Do your training efforts drive performance?

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Building organizational capabilities is a top strategic priority, but an inability to measure the impact is a growing concern among executives we surveyed.

Executives around the world are striving to measure the impact of training and employee-learning programs on the performance of business. Half of those who responded to a McKinsey survey last year told us that they see organizational capability building as one of their top strategic priorities, but many said their companies could do better. When we asked respondents about their companies' biggest challenge with training programs, we found that the lack of effective metrics appeared to be a growing concern.

The 2014 survey,[1] analyzing the attitudes and experiences of more than 1,400 executives in all the main regions of the world, followed up a similar study on organizational capability building conducted in 2010. This time, roughly one-quarter of the respondents described their organizations' capability-building programs as "very effective." Slightly over half said that they were "somewhat effective."
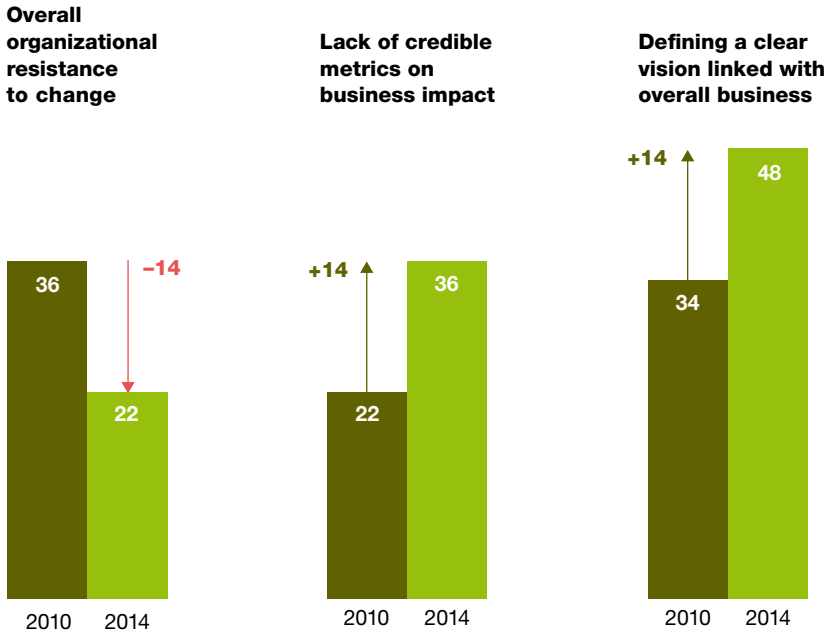
A preoccupation with metrics was one of the most striking changes between the two surveys: in 2014, a greater number of respondents said the lack of credible metrics was a business challenge (exhibit). Almost one-fifth said that their organizations did not attempt to measure the impact of training and learning programs at all; only 13 percent told us that these companies tried to quantify the *financial* return on their learning or training investments.

Such figures might be understandable in the context of general-purpose training without any business objectives. But let's imagine a bank that knows its sales performance could improve if call-center employees were better at identifying unmet customer needs. A range of skills might be relevant to achieve this objective. Assessing which skills really affect sales performance and applying metrics that show how well employees deploy them are critical for allocating training resources effectively and for actually boosting sales.

Exhibit

Resistance to change is down, but defining a vision and metrics for capability building is becoming more of a challenge.

Top challenges in institutional capability building, % of respondents[1]

Overall organizational resistance to change

Lack of credible metrics on business impact

Defining a clear vision linked with overall business

36 → 22 (−14)	22 → 36 (+14)	34 → 48 (+14)
2010 2014	2010 2014	2010 2014

[1] Respondents who answered "other" or "don't know" are not shown; in 2010, n = 1,440; in 2014, n = 1,448.

What the leaders do

Perhaps the most instructive answers in the 2014 survey came from executives at the 14 percent of organizations who identified capability building as a top-three strategic priority *and* told us that their companies' learning programs for leaders and frontline staff were "very effective" at preparing them to improve business performance. These executives were much likelier than others to say that their companies use a range of both qualitative and quantitative metrics to assess the impact of programs and were generally better at meeting the stated targets.

Significantly, this group also attached greater significance than the others to cooperation between the human-resources function and the business units. This finding is consistent with our experience that the impact of learning

on business results is greater when both sides "co-own" it. A US-government agency, for example, found that tailored programs jointly operated by training specialists and experts (in functions ranging from operations to engineering) helped identify opportunities to save more than $1.7 billion.

Innovation and accountability

Such co-ownership may be achieved through a variety of different structures. Some organizations create corporate academies. One of Asia's largest petro-chemical companies, for example, recently established a corporate "university" staffed with HR personnel, with functional and business heads serving as "deans." The latter not only design the company's programs but also implement them. Other organizations create learning functions that report both to HR and the businesses.

HR and learning specialists need to take the lead in developing assessment processes and competency maps. They should also assume responsibility for integrating learning and development with the overall talent-management system: performance assessments, role definitions, career pathways, and the like. Sharing responsibilities—with HR guiding the "how" and the businesses the "what"—has a number of practical advantages, starting with the greater relevance of the resulting programs to

the actual work of employees. That, in turn, improves a program's credibility and effectiveness, thereby encouraging additional investment. When senior leaders become more confident about a program's contribution to business performance, they start thinking, as they assess strategic choices, about potential capability gaps and become better able to estimate the potential value of filling them. ○

[1] For the full range of survey results, see "Building capabilities for performance: McKinsey Global Survey results," September 2014, on mckinsey.com.

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