Difficult economic times create difficult economic challenges and the world of L&D is not immune. In every area of every industry, directors and senior managers are being asked to justify their expenditure and find ways to make savings and cuts where they can. In many cases, this is less a delicate request and more a precise directive.

In a recent survey of L&D managers by KnowledgePool, 61 per cent of respondents said in difficult times their organisation’s training budget was likely to be hit drastically. While financial constraints are unfortunately an essential part of any restructuring effort during an economic slowdown, arbitrary across-the-board cuts to L&D can threaten the future success of an organisation.

We all know that training is important for the development of staff but, all too often, the axe falls heaviest on L&D as executives look to eliminate what they consider surplus expenditure. Evaluating the impact of learning is vital to demonstrate that effective training is integral to your company achieving its organisational goals. If a business can view learning as an investment rather than a cost, sensible savings can be made without damaging the essential skills of your workforce.

However, evaluating learning is difficult. It is hard to prove the investment value of most training because enhanced workforce capability is intangible and difficult to report on. There are a range of different evaluation methods, from NPS to the Kirkpatrick model, that all suggest different ways of assessing learning impact and it is difficult to know which one to choose. Even once a methodology is selected, many L&D professionals believe learning delivers more value than they can demonstrate. In short, they don’t have the skills or the time to do it and don’t know how to demonstrate the benefits of learning effectively.

But if training is not evaluated, L&D departments are putting themselves at risk of further budget cuts. In addition, organisations will be missing out on opportunities to vastly improve the performance of training programmes. Evaluation data will be able to highlight where future training resources should be allocated, as it can be used to identify where a programme has been particularly successful or where there are individuals who may require further development.

If a programme appears to be failing, findings from training evaluations will also highlight where the content of a programme needs changing and how it can be improved in the future.

It is hard to prove the investment value of most training. While it is accepted that training leads to enhanced workforce capability, by the time it comes to measuring to what degree capabilities have been enhanced, a number of other factors may have come in to play: organisational structures, business processes, economic fluctuations, organisational culture and budget constraints can all have an impact. Training becomes just one of the contributory factors to improved business performance. In contrast, expenditure on training is easy to track.

Many L&D professionals believe learning delivers more value than they can demonstrate.

Kevin Lovell outlines three steps to effectively communicating ROI to the rest of the business.

Reference
Survey after survey consistently shows the link between effective training and business success. However, such analyses relate to only a small proportion of training, owing to the amount of effort required to carry them out. In the absence of comprehensive and persuasive evidence, many executives might feel their L&D function is too bloated and can easily be cut back without affecting the organisation as a whole.

The key to raising the profile of L&D is to make sure all learning is demonstrably linked to business goals. If those in charge only see training as a cost, they will never appreciate the full value of the programmes run. Demonstrating how and where learning helps an organisation achieve its strategic goals shows where value is being added to the business and, as a consequence, how effective learning is business-critical.

**Step one – making the case for L&D**

In order to adequately demonstrate the value of employee development to a business, you have to have all the information you need to make your case. In my experience, anecdotal evidence of successful learning programmes is a surprisingly powerful way to communicate the effectiveness of training to senior management. However, this will only relate to a small proportion of the most (or least!) successful learning activity. In order to show how L&D is strategically aligned to business goals, it is necessary to establish how training benefits the organisation as a whole.

The greatest challenge you face is being able to show a direct correlation between training investments and business benefit. As described above, the journey from training delivery to improved workforce capability to business benefit is a complex one.

In many cases, the importance of a programme to the success of its participants can only really be defined anecdotally: delegates profess themselves to be better equipped for their role as a result of the course. Even when a more direct relationship can be pointed to, eg improved selling performance after a sales training programme, it is impossible to say exactly what proportion of the achievement can be directly attributed to the training. Those looking to cut budgets may be able to point to other factors like a recent PR campaign, a more active market or a new management team as possible alternative explanations for the improvements.

More robust evidence for the business benefit of training – ideally to the return on investment level – can be obtained by taking the classic approach to evaluating training, using models by Don Kirkpatrick, Jack Phillips and others. But despite attempts to minimise the effort required for such studies, they are complex, time-consuming and can only show results some months after the training, when benefits may be realised. For these reasons, ROI studies are rarely undertaken and by the time results are available, the training is almost forgotten about. By this time, the business has moved on to new challenges.

To effectively demonstrate the value of L&D to strategic organisational targets, therefore, it
becomes necessary to look at something other than ROI.

In summary, retrospective analysis of training is problematic; it is difficult to show a direct link between training and performance improvement, and the results are available too late. However, my experience of evaluating examinations of previous programmes shows the broad outcomes of learning can invariably be predicted. When reviewing a programme retrospectively, it is evident that the factors that led to success or otherwise were nearly always evident at the outset and could have been predicted. Given a proper understanding of the factors involved and, most importantly, asking the right questions, I believe you can take a proactive approach that makes assessing programmes much more straightforward.

There are three key questions that need to be asked and whose answers will help you quickly assess the business value of the proposed learning before it happens:
• what business issues do you expect the training to resolve or diminish?
• what business improvements or behavioural changes are you expecting to see?
• what past experiences lead you to believe this programme will achieve those aims?

L&D can ask these questions of all the learning, using the answers to provide rough estimates of the likely impact on the business. It matters less about the precision of the numbers, and more about having a consistent focus on business issues. With this information, it is much easier for you to communicate with business managers. You are using commercial language they understand, you are focusing on the same issues that keep them awake at night (rather than waxing lyrical about last year’s successes) and you are demonstrating how you expect to meet those challenges.

**Step two – the holistic approach**
In many organisations, responsibility for the L&D budget is spread across departments and teams. The responsibility for aligning learning to business goals in such a setup will usually fall to business partners who are often not learning specialists.

When you’re trying to assess the business value of learning, it is important to establish a holistic view of training delivery within your organisation. Without knowing how dispersed budgets are spent, it is impossible to know which programmes are business critical and must be retained.

In a company where this approach to learning is not the convention, a substantial overhaul of processes, especially at a time when budgets are being cut in any case, is going to be an incredibly hard sell. There are, however, alternatives that can actually help reduce costs:
• **external expertise** is one of the simplest and easiest ways you can seek assistance. If you’re looking to fundamentally change the way you approach learning, it’s important to have someone with prior experience involved in the process
• **a technological solution**, such as a competency framework within an HR information system, can help you keep a central record of the skills and previous development of employees and, especially in a large company, point to where there are deficiencies. A learning management system offers you a more dynamic solution because built-in processes help you manage future needs and track your employee development.

Achieving a holistic view of learning within your organisation doesn’t necessarily mean tracking the content of every minute of training or where every penny is spent. But it is vital to establishing the value of learning within your organisation that some overview of what is spent, and where, is available.
This holistic view is also very important when looking to align learning to your strategic company goals. When the senior leadership team develop business goals, they will come up with an HR workforce plan outlining the staff requirements to achieve them. Without a comprehensive understanding of your staff’s existing competencies, it will be impossible to identify which areas are most in need of development.

**Step three – getting your priorities straight**

While making the case for the significance of learning in achieving business goals is important, it won’t necessarily remove the spectre of budgetary restrictions. In the current economic climate, every department of every business must face up to the inevitability of cuts.

When faced with the reality of a diminishing budget, it is important you ensure that a reduction in training has the minimum impact possible. Having made the case for the value of L&D to the business as a whole, you should be able to avoid an across-the-board cut but the harsh truth is that some programmes will have to be scaled back or completely put on hold.

In such situations, prioritisation is key. By gaining a comprehensive view of the L&D function within your organisation, you can build up a picture of where training is most required and highlight those areas in which there are existing deficiencies that need to be addressed.

We typically regard four levels of priority:

- **mandatory** Training that is needed to maintain compliance to legal requirements
- **vital** Training that ensures compliance to the terms of client contracts
- **important** Training that supports the achievement of strategic business goals
- **elective** Training that contributes to stated business aims.

The greatest challenge arises in deciding the relative priority of items in the elective category, since this is where the budget limit usually falls. Here the answers to the three key questions in step one will be vital. By aligning the training function with the strategic goals of the organisation, you will also be able to see where any potential gaps might appear in future and an effective assessment will tell you whether you expect to be able to fill those gaps.

With all this information to hand, you will be able to focus your budget on those areas that are most in need of skills development, minimising the impact of cuts on the competency of your workforce and demonstrating the importance of L&D to achieving your organisation’s business goals.

The key, therefore, for any L&D function looking to stand strong in the face of cuts is threefold. First, it is important to show that learning is integral to the achievement of organisational goals. Second, in order to demonstrate this, it is essential to have a comprehensive understanding of training delivery within the organisation. And third, through that understanding, it is possible to identify which areas are of the greatest importance and require the most investment to ensure the minimal impact on the organisation’s strategic goals.