



Aligning L&D's Value with the C-Suite

*Using a Portfolio Evaluation Model
to Show Impact*

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Executive Summary

The L&D industry is changing rapidly, as it attempts to remain relevant amid the digital revolution and accelerated pace of today's business environment. Articulating value based on business impact and outcomes has become more critical than ever before. Unfortunately, traditional metrics used by L&D have not translated well into a broader conversation with the business, resulting in a lack of confidence in L&D's ability to deliver recognizable value. Even well-run L&D organizations with industry-leading measurement cultures are struggling to establish and communicate alignment with the businesses they serve. Organizations who fail to address this struggle risk losing market share and funding, and there is evidence that this is already occurring in many organizations.

Implementing a Portfolio Evaluation approach to L&D will bridge this gap between L&D and business leaders. It is a straightforward, outcome-centered framework that can be used to position L&D's contributions in business-focused terms, at the right level of detail for executive reporting.



Value Is in the Eye of the Beholder

Do you know why your L&D organization exists? If you answered “to provide training,” you’re in trouble. The reason the business funds L&D programs is to maximize business outcomes aligned to the organization’s strategy. Even if you work in nonprofit or health care, the reason training receives funding is to maximize outcomes that are important to your organization’s mission.

L&D has struggled to translate the operational metrics used to measure the outcome of a learning experience into business-focused key performance indicators (KPIs) at scale, and most L&D organizations do not even collect consistent, valid KPIs to measure their internal operations effectively. As a result, L&D organizations are struggling with significant credibility issues, both from the front line and the C-suite. According to research by Gartner, two-thirds of business leaders don’t think L&D impacts business outcomes or provides relevant solutions, and 88% of CFOs lack confidence that HR and L&D budgets are being spent wisely.¹ It is obvious that the perception in most organizations is that L&D is not providing value to the business ; there is a “value gap”. This perception is a serious threat to the future of the function.

How can we correct this perception? How can we define and frame value?

Value is the extent to which business leaders—who ultimately control your budget allocation—believe that an investment has provided or will provide a return or benefit to the business, and whether they believe the benefit of the investment will be greater than the cost. “Believe” was used intentionally; business leaders do not “know” anything for sure, so they rely on trusted indicators to make the best decisions they can with the information available at the time. “Trusted indicators” are data deemed to be credible, which means that business leaders understand the methods and processes used to gather and analyze the data.

Finance, Production, Sales, and Marketing are all well ahead of L&D in adopting methods to consistently and reliably produce these trusted indicators (also known as KPIs) at scale, and processes to gather and use these KPIs have been well established. L&D still struggles in this area. We have a lot of catching up to do, and quickly.



ONLY **34%**

of business leaders think the L&D function **impacts business outcomes.**²



ONLY **31%**

of business leaders think the L&D function provides learning solutions that are **relevant to their needs.**



CFOs Lack Confidence in HR or L&D Spend

Only 12% are Confident or Highly Confident



L&D Value Drivers: Bridging the Gap

In order to close the “value gap,” L&D must, at a macro-level, define how it aligns to the organization’s strategic goals and communicate how training helps achieve them. There must be agreement between L&D and business leaders on the question, “how does training help the organization “win” in the market?”

The answer to this question can be framed against two dimensions:

Why is training needed?

From a business perspective, the two most important measures are sales (the top line) and profit (the bottom line). Training gives employees new knowledge and skills that will improve one of these two things by helping the business drive the strategy forward (top-line growth) or run more effectively (maximize bottom-line efficiency).

How will we meet the training need?

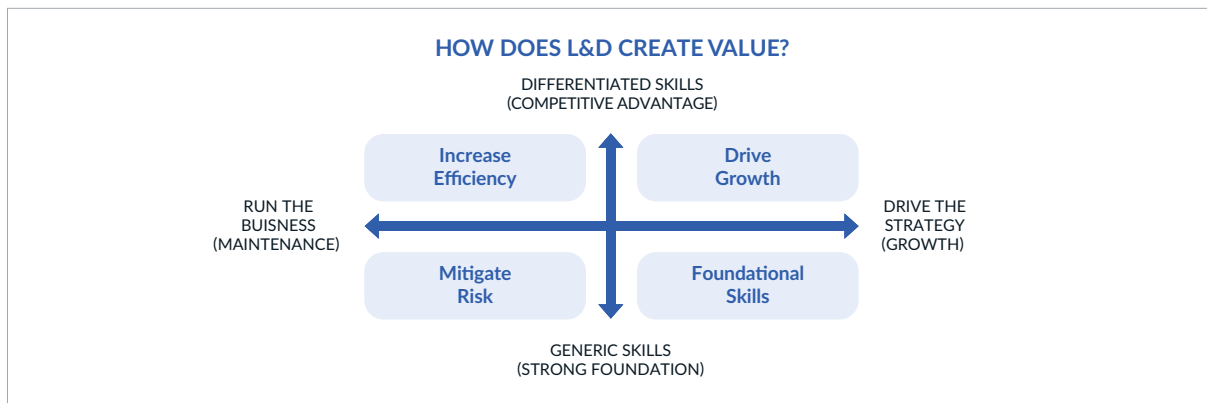
When a training need is identified, consider whether the skills that need to be built are differentiated, meaning specific to your company’s needs and designed to drive competitive advantage, or foundational.

Content to support differentiated skill development is more likely to be developed in-house and require more investment, while content targeted at building foundational skills tends to be off the shelf to minimize design costs.

When these two dimensions are considered, four foundational themes emerge to answer the question “how does L&D help the organization win?”. These four themes, which we call value drivers, are listed below:

1. Maximizing Operational Efficiency
2. Driving Growth
3. Mitigating Risk
4. Building or Maintaining Foundational Skills

All training programs exist to ultimately contribute toward one of these value drivers, which are described in more detail below. Each value driver is high-level enough to instantly connect with the priorities of the C-suite, which already uses lagging indicators to track business performance against them. L&D can show its contribution to each area by sharing leading indicators that show that the training programs aligned to each value driver are maximizing



Value Drivers

1. Maximize Operational Effectiveness

Courses aligned to the Maximize Operational Effectiveness value driver are designed to increase bottom-line profitability. The business tracks lagging metrics related to productivity, quality, cost, and so on, and L&D can track leading indicators in each of these areas based on employees' assessment of how much these areas will improve. These employee assessments are based on each training program they have attended, which are intended to increase competitive or strategic advantage by focusing on organization-specific processes, systems, or skill sets. Examples include courses designed to increase productivity, decrease costs, increase process innovation, or help managers maximize bottom-line performance.

2. Drive Growth

Courses aligned to the Drive Growth value driver are designed to increase top-line growth, which is done by growing revenue and market share. The business tracks lagging metrics related to sales, renewals, upsells, customer loyalty or satisfaction, and so on, and L&D can track leading indicators in each of these areas based on employees' assessment of how much these areas will improve. These employee assessments are based on each training program they have attended, which are intended to increase competitive or strategic advantage by focusing on organization-specific processes, systems, products, or skill sets. Examples include courses designed to increase sales, customer retention or repeat business, new product innovation, or help managers best position their teams for business growth.

3. Mitigate Risk

Courses aligned to the Mitigate Risk value driver are designed to shield the business from financial or reputational risk by ensuring employee compliance with specific policies or maintenance of specific industry certifications. The business tracks lagging metrics related to safety, legal costs, and so on, and L&D can track leading indicators in each of these areas based on employees' assessment of how much these areas will improve. These employee assessments are based on each training program they have attended, which tend to be focused on compliance, regulatory, and safety training, and tend to be similar content as those of others in the organization's industry.

4. Build Foundational Skills

Courses aligned to the Build Foundational Skills value driver are designed to ensure that gaps in employee skills can be addressed and that employees can grow and develop, to provide even more value to the business. It's frequently less expensive to fill a minor skill gap than to replace an employee who is already onboarded and semi-productive. The business tracks lagging metrics related to bench strength, employee engagement, turnover, promotion rates, and so on, and L&D can track leading indicators in each of these areas based on employees' assessment of how much these areas will improve.

These employee assessments are based on each training program they have attended, which tend to be off-the-shelf content, rather than custom content, specific to the business. Examples include time management, Microsoft Office, and introductory or generalized coaching or sales courses.



Using Portfolios to Articulate Value

In the Finance world, investment managers group assets into portfolios according to their value and anticipated return and manage them accordingly. L&D organizations can apply the same approach by treating each course as an asset; an investment of company resources made in employees to drive an outcome forward.

These learning assets can then be categorized into portfolios according to the four value drivers. Segmenting courses in this way provides a fresh, business-focused lens to assess the learning asset catalog. Each of the value drivers contribute a different kind of value to the business. Courses in the Growth and Efficiency portfolios contribute to new revenue or cost savings. Courses in the Mitigate Risk portfolio are typically focused on preventing negative outcomes, like accidents, lawsuits, or regulatory fines. Foundational Skills courses ensure that employees can maintain and grow their skills to evolve with emerging needs, reducing turnover through a “build versus buy” talent strategy. L&D organizations can apply this straightforward approach to ensure alignment to the most important business outcomes, set reasonable performance expectations with the business, and effectively manage the courses within each portfolio to maximize value delivery.

Effective management requires the right data, at scale. The Portfolio Evaluation model provides a framework for when and how to apply measurement strategies across an organization’s learning interventions, so the measurement strategy aligns with the business strategy. Explorance learning evaluation solutions automate the process so that relevant, actionable data can be easily gathered across the entire course catalog. There are many books dedicated to the measurement of the few high-profile, expensive programs that consume 10% of the training budget, and we agree those

methods can provide significant value. This framework accommodates those high-profile programs and the hundreds of programs that absorb the other 90% of the learning budget or represent most of employees’ time spent on training instead of their typical work tasks.

Adopting a Portfolio Evaluation Model was a game changer in Cigna University’s analytic strategy. This model provided a decision structure to ensure alignment between the solution and the appropriate level of measurement. It established a consistent, scalable process that introduced significant efficiencies into our data collection and analysis. In doing so, we were able to group courses and programs for more meaningful analysis and shift our measurement from data collection to better data utilization.

*Patricia Colandrea, Director of Learning Analytics,
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Portfolio Evaluation Process

KPI-to-Portfolio Alignment Drives Targeted Data Collection

Not all portfolios require the same KPIs to support decision making and value articulation. As noted above, the KPIs we use are based on industry-accepted methods, and the survey framework has been validated to reliably predict business impact. Metrics That Matter SmartSheet Evaluations have been tailored for use in each of the portfolios to ensure that relevant KPIs are collected while mitigating survey fatigue. Instructional designers need only identify the portfolio a new course aligns with, and the portfolio-appropriate measurement plan will be deployed to ensure proper KPI collection. This process allows organizations to easily scale data collection across the course catalog to provide relevant, actionable data that may be used to manage the L&D investment mix, drive continual improvement, and communicate impact and value to the business.

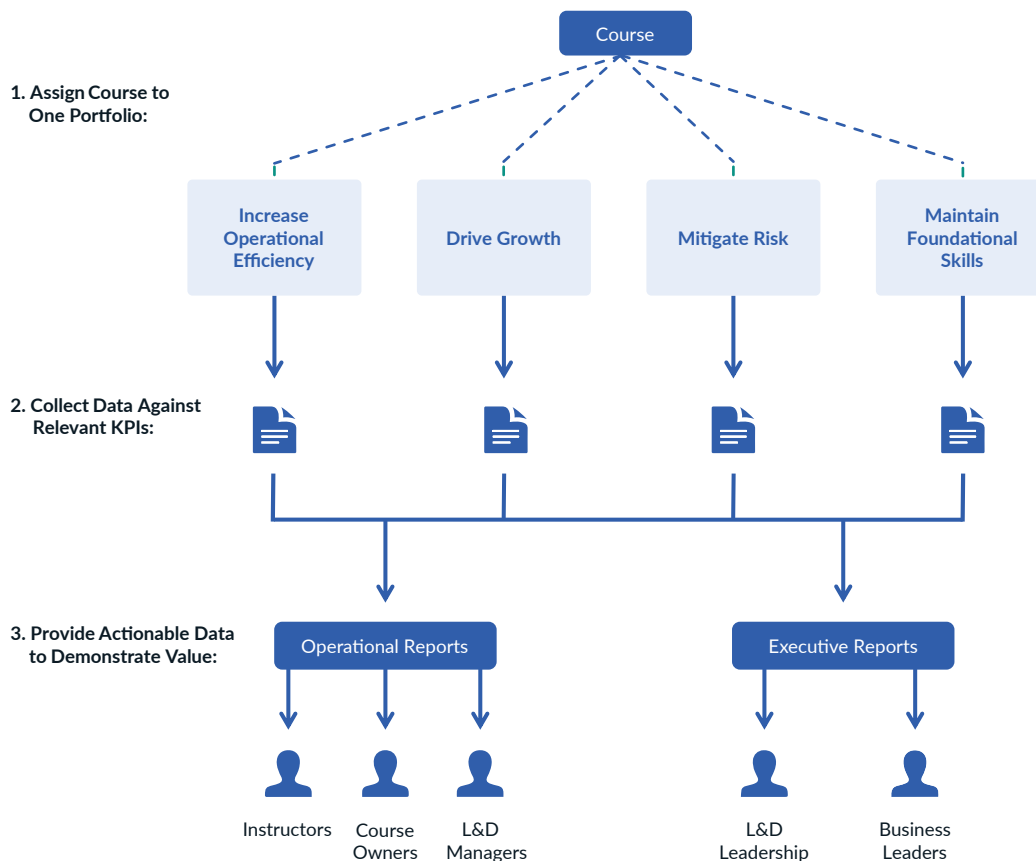


Figure 1. The Portfolio Evaluation Process

Portfolio Reporting

Data is useless until it is transformed into information via reporting and analysis, which leads to action. It's important to note that segmenting data by portfolio is not the same as nor does it replace reporting by curriculum, as curricula are segmented by topic area while portfolio is segmented based on the macro-level value driver. Curriculum helps us organize and manage L&D assets within our function, while the portfolio serves as a strategic lens that provides insight to those outside of L&D framed in a way that is meaningful to them—not in “L&D speak.” The Metrics That Matter model allows for reporting against both of these attributes.

Portfolio Reporting at the Operational Level

Portfolios are a useful addition to operational, internal to L&D reporting, via micro-level analysis within each portfolio and macro-level analysis across all portfolios, to ensure an appropriate investment mix across the training function. Different performance targets may be set by portfolio; for example, the Scrap Learning performance target may be more rigorous for courses in the Operational Effectiveness or Drive Growth portfolios than for courses in the Foundational Skills portfolio.

Micro-level (within a specific portfolio) analysis examples:

- Comparing courses within a portfolio according to quality, alignment, impact, and perceived value to determine the highest and lowest performers
- Reviewing the quality or impact results for the highest volume courses within a Portfolio
- Trending metrics within a portfolio over time to ensure consistency or to determine whether investments made toward improvement are bearing fruit

Macro-level (across multiple portfolios) analysis examples:

- Reviewing the volume and funding allocation of each portfolio as it relates to all portfolios provides insight to drive resource allocation
- Comparing consistent metrics across portfolios and setting performance goals according to past performance and strategic planning



Portfolio Reporting at the Executive Level

A four-quadrant dashboard, comprising the most relevant KPI metrics from each portfolio, provides the right level of detail to share the L&D value story with senior executives. The narrative should focus on how L&D is helping the company improve the top (growth) or bottom (efficiency) line, mitigating risk so they can sleep better at night, and building the foundational skills needed to prepare next generation of effective individual contributors and leaders. Status updates related to individual key programs within selected portfolios may also be included but starting with a high-level overview reinforces the overall value of the function and builds L&D's credibility as a function that uses data to stay accountable. This sample dashboard is designed to communicate performance by portfolio, using selected KPIs and leading indicators from learning evaluations compared to goals.

Example: CLO Portfolio Dashboard

Operational Efficiency		
↑ Productivity	●	72%
↑ Cycle Time	●	51%
↓ Cost	●	70%
Application	●	80%

Drive Growth		
↑ Productivity	●	75%
↑ Sales	●	70%
↓ Customer Satisfaction	●	48%
Application	●	68%

Mitigate Risk		
↑ Safety	●	80%
↑ Risk	●	51%
Quality	●	70%
Organization Support	●	82%

Foundational Skills		
↑ Productivity	●	80%
Quality	●	75%
Learning Effectiveness	●	70%
Manager Support	●	50%

Source: Explorance.



Conclusion

L&D creates value by ensuring that employees have the knowledge and skills to help your business thrive by increasing operational efficiency, driving growth, mitigating risk, and building or maintaining foundational skills. Align your course catalog with these value drivers, and apply a Portfolio Evaluation approach to set you on your way to bridging the value gap with your business leaders.



Are you ready to close the L&D Value Gap?

To hear how companies like Colgate-Palmolive, Lockheed Martin, and Intel are using data to communicate the impact and value of their L&D programs, [request a demo today](#).



About Explorance

Explorance is a Journey Analytics provider that empowers organizations in making the right decisions with fact-based feedback data. Through its main offerings Blue and Metrics That Matter, Explorance is at the heart of the learning organization's continuous improvement strategy.

Founded in 2003, Explorance is headquartered in Montreal with business units in Melbourne, Amsterdam, and Chicago. Since 2014, Explorance has been consecutively ranked as a top employer by the Great Places to Work Institute® in Canada. Explorance clients include a wide variety of learning organizations from various segments including academia, enterprise, consulting, and government across the globe.



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Sources

¹ “L&D Team Capabilities Survey (2011)” Gartner report

² Source: Gartner analysis





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