Business Impact Studies: Frequently Asked Questions

Why should we undertake a business impact study?

Companies spend millions of dollars annually on training and employee development, usually with no concrete evidence that those dollars are generating bottom line results. Fortunately, learning organizations are becoming much better aligned with their company's overall business metrics. However, being able to prove the linkage between human capital investments and results is not a simple task.

For example, simply showing that trained employees outperform their untrained colleagues is generally met with skepticism outside the training department: "The trained people were better performers to start with," "People who sign up for training are more motivated," and so on. In other words, there is a growing need to isolate the impact of human capital initiatives.

Isolating and quantifying impact requires serious statistical analysis to determine just how much of a performance gain is a direct result of a particular initiative. By understanding where and how it is making an impact, learning organizations will be able to show value for the investment, and perhaps even more importantly, continuously improve the impact of their offerings. Proving that investments in human capital pay off with business results can guide strategic planning when it comes to employee development and building a high-quality workforce.

What else will a business impact study tell me?

The initial result of the impact study will isolate how much of the performance difference is specifically because of the initiative and not some other factors. The next logical question is, "Is this initiative actually working better for some people than others?" This is called "optimization." Simply put, it identifies who in the population benefited the most from the intervention. Rarely does everyone get the same benefit. Knowing who benefited most empowers you to:

- Deploy the initiative to those who receive the most benefit
- Eliminate the time, expense and lost productivity of including people who won't benefit
- Design a new initiative to address the needs of people who currently are not benefiting

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Why should we partner with a third party to help determine the business impact of our learning programs?

Just as a CFO depends on the external auditors with specific expertise to give a non-biased opinion, learning leaders should consider the value of this as well. The specific expertise of advanced statistical modeling skills is typically not found within a learning organization. Further, having an independent analysis lends credibility to the results by removing the potential for internal bias toward reaching a particular conclusion. An additional benefit is in helping grow a company's internal capabilities by working with experts in the field on a measurement project.

How long does a business impact study take?

The length of a study depends on:

- The numbers of key performance indicators (KPIs), other variables and hypotheses
- The number of employees in the study
- The time required to obtain, then analyze all the data
- Additional questions that naturally arise from the Preliminary Report

What statistical methods do you use?

Capital Analytics uses a statistical approach called General Linear Modeling paired with observational statistics. General Linear Models (GLMs) provide us with an estimate of the impact and the statistical likelihood of that estimate. GLMs are a superset of "linear regression," also called "correlation," and "ANOVA" (Analysis of Variance). GLMs go a step further by addressing problems inherent in these two well-known methods:

- GLMs can handle categorical data, e.g. Region = East, West, North, South. Linear Regression models cannot.
- GLMs can handle continuous data, e.g. salary = some number that varies continuously along a wide range. ANOVA cannot.

By using GLMs, we can include more types of variables in the equation (your hypothesis), resulting in a more comprehensive picture of exactly what combination of factors is impacting performance.

How do you use General Linear Models (GLMs) to separate the impact of our initiative from other factors?

A GLM takes many factors (or variables), and maps them to a key performance indicator (KPI) such as sales revenue. The variables that go into the GLM are determined collaboratively at a Stakeholder Meeting. Basically, any variable that you think would affect your people's performance on the KPI is a strong candidate for inclusion in the study.

The GLM then evaluates your data and generalizes about the relationships between the outcomes (KPIs) and the inputs (the intervention and other considered variables). The calculations take into account that the entire company might have improved over time, that you may have trained more high performers than low performers, and all the other information in the model. The calculations involved in a GLM juggle the impact assessments for all the input variables to assure that the best "fit" is achieved for all factors simultaneously.

Why is it better to get actual "business results" data from company systems than from self-reporting surveys?

Your own business data has credibility within your organization. It is understood and objective and links directly to what's important to organizational success.

Results collected from surveys pose some challenges inherent in surveys: respondent population (sampling errors; bias in who responds), response rates, and accuracy of self-reported gains (social or political desirability bias). Further, other stakeholders outside the learning organization may question the credibility of the survey and its results.

Can survey data be used in our impact analysis?

Absolutely. If the collected information can be assigned a value, it can be used. Survey data is often used to capture "soft metrics" so we can evaluate the relationships between them and "hard metrics." For example, we could use Level 1 data along with business data to answer, "Are the most popular courses really the most valuable ones?" When used for "soft metrics," surveys can often add explanatory power to the GLM.