Understanding ROI in Learning and Development: A Practical Guide

Introduction

My name is David Lieberman, founder of Gravity Learning—a research-based professional skills organization. At Gravity, we don't just provide advice or offer motivational high-fives. Instead, our approach is rooted in science; we draw from peer-reviewed journals and turn this knowledge into practical skills that participants can apply immediately.

We know that one of the main challenges for learning and development (L&D) teams is convincing senior leaders of the value of L&D. While most business initiatives are backed by measurable proof, such as Return on Investment (ROI), it's harder to demonstrate ROI in learning, especially in soft skills training. This challenge often causes L&D programs to lose funding during lean times, as senior leaders question whether the investment is worthwhile.

The Quest for ROI in Soft Skills

For years, measuring ROI for soft skills training has been a "Holy Grail" in our field. While some progress has been made, it's still rare to find repeatable methods that demonstrate ROI for everyday programs. At Gravity, we've developed a way to measure this impact, and we're here to share it with you. Of course, if you're interested in custom programs or upskilling within your organization, we'd be happy to discuss those needs with you as well.

Using This Guide

This guide is structured like a training session. Feel free to take notes, pause, and reach out to us with any questions. Whether it's a simple clarification or a deeper discussion on how to apply these techniques within your team, we're here to help.

The Basics of Measurement: Kirkpatrick's Model & How to Easily Satisfy All 4 Levels

When discussing measurement, it's essential to start with Kirkpatrick's Four Levels of Learning Evaluation. At Gravity, we take it a step further by adding a fifth level focused on ROI:

1. **Reaction**: Immediate participant feedback on the workshop.

2. **Learning**: Measuring whether participants acquired the skills or knowledge.
3. **Behavior**: Assessing if participants apply these skills in the workplace.
4. **Results**: Determining the organizational impact of this behavior change.
5. **ROI**: Finally, calculating whether the program was worth the investment.

Gathering Immediate Feedback

One challenge in today's survey-saturated world is gathering immediate, actionable feedback. We recommend setting aside time at the end of the workshop for participants to fill out a brief survey. At Gravity, our feedback survey takes only about 30 seconds and is administered during the session. This approach significantly improves response rates, with Gravity averaging a 70-90% response rate, well above the industry standard of 19%.

Testing for Learning

To determine if participants truly learned from the session (Kirkpatrick's Level 2), we use a short pre- and post-test. This can be done before and after the workshop or as part of the session itself. Research shows that participants who know they'll be tested often engage more deeply, which boosts learning outcomes. Our pre- and post-tests are typically four questions designed to measure key concepts. The questions are phrased to ensure that participants might get them wrong initially, but understand the correct answers by the end, proving a change in their understanding.

Assessing Behavior Change

Ultimately, the goal of any learning program is behavior change. Once we know participants have learned something new, we need to see if they apply it in the workplace. The two main questions we ask are:

1. Did behavior change as a result of the learning?
2. Did this change have a visible impact on their work?

These questions can be answered directly by the participants or by those who observe their work, such as their supervisors. This data helps us measure the real-world impact of the learning.

Building Credible ROI Calculations

Using Tools for ROI Measurement

At Gravity Learning, we provide worksheets and resources that make calculating ROI straightforward. For example, it's simple to create an Excel sheet that includes our ROI formula: gross return minus cost, divided by cost, then multiplied by 100. This gives a clear ROI percentage.

Cost Determination

To ensure credibility, it's essential to explain how each cost is determined. Our cost calculator breaks down all relevant expenses, even the cost of participant time during the session. Often, participant time can be one of the highest expenses, so including it is critical for accuracy.

The Gravity cost calculator also identifies the minimal impact required to justify the investment. For example, in a two-hour time management workshop with 20 attendees, each person only needs to save about a minute and a half each day to make the workshop worthwhile.

Small improvements can accumulate into substantial ROI, especially in management training where skills like delegation or clear task assignments prevent repeated work and avoidable mistakes. These savings don't just benefit the individual—they cascade across teams, multiplying the positive impact.

Building Credibility in ROI Reporting

A vital element of ROI measurement is credibility. For results to be taken seriously by senior leaders, it's crucial to explain your methods thoroughly. Here are some recommended practices to ensure credible ROI reporting:

Correcting for Confidence

When estimates are involved, it's best to apply confidence levels to refine accuracy. For example, if someone estimates saving 10 minutes per week, but their confidence in that estimate is only 20%, you should only count two minutes. By explaining confidence levels, you help leaders see the logic behind the calculations.

Avoiding Assumptions

It's essential to avoid making assumptions about results. If a participant cannot confirm a specific outcome, it's better to record it as zero rather than assuming a value. This approach enhances the credibility of the data.

Intangible Benefits:

While many learning benefits are quantifiable, there are often intangible benefits, such as improved morale or collaboration. Although these don't factor into the ROI calculation directly, you can include them in your report as additional, unquantifiable gains. Leaders appreciate knowing about these added benefits, even if they aren't reflected in the ROI number.

Collecting Credible Examples

When presenting ROI, examples play an essential role in helping leaders understand and believe in the results. Ask participants for specific examples of how the training saved time or improved outcomes. Common examples include reduced need for task clarification, fewer meetings, and faster problem-solving. Real-life scenarios make the data relatable and build trust in the program's impact.

Prepping Leaders for High ROI Results

Often, the results of calculating ROI in learning programs are surprising. It's not unusual to find ROI numbers as high as 214% or even 1,400%. Before presenting these figures to leaders, it's helpful to prepare them for impressive outcomes so that they don't feel skeptical or dismissive. Explain how the method works and everything you've done to be conservative and credible.

How To: Two Core Methodologies for Measuring Soft Skills ROI

To assess the impact of learning programs, we typically check in with participants about 30 days post-training. At this stage, we ask if they've applied any behaviors or skills learned from the program. If they haven't, we follow up to understand why. For those who have, we proceed with detailed questions, using branching surveys.

Tools like JotForm or Microsoft Forms are ideal for these branching surveys, where we can guide participants based on their responses.

First ROI Method: Time Savings

Our first question focuses on time savings: "Have you saved time as a result of the skills you've applied?" If they answer yes, we dive deeper to determine how much time they believe they've saved personally and how much they've helped others save.

This approach is particularly relevant in management training, our largest area of focus. Managers often save time not only for themselves but also for their teams. We then ask

participants how confident they are in their time-savings estimate, encouraging them to avoid overestimation. By reducing the confidence level to a conservative estimate, we can enhance accuracy. Even when reduced, the reported ROI often remains impressive.

Quantifying Time Savings

Once we have an estimated time saved, adjusted by confidence level, calculating ROI is straightforward. We typically assign a value of $100 per hour for employees and $200 per hour for executives. This allows us to quantify the cost savings based on time. For instance, if an employee saves 10 minutes per day with a 50% confidence level, this equates to roughly 5 minutes saved per day. Over a year, that adds up to 20 hours, or $2,000 in time savings at $100 per hour.

At Gravity Learning, we conservatively calculate only the first year of savings. While we know that employees may continue to save time beyond this, our goal is to keep our estimates credible and realistic.

Second ROI Method: Measuring Effectiveness Gains

For many programs, time saved alone provides sufficient evidence of ROI. However, for those wanting a more nuanced measure, we can also look at the added value from improved effectiveness.

Beyond time saved, another way to demonstrate ROI is through enhanced effectiveness in key competencies. Certain skills make some employees more valuable than others, even if their experience or education levels are similar. Core competencies like time management, emotional intelligence, conflict resolution, or project coordination significantly influence an employee's success.

By determining the value of these competencies and measuring improvement, we can quantify the impact of learning. This approach, known as "utility measurement" in statistics, is commonly used by data scientists to quantify changes in behavior without an obvious or direct numerical value.

Applying Utility Measurement for Core Competencies

Utility measurement involves identifying target competencies and calculating each competency's contribution to success.

Here's how it works and how you might do it:

1. **Identify the Target Competency**: Begin by pinpointing the specific competency you want to measure—this could be emotional intelligence, time management, or

conflict resolution. Each competency contributes differently to success in a given role.

2. **Determine Each Competency's Responsibility for Success**: Next, quantify how much of an employee's success in their role is due to this competency. For example, emotional intelligence might represent 2% of the success for a given role, especially in roles requiring high interpersonal skills. If an employee's annual salary is $100,000, then $2,000 of that is attributed to emotional intelligence.

   The most effective way to assign these competency values is by having leaders agree on the percentage of success that each competency represents. Often, people tend to overestimate a competency's importance—sales leaders, for instance, might rate emotional intelligence as contributing 70% to their success. Gravity Learning encourages keeping each competency under 10% to reflect a balanced view of multiple skill contributions.

   If participants provide their own estimates, it's helpful to ask how confident they are in these values. For instance, a participant might estimate that emotional intelligence contributes 10% to their role success but only be 50% confident. In this case, the estimated value of that competency would be adjusted to 5%.

3. **Calculate Competency Improvement**: Measure the competency level before and after training using a utility scale. The typical scale ranges from -4 to +4, where 0 represents the baseline level needed for success in that role. A +1 indicates added value, while +4 means the employee brings double the expected competency value to the role. Improvement assessment can be asked of leaders or the participant themselves. Make sure to ask for confidence corrections.

4. **Determine the Gain**: The gain is calculated by finding the difference between the before and after scores, multiplying by 25%, and then by the value of the competency. For example, if emotional intelligence went from 0 to +2 on the scale, that's an improvement of 2. Multiply by 0.25 to get 0.5, then by the competency's dollar value ($2,000 in this case), giving a total gain of $1,000.

Simplified Method for Utility Measurement

For many L&D departments, the standard utility measurement approach may feel complex. An alternative method is to ask participants directly how much they feel they've improved, as a percentage. Apply a confidence correction to keep this estimate conservative. For instance, if a participant believes they improved by 10% in a competency valued at $10,000, with only 50% confidence, then the improvement is adjusted to $500.

Enhancing Leader Visibility of ROI

Even with robust calculations, ROI results are only impactful if leaders see them. At Gravity Learning, we provide visibility through clear reporting tools, often using dashboards created in Power BI. We also offer training in Power BI so clients can generate their own dashboards. Our dashboard design displays key metrics and includes a download option for a detailed dataset, catering to leaders' needs for both high-level insights and granular data.

Now You Have ROI

Once time savings and utility measurements are in place, most learning and development programs already have more than enough data to prove a positive ROI.

Time estimates alone—especially when adjusted for conservative confidence levels—often reveal substantial value in terms of employee productivity gains and efficiency. Utility measurements add further weight, quantifying improvements in critical competencies like emotional intelligence or time management, which directly impact organizational success.

Together, these data points offer a compelling, credible basis to showcase the financial return of the training program, often exceeding initial investment expectations and providing clear evidence to secure continued support from senior leadership.

Comprehensive Reporting and Final Insights

Meeting the Needs of Data-Driven and Story-Based Leaders

Senior leaders often fall into two camps: data-focused individuals who look for proof, and learning professionals who connect with stories.

Data-Focused Leaders

Data-focused leaders look for concrete proof—they want to see numbers that demonstrate the measurable impact of a training program. For this group, providing clear metrics, such as time saved and improvements in core competencies through utility measurements, is crucial. However, be sure to first give a detailed account of how the data was quantified and why it's credible and conservative. All the data in the world won't convince data-focused leaders if they don't believe it's credible first.

At Gravity, we've developed example decks that start with the message that our ROI calculations are based on conservative, formula-driven estimates. We explain our methodology, including confidence corrections, and prepare leaders to see impressive, data-backed results.

Consider using dashboards or visual reports, such as Power BI, allowing them to quickly see quantifiable results, confidence-adjusted estimates, and ROI percentages, along with download options for deeper data analysis. This transparent, data-rich approach reassures them that the program's value is backed by reliable calculations and scientifically sound methodologies.

Story-Focused Leaders

On the other hand, learning professionals, often more story-oriented, respond to narratives that showcase the human impact of learning initiatives. To satisfy this group, highlight individual success stories, specific examples of behavior change, and intangible benefits that resonate on a personal level. For instance, share anecdotes of how a time management workshop helped team members work more efficiently or how enhanced emotional intelligence improved collaboration within teams.

Including both data and story elements in reports ensures that learning professionals can see not just the numbers but also the broader impact on organizational culture, engagement, and teamwork.

This dual approach not only enhances credibility but also unifies both perspectives, creating a well-rounded picture of the training's value.

For example, our Power BI dashboard doesn't just showcase key numbers—it also includes comments, Net Promoter Scores (NPS), and other metrics to capture the complete picture. Some leaders like to review detailed data annually, so having these insights available in an accessible format is valuable. For senior-level presentations, a slide deck is often a helpful tool to communicate learning impacts clearly.

Key Takeaways and Tools for Success

If you take away anything from this approach to ROI, remember that having the right plan is essential. Create a step-by-step process, and don't attempt to calculate everything manually—use the formulas and calculators provided, whether it's for time savings or competency gains. Make confidence adjustments as needed, and always include specific examples to illustrate your points.

Gravity's Commitment

At Gravity Learning, our commitment to impactful training is backed by our 100% satisfaction guarantee. Part of this satisfaction comes from knowing that the training investment was worthwhile. We deliver programs in people skills, management, technology, productivity, and data, always led by highly qualified professionals like psychologists and neuroscientists. Our management workshops, for instance, are taught by former directors and senior leaders who bring real-world expertise to every session.

Conclusion: Bringing ROI to the Forefront of Learning

Gravity Learning's approach to ROI ensures that learning and development doesn't remain an abstract concept. By applying scientific rigor and clear metrics, we offer organizations the insights they need to see the tangible impact of their training investments. Please use this guide to further the visibility and impact of your own department.

If you're interested in exploring how Gravity Learning can help your team, or if you just want to discuss learning strategies, we'd love to connect.

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