



# Why Hard ROI Numbers Distract Your Boss from the Real Value Your Training Adds to the Organization

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SYMPOSIUM*

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**Significant Work. Extraordinary People. SRA.**

# Agenda

- **Defense Logistic Agency Strategic Plan**
- **SRA Talent Management Services**
- **Objectives-Based Assessment Framework**
- **Prioritization Tool Mechanics**
- **Prioritization Tool Example**



# The Question

As a service provider, how does one *organize, train, and equip* to provide a full suite of talent management services to organizations having goals and objectives similar to DLA?

- DLA desires to acquire, develop, and retain world-class supply chain expertise

# The Mandate

- How do human capital leaders better align their programs with their Agency's overall goals and objectives to show a direct, measureable contribution?
- Agencies must demonstrate the value gained from their training investments to justify current and future funding, comply with GPRA and other reporting requirements, and address public scrutiny for greater efficiency and accountability.

## Training Evaluation Impacts and Business Outcomes: Measuring More than ROI

- Agencies are moving toward ROI measures to evaluate training program impacts
  - Requires accurate, appropriate, and costly training, workforce behavior, and cost data
  - ROI *assumes* alignment of training program with Agency mission and strategic goals and objectives
- To show value to the C-suite, training evaluations must identify the performance-based metrics essential to develop and evaluate efficiency and effectiveness of a highly-engaged and high-performing workforce.



# Defense Logistic Agency Strategic Plan FY07-FY13

## DLA's Goals and Objectives

- GOAL 1: Maximize warfighter potential by extending the Enterprise to provide worldwide response and integrated, best value supplies and services consistently to our customers
- Goal 3 – Learning and Growth:
  - Strategy LG1 – Acquire, develop, and retain world-class supply chain expertise through a comprehensive talent management program
    - LG1a – ... competency modeling and gap analysis ...



# Defense Logistic Agency Strategic Plan FY07-FY13, Cont'd

## Implementation Strategy

- ... establish a comprehensive *talent management program* to assure a high-performing workforce in the face of increasing rigors of DLA's mission tempo by strengthening workforce planning and development strategies



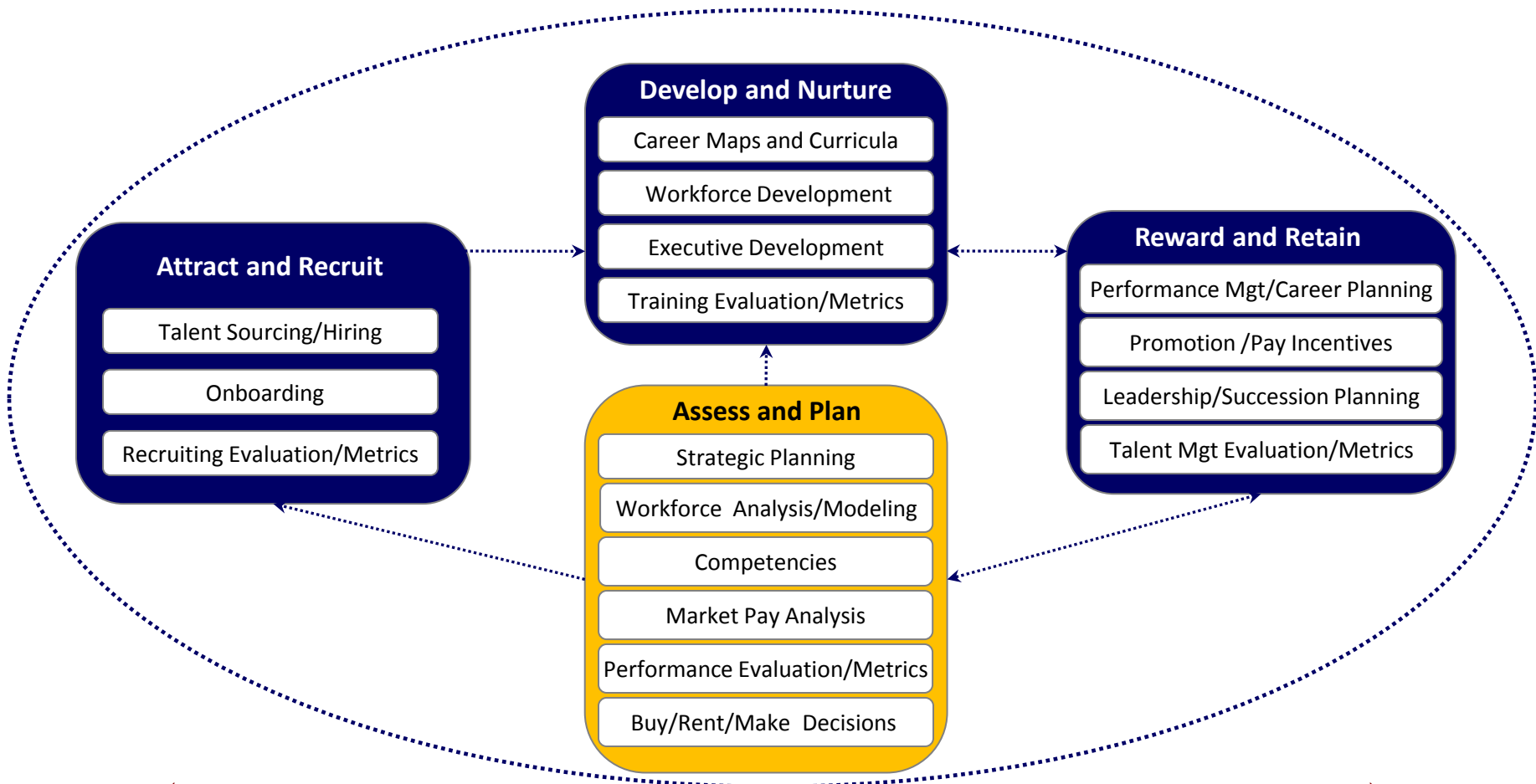
# SRA Talent Management Services

## Identifying Performance-Based HC Metrics

Organizational Goals and Objectives

Performance-based Outcomes

Exceptional Performance

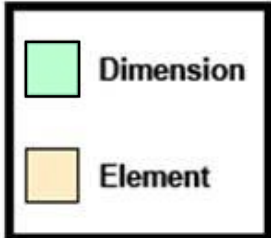
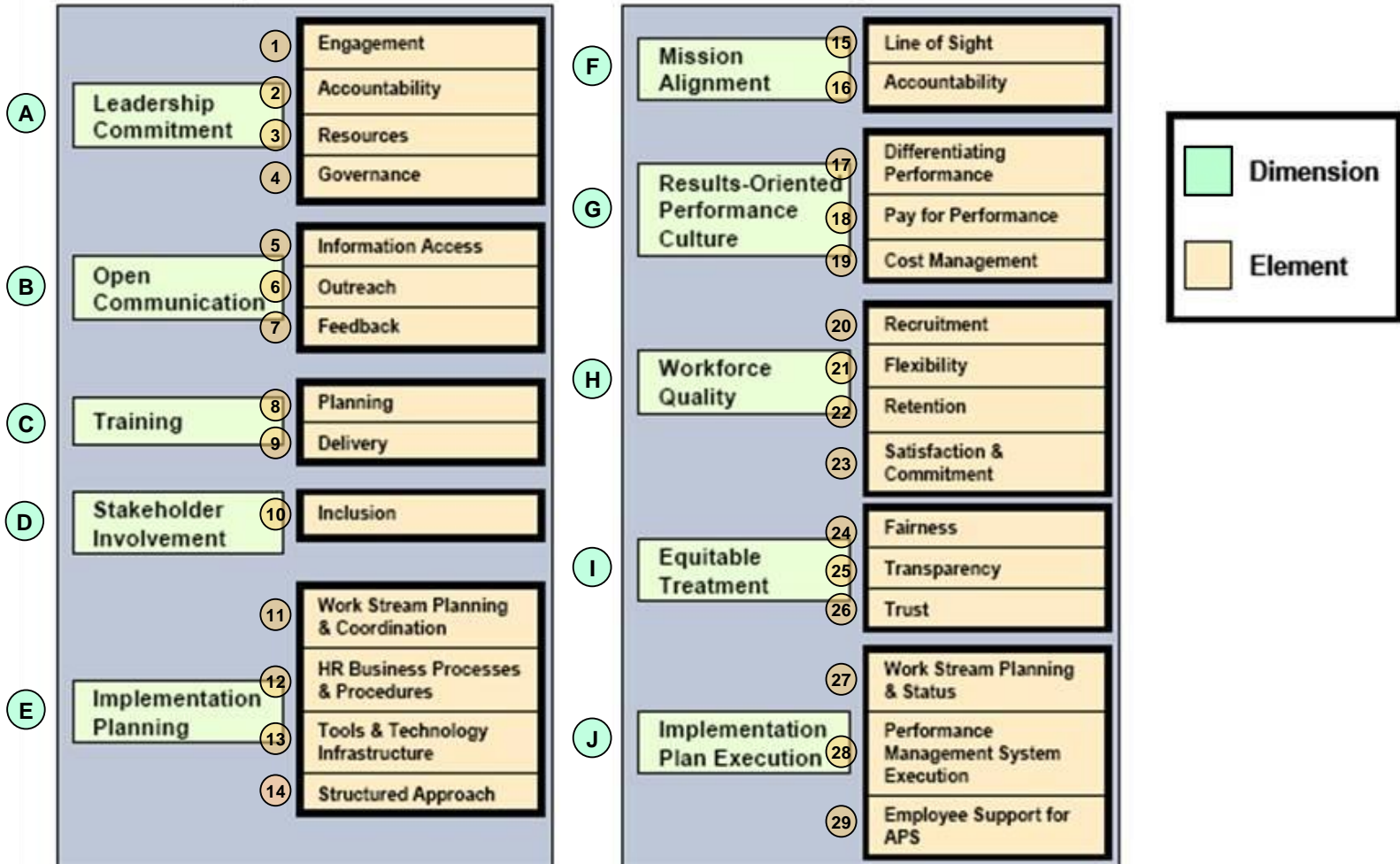


Superior talent drives exceptional performance. People are the difference.



# Objectives-Based Assessment Framework

Preparedness < – Components – > Progress



## **Example: An Agency Implements and Maintains a HR Training Academy**

- Program visioning session yields strategic objective of “Best in Breed”
  - Desire for Agency HR community to be the workplace of choice for federal HR community



## Performance-Based Program Outcomes Based on Academy's Goal of Best in Breed

### Performance-based Program Outcomes

Increased retention

Increased customer satisfaction (e.g., percent of hiring managers expressing satisfaction with HR services)

Higher productivity (e.g., first pass yield) per HR employee

Improved timeliness (e.g., decreased hiring cycle) of HR services

Improved accuracy (reduced error rate) of HR services

Lower cost per HR transaction (e.g., cost per certificate issued)

Increased number of managers who have leadership training

Increased number of HR specialists who have technical training

Positive financial impact of training investment

Lower absenteeism

Greater job satisfaction

Enhanced human relations (e.g., improved vertical and horizontal collaboration/ knowledge sharing)

Increased understanding of HR-related topics

Increased number of HR professionals who complete VA HR certificate program or other certification

Increased technical capabilities

Higher worker morale



# Reporting Categories for Performance-Based Program Outcomes

## Purpose:

To organize objectives-based framework's performance indicators in more meaningful reporting categories tailored to an executive-level business manager's audience to link HR activities directly to improvements in business performance.

Reporting Category	Definition
<b>Return on Investment (ROI)/ Impact</b>	Measures that capture the return on investment or impact of HR activities on improvements in business performance, HR performance, or workforce performance (e.g., ROI of training, correlation between competitiveness of compensation package and employee turnover)
<b>Effectiveness</b>	Measures of productivity, speed, and levels of performance of the workforce and of HR (e.g., productivity, strength of employment brand, quality of training content)
<b>Satisfaction</b>	Measures of line-manager or workforce satisfaction or of the importance that they place on one item versus another (e.g., line-manager satisfaction with new hires, employee satisfaction with benefits-related transactions)
<b>Volume</b>	Measures designed to capture the frequency of workforce or HR activities (e.g., rate of absenteeism, average number of hours employees spend in training per year, new hire turnover)
<b>Cost</b>	Measures of individual and aggregate costs of workforce or HR activities (e.g., total operating cost of the HR function, total training cost, cost of turnover)

# Linking Objectives-Based Framework to KPIs, Reporting Categories & Business Outcomes

Framework Component/ Dimension	Elements	Performance Indicators	Metrics Reporting Categories	Metrics Linked to Outcomes
Progress/ Mission Alignment	Line of Sight	Are organization's objectives linked to the organizational mission? (Yes/No)	Effectiveness	Improved accuracy (e.g., quality) of HR Services
		Are appropriate individual component objectives linked to the organization's mission? (Yes/No)	Effectiveness	Improved accuracy (e.g., quality) of HR Services
		Are appropriate team objectives linked to the organization's mission? (Yes/No)	Effectiveness	Improved accuracy (e.g., quality) of HR Services
		Are appropriate individual objectives linked to the organization's mission? (Yes/No)	Effectiveness	Improved accuracy (e.g., quality) of HR Services
	Accountability	Is linkage to mission included in organization's employee performance plan objectives? (Yes/No)	Effectiveness	Higher productivity (e.g., appropriate incentives) per HR employee
		Is linkage to mission judged based on the credibility of performance targets and employee perceptions of accountability? (Yes/No)	Effectiveness	Higher productivity (e.g., appropriate incentives) per HR employee



## Linking Objectives-Based Framework to KPIs, Reporting Categories & Business Outcomes, Cont'd

Framework Component/ Dimension	Elements	Performance Indicators	Metrics Reporting Categories	Metrics Linked to Outcomes
Progress/ Results- Oriented Performance Culture	Differentiating Performance	Percent or number of organization's HR employees whose performance objectives and plans differentiate levels of performance and link rewards to appropriate levels of performance	Effectiveness	Higher productivity (e.g., appropriate incentives) per HR employee
		Return on Investment (ROI) of Training	ROI/Impact	Positive financial impact of training investment
		Absenteeism rate	Volume	Lower absenteeism
		New hire turnover	Volume	Lower absenteeism
		Average change in competency gaps as measured on annual basis	Effectiveness	Increased technical capabilities
		Average number of employees in training per year (i.e., technical versus leadership)	Volume	Higher productivity Increased number of HR specialists who have technical training Increased number of managers who have leadership training
		Average number of hours employees spend in training per year (i.e., technical versus leadership)	Volume	Higher productivity Increased number of HR specialists who have technical training Increased number of managers who have leadership training
		Number of employees who complete VA HR or other recognized certificate program	Volume	Increased number of HR professionals who complete VA HR certificate program or other certification

## The Question:

There are many best practices KPIs that align with various business outcomes. How can you design/select the appropriate KPIs and successfully align them with the organization's business outcomes – not to mention collect the supporting data?



# Prioritization Tool: Alignment Criteria

## Purpose:

To ensure clear alignment between objectives-based framework's performance indicators and performance-base program outcomes as well as to evaluate the quality of individual performance indicators and ease of implementing them.

**Alignment Screen** – assessing whether objectives-based framework's performance indicators align with the performance-based program outcomes.

Category	Definition	Code
<b>Direct</b>	Tracking this metric will indicate actual performance relative to achieving the performance-base program outcome.	<b>D</b>
<b>Contributory</b>	Although tracking this metric does not indicate actual performance relative to the strategic objective, positive performance will contribute favorably to achieving the strategic objective.	<b>C</b>

# Prioritization Tool: Quality Criteria

**Quality Screen** – assigning a numeric rating to each performance indicator to assess the quality of information provided within five quality categories. Quality ratings for each performance indicator are added together to calculate its overall “quality measure” rating.

Category	Definition	Quality Rating
<b>Subjective</b>	Performance indicator cannot be communicated as a number. Subjective terms are used to indicate performance (e.g., employee morale).	<b>0</b>
<b>Quantifiable</b>	Performance indicator can be communicated as a number. A numeric goal can be established, or trend goal visually apparent (e.g., hours of training).	<b>1</b>
<b>Results Oriented</b>	Positive performance will directly impact company financial performance (e.g., gap between current and required workforce skills).	<b>1</b>
<b>Qualitative</b>	Performance indicator reflects the quality of performance (e.g., utilization of training).	<b>1-3</b>
<b>Predictive</b>	Performance indicator will “raise the red flag” when performance begins to deteriorate, allowing management an opportunity to put in place immediate countermeasures designed to reverse poor performance. Performance indicator is conducive to problem solving and process improvement. Best-practice performance can be isolated, globalization of practice implemented, and financial impact forecasted (e.g., strength of employment brand).	<b>1-6</b>

# Prioritization Tool: Feasibility Criteria

**Feasibility Screen** - assigning a numeric rating to each performance indicator to assess the amount of resources required to implement them. The implementation rating is based on the assessment of the cost and resources required to collect and implement the data for a particular performance indicator. Performance indicators which are difficult to implement “lose” points in the comparative (overall) rating.

Category	Definition	Implementation Rating
<b>Easy to Measure</b>	Performance indicator exists already or data to support performance indicator is currently available (low cost and low resource utilization).	1
<b>Moderately Difficult to Measure</b>	Performance indicator does not currently exist. Data may currently exist but is not readily available (moderate cost and resource utilization).	-1
<b>Difficult to Measure</b>	Performance indicator does not currently exist. Data may not currently exist (cost and revenue intensive)	-2

# Prioritization Tool Example: Alignment Rating

Performance Indicators	Reporting Classification	Alignment Rating			
	Return on Investment (ROI)/ Effectiveness /Satisfaction/ Volume/Cost	Higher productivity	Lower cost per HR transactio	Lower absenteeism	Greater job satisfaction
Turnover cost (calculation of termination, new hire, vacancy and learning curve costs)	Cost	C	C	C	C
Turnover rate (rate of the employees leaving an organization)	Volume	C	D		C
Turnover rates of new hires	Volume	C	D	C	C

# Prioritization Tool Example: Quality Rating

Performance Indicators	Quality Rating					
	Subjective 0	Quantifiable 1	Results Oriented 1	Qualitative 1-3	Predictive 1-6	Total Score
Turnover cost (calculation of termination, new hire, vacancy and learning curve costs)		1	1	3	6	11
Turnover rate (rate of the employees leaving an organization)		1	1	1	6	9
Turnover rates of new hires		1	1	1	6	9

# Prioritization Tool Example: Feasibility Rating

Performance Indicators	Reporting Classification	Feasibility/Implementation Rating			Comparative Rating
	Return on Investment (ROI)/ Effectiveness /Satisfaction/ Volume/Cost	Easy to Measure 1	Moderately Difficult to Measure -1	Difficult to Measure -2	
Turnover cost (calculation of termination, new hire, vacancy and learning curve costs)	Cost	1			12
Turnover rate (rate of the employees leaving an organization)	Volume	1			10
Turnover rates of new hires	Volume	1			10

# Questions?

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