



HR and L&D Managers: do you know how much learning actually costs your organisation? And if not, how can you know for sure that you are delivering value?

The transformation and acceleration of corporate learning has jumped to third place in the list of talent challenges facing organisations in 2015, and only 5% of companies are confident in their ability to successfully correlate HR data with business performance. (Deloitte University Press: Global Human Capital Trends 2015)

Are you confident your organisation has a solid view of the true cost of L&D, and is investing these dollars wisely?

Setting the scene

I joined in the #OzLearn Tweet Chat a couple of nights back, and the topic was bidding farewell to Learning & Development. Based on a [thought provoking post](#) by David D'Souza, we imagined ourselves to be in the year 2025, conducting a hypothetical autopsy on L&D to understand the cause of death. We then travelled back to the present to discuss what learning practitioners could do to prevent the untimely passing of our old mate and generous benefactor.

My response to one of the questions posed touched on a focus I've had for a long time, and continue to have: **what are the true costs of our work, and are we getting the best value for our investment?** When I was an operational and line manager, this was a natural question to ask myself and my team, and fell squarely within my responsibility and accountability.

But in the world of back office functions (like HR), I was the recipient of many sideways glances when I started a project to calculate the annual cost of learning across the organisation.

Why did I do it?

Before I get into the reasons why, let me say that I agree with the belief many HR and L&D leaders have that learning is about building capability, improving engagement increasing productivity and lifting performance. But as a former procurement manager, I also say that we ignore cost at our peril. All forward thinking L&D leaders know that we must get better at building the commercial connection between our work and the business.

Here are my top three reasons why L&D Managers need to have an accurate view of the true costs of learning:

- 1. It will help to set the strategic imperative for L&D in your organisation.**
- 2. It will help to identify areas of focus for improvement**
- 3. It will help in calculating true value and ROI**

Setting the imperative

If you're lucky enough to work in an organisation where learning is always seen as strategically important and you never have to fight for budget allocations or technology upgrades, or protect your team from cyclical restructures, then you're likely in the minority. In other organisations, L&D is not well understood, and is often not viewed as a priority when compared to other functions – particularly by executives planning the next phase of organisational strategy, dealing with the tyranny of the urgent or making budget-based decisions.

Putting an accurate and defensible \$ figure on learning can help to shine an attention-grabbing spotlight on the investment that your organisation is making in skill development. You can then springboard this attention into a discussion about strategic value, alignment with organisational objectives, and future investment decisions.

Identifying areas for improvement

With objective data on the end-to-end cost of learning in your organisation, you can be reassured the decisions you and others are making about improvements are based on the full picture. Whether your business model is based on maximising private or shareholder profit, improving customer service, delivering charitable works or advancing government priorities, the ability to identify and free up costs to be redirected to emerging priorities is one of the foundations for sustainability.

All business functions, including L&D, should be looking at how cost structures could be optimised to continually improve their contribution to the bottom line, regardless of what yours is based on. Developing a 'big picture' view of costs will enable you to drill down on the drivers of those costs, place all learning initiatives and programs into a commercial context, and support further comparative analysis.

Calculating value and ROI

With a sound cost base to start from, objectively calculating value and return on investment is one step closer. Some practitioners see learning ROI as the L&D Holy Grail, while others are less enamoured with the concept. My opinion falls somewhere in the middle. Do I think L&D (and all corporate functions) should be able to demonstrate their organisational value? Absolutely! Do I think that ROI should be calculated to the nth degree on absolutely every activity or project? Not necessarily.

With a wide range of organisational stakeholders, plus inputs, drivers and outputs to calculate, sometimes the time and effort required to analyse legacy learning programs is too onerous to justify. Unless you have been rigorous in analysing and quantifying the originally intended outcomes of every activity or project, it may be too difficult to work backwards. (Not impossible, but I'll leave this for the topic of future post.)

That said, we surely won't get there if we don't comprehensively understand our costs in the first place. Imagine how fantastic it would be if you could take your analysis to the next level, and calculate value and ROI for your entire learning organisation. Just as a



well-conceived and designed program or project should lead to a measurable improvement in performance or productivity, so should the strategic cost impacts of learning be measurable at any single point and over time.

What should be included in your calculations?

Most L&D cost analysis and benchmarking looks at two elements: the labour and consumable cost of the centralised L&D team, and the cost of external vendors who provide training or learning materials for your employees. If this sounds like what you've traditionally based your calculations on, you're probably missing the majority of costs. Here are some additional data points that you could consider including in your analysis:

Learning attendance costs:

- The productivity cost of all employees attending learning programs e.g.: number of employees x hourly labour rate x total duration
- The productivity cost of all employees delivering learning programs (including outside of L&D) e.g.: number of employees x hourly labour rate x duration

Learning facilities and systems:

- The commercial asset value of the learning facilities in use e.g.: lease costs or foregone revenue if the rooms/buildings could be used for something else.
- The commercial asset value of learning equipment in use e.g.: purchase, depreciation maintenance and/or lease costs.
- The invested value in learning systems e.g.: purchase, depreciation, maintenance, licensing, registration.

Travel and accommodation:

- The cost of learning related travel to attend or deliver learning programs

Competence cycle time:

- The cost of employees who aren't operating at full capacity until their learning program is fully completed e.g.: interns, cadets, trainees, apprentices etc.

This last one is significant, particularly for organisations dependent upon a high number of technical, trade or specialised skill based roles.

Why would you include all of that?

The saying 'what gets measured gets managed' applies here. For every one of the above data points, understanding the total cost will help direct strategic focus on what management intervention may be required to improve the overall performance of the learning function and process.

For example, if the total productivity cost of learning attendance turns out to be alarmingly high because you have a high number of learning programs that are delivered in a traditional, off-the-job, classroom based approach, you could consider whether a review of delivery methodology would deliver a better balance. Think self-paced learning, project-based learning, performance support options etc. Aside from the



potentially significant improvements in learning effectiveness and impact, this could also reduce the costs of learning facilities, if it means you'll need less space for rooms set aside for traditional classroom sessions.

Competence cycle time can also be a major opportunity. If your cycle time is long and expensive, then a targeted review of the end-to-end programs focusing on improvement, integration and delivery methodology could deliver major cycle time reductions that lead to cost benefits.

It's hard work, but worth the effort

This post is based on the premise that unless you're actively analysing and calculating the cost of learning for your organisation, then you're probably presiding over a lot of wasted time and effort and failing to realise true value. The opposite could equally be true of course - you could be significantly under-investing in learning!

I'll bet that most organisations have a bit of both happening - wasted effort in some areas, and underinvestment in others. Either way, the time and effort to build a true picture of the cost of learning will most definitely be worth it, if it means you can have meaningful and objective conversations with your executive team about the value of investing in the right knowledge and skill development priorities for your organisation.

Have some ideas?

Please share your thoughts below and contact Open Access Learning if you'd like to continue the conversation about the opportunities for you to better understand the true cost and ROI of learning in your organisation.

Further reading

<https://documents.dupress.deloitte.com/HCTrends2015>

<https://ddsouzadotcom.wordpress.com/2015/03/02/the-death-of-ld-a-post-mortem/>