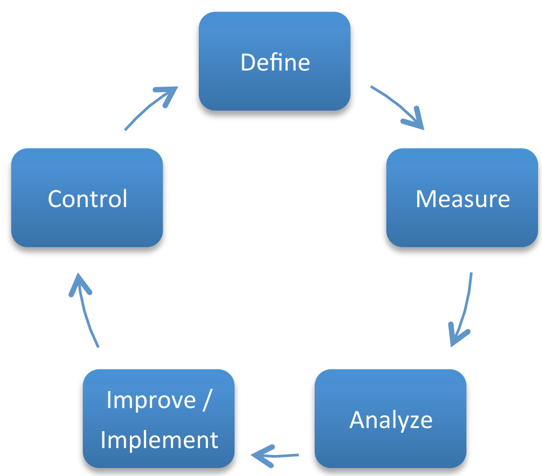
To help avoid the situation above, we’ll share some basic tenants of the DMAIC (Define, Measure, Analyze, Improve and Control) principles taught from some of the continuous improvement initiatives. These could be used very broadly in any LOD/HR type program. See Figure 1 below for a summary of these steps.

Figure 1 – The Five Principles of Continuous Improvement

Steps	Purpose	Example
Define	Develop a problem statement. What is the “pain” you are trying to solve?	High employee turnover.
Measure	Determine suitable measures that substantiate the problem statement.	Current employee turnover rate is > 15% and by the end of the year we want it to be less than 8%.
Analyze	Analyze the metrics/data collected. What do we know about the	Employee survey data, exit interview data, data by

	problem? How big a problem is it?	position, function and location.
Improve (or Implement)	Implement a solution that is expected to improve the metric.	Change of supervisory practices, selection processes, career development opportunities.
Control	Monitor the metrics to ensure that the problem is resolved, or to alert you when anomalies arise.	Track results over a selected time period.

Figure 2 – The Five Principles of Continuous Improvement showing the continuous nature of the process



Let's explain each step in more detail:

In the **Define** step, it becomes crucial to have a problem statement: What is the problem you are trying to fix? Continuing with our practice example above, let's say our company is having a problem with high employee turnover. The statement should be simple and straightforward. Our experiences have taught us to make certain we can tie a "business cost" to these problems. We need a business cost because money and resources are the language of business and the language that senior leaders understand. Therefore, what is the cost of high employee turnover? Is it higher recruitment costs? Increased training costs (as compared to other benchmarks)? A loss of productivity? We may also believe that morale is affected by high turnover. Although morale can be measured, it is more difficult to tie directly to cost. Wherever possible, quantify the problem in revenue, cost, or related measures. Looking at our revision below, you will see that the statement highlights the impact of the problem. You should also note that the statement does not have a solution associated with it (e.g. we need to implement program X to solve problem Y). We are not implementing or solving anything yet; we are merely stating the problem we are trying to correct. Once you have your problem statement, you should have some pretty basic starting points for an idea about what to measure for the second step in DMAIC.

> Problem Statement: Our company is experiencing a high employee turnover rate (> 15%) which is costing us $350,000/year in recruitment and training costs of new hires as well as a loss of

productivity due to being short-staffed.

The **Measure and Analyze** steps should become much easier now that we have clearly defined a problem. It's important now to collect data to determine how much of an issue the challenge really is. Believe it or not, there are instances where there is a *perceived* issue, but when the data are collected and analyzed, we find out that it is really not as large of a problem as we originally thought. The **measure** phase becomes essential in collecting the critical data and determining *if* and *how much* of a problem there really is. This information becomes our critical benchmark for the rest of the steps in the process. Using the example above, let's say that we want to use the employee turnover rate, as well as a job satisfaction survey for our data, exit surveys, recruitment costs, new hire orientation and training costs, as well as number of FTE (full time equivalent) days we are short-staffed. We know that most of these can be easily collected or measured with contemporary or historical data. It might also be beneficial to have some of our own company output data (the number of widgets produced/quarter, sales, etc.) that corresponds with the turnover data to see if any interesting trends present themselves (the number of widgets produced when at full staff vs. short-staffed).

In the **Analyze** phase we will begin to look at all of the metric data we have collected and start to identify potential root causes of the defined problem: "why do we have high employee turnover". Spend some time with the data and evaluate if any interesting trends or stories begin to emerge. Use visualization tools like graphs and charts as much as possible. It's possible that as you begin analyzing the data a solution or idea may present itself. Again, the first question we have to answer is whether or not we really have a problem. Does the data support the problem statement? Do we indeed have a turnover rate > 15%? Are the job satisfaction results below where we want them? Let's say that in our example, the turnover rate was 16%. The next obvious question becomes, "Why is the turnover rate at 16%?" Does turnover appear to correlate to any of our other data (job satisfaction survey, employee exit surveys or the company output data)? Is there a correlation to the time of the year? Is turnover higher in summer months than in winter months? It's important that we get down to the root cause before we embark upon developing a solution. A solution that resolves a symptom will not be as effective and long lasting as a solution that gets at the root of the problem. Use the "5 Why's" to get to the root of the problem.

When presented with a problem, ask "why?" Then for each "why" response, ask why again and keep asking until you approach absurdity. This process helps ensure that you are getting to a root cause issue as opposed to fixing a symptom of the problem. Also, *it's important that we don't get so wedded to our solution that we implement it regardless of the real problem.*

Why is employee turnover at 16%?	Low job satisfaction data
Why is job satisfaction data low?	No commitment to company vision
Why is there no commitment to the company vision?	No sense of a future
Why is there no sense of future?	No growth opportunities
Why are there no growth opportunities?	Lack of employee development plans

Etc. etc.

Once the root causes are identified, a solution can be designed, and we then find ourselves at the **Implementation/Improve** phase. Even after the implementation of a solution, we will still need to track metrics and data. Why? One reason is that we need to determine if the solution worked. Obtaining data to show that your solution improved the situation and had the desired business impact becomes vital for credibility, not only for the program but also for yourself as the leader of the initiative. When we review the metric data, we can expect at least three possible outcomes. The situation improved, the situation remained the same (status quo), or the situation worsened. We need to plan a response for each of the three possible outcomes to be prepared to respond appropriately. Planning the response when things look great is easy, but what do you do when the metrics indicate that conditions stayed the same or got worse? Terminating a program that we've implemented because the data isn't showing improvement is a very tough decision to make, especially when you've invested a lot of time and energy into developing a solution. However, we tend to deal better with this outcome when *we* make the decision than when the decision is made *for* us. When we make the decision it demonstrates our credibility and models behaviors that show we are committed to solving the problem, not padding our experience profiles.

The last principle is the **Control** step. Control ensures that our metrics don't start slipping back to where they were, and it catches small problems before they magnify. Let's say you were tracking employee turnover, and upon implementation of your solution, the organization experienced a significant reduction (turnover of 5%). Suppose that while tracking the data you began to see turnover starting to increase a bit (to 8%). What should you do? Investigate! Could your solution need a bit of tweaking to stay current? Is there a new issue arising that needs some attention? The sooner you understand the cause and remedy it, the more likely you'll be able to prevent it from becoming a significant issue.

If we follow the principles above, the data gathered should be able to provide the L&D function some measurable and tangible information that will demonstrate to senior management the value and impact of the program, which in turn will hopefully encourage stronger commitment and support.

Strong Senior Management Commitment

As mentioned above, there is no substitute for senior level commitment to ensure the continuity of training or development initiatives. Traditionally, the safety culture at Exxon has been very strong. One new employee learned that skipping monthly safety meetings was absolutely not an option when he stayed in his office one day to try to get caught up on his work. His boss let him know in no uncertain terms that he should never do that again, and he never did. By following up on the training, his manager taught him about both his responsibilities and about the values of the company. Do we follow the same principle when someone misses a training event or leaves early? Are employees held accountable? Do we follow-up with those who have attended a program and track how they're applying the content to their daily work? Accountability is a key part of sustaining a high level of commitment and ensuring the implementation of a solution to identified problems.

Beyond just believing that a training program is important, data helps to reinforce programs' value to senior management in very specific ways. When senior managers are presented actual data demonstrating the value of a training program or development initiative, the discussion becomes more factual and tangible as opposed to more emotional, which can be vital in light of budget constraints. Following our example above, if we were to show that the implementation of Program X (at $75,000/year) resulted in reduced employee turnover, and saved the company $250,000/year in recruiting and retraining costs, the impact of this program becomes much more tangible, as compared to "job satisfaction survey results increased". This is not to say that data will prevent even the best initiative from being cut during a budget crisis. However, when managers are faced with these decisions, they will also be aware of the impact on the business. You can be sure that leadership would be having a more difficult discussion in coming to the decision of eliminating a highly-valued program as opposed to having a program of marginal impact where such a discussion was an easy conclusion.

Summary

Given the limited (and in some cases dwindling) resources most organizations are faced with, we want to encourage the (sometimes difficult) discussion about which initiatives truly bring value and those that don't. The principles of continuous improvement provide a methodical and objective process for us to gather and present the facts in such a way that helps ensure the best decisions are made. To reiterate the key points:

1) We need to demonstrate that our programs have positive business impacts that either meet or exceed the business needs of the company to help it grow its competitive advantage.

2) To do this, we need to embrace methods for measuring tangible metrics that can be linked to business outcomes.

3) When the data from those tools validates our problem statement, it's time to start analyzing the situation, brainstorming solutions, and using the metrics to help us demonstrate impact and value. If the program comes under scrutiny, we can show the impact it has had and begin to estimate the consequences of cutting the program.

4) We need to continue to collect metric data after the implementation to ensure that our problem is resolved and to help alert us to changes or future concerns that arise. Remember, improvement should be continuous.

Finally, we also build our credibility by gaining senior leadership commitment through a rational approach in supporting those initiatives or programs that can really make a difference.

Selected Resources

HRD Trends Worldwide by Jack J. Phillips, 1999, Gulf Publishing Company, Houston Texas

Michael George, "Lean Six Sigma: Combining Six Sigma with Lean Speed", 2002, McGraw-Hill Publishing.

About the Authors:

Archie Thurston, Ph.D., Principal Consultant, Brockwell Consulting LLC. Archie founded Brockwell Consulting after 20 years of experience working as a scientist and manager in the pharmaceutical industry. He enjoys helping organizations achieve their full potential either through improving their processes or better managing their talent.
archie@brockwellconsulting.net

Paul Terry, SPHR, President and Principal Consultant, Paul Terry Consulting Group. Paul founded Paul Terry Consulting Group after 20 years of working in corporate HR and for a HR consulting firm that is now part of Korn/Ferry International. He enjoys helping organizations align their business strategy with their people practices and systems.
pterry@paulterryconsultingroup.com

