

## Avoiding Measurement Mistakes

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#### NARRATOR

Measurement of talent management initiatives involves gathering evidence to make a case with higher management that the initiative led to concrete benefits for the organization. It is similar to gathering evidence from a crime scene to make a case in court that a perpetrator bears responsibility for what happened.

Various organizations have gathered evidence to try to demonstrate that talent management initiatives positively impact firm performance.

However, a lot of this evidence is flawed – just like crime scene evidence is often incomplete, unconvincing, or subject to different interpretations.

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#### NARRATOR

To help you understand how to gather sound evidence of the benefits of DDI programs, I've enlisted the help of two crime scene investigators.

- The rookie is probably a lot like you – in need of some guidance on how to gather good evidence
- The pro has a lot of experience gathering measurement data; think of him as your mentor.

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#### NARRATOR

Let's start with some survey data about measurement. What do you make of these two facts?

- 12 percent of organizations use human capital measures to help the company meet its strategic targets. Remember that guiding decisions is one of the main benefits of measurement to DDI clients.
- 5 percent of organizations measure learning's impact on real business metrics.

Let's see what our crime scene investigators have to say about these pieces of evidence.

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#### ROOKIE

It looks like some organizations are using measurement to help strategic decisions and to track learning to business metrics. So where is the mistake in this? I don't see it.

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#### PRO

The fact that you don't see it is the answer! Very small percentages of organizations are using measurement strategically. Most organizations aren't measuring the results of their talent management initiatives! How can they possibly justify what they spend on their programs if they don't know if they work? Every manager knows that you can't manage what you don't measure. I'd say that not measuring is business negligence!

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### PRO

This graph from the Global Leadership Forecast of 2008|2009 shows that the leadership development programs considered very high quality were 20 times more likely to do some kind of formal measurement than those rated very low.

In other words, learning programs that DON'T measure results are NOT considered good quality. After all, how could they improve if they don't measure how effective they are in the first place?

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### PRO

This graph is from the study of global leadership development that DDI conducted with the Institute for Executive Development.

Look at the green bar at the top. 71% of the best executed programs evaluated them with quantitative measures compared to only 12% of organizations with the least effective program execution.

Now compare that with the gold bar on the bottom of the graph. Among the organizations rated least effective at executing global leadership development programs, most of them – 77% -- didn't measure at all.

In other words, you can't get good program execution without measurement!

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### NARRATOR

Here's a second common measurement mistake. This graph shows how large and middle-sized organizations measure training. The types of measurement are based on Kirkpatrick's well-known typology, beginning with simple measures of trainees' satisfaction, called Level 1, to measuring the business impact of the training, which he called Level 4. The graph shows that the amount of measurement declines with each higher level.

### ROOKIE

Well, that looks like a lot of measurement to me – especially compared to the last data we looked at. What's the mistake here?

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### PRO

The problem with the training data is that all the emphasis is on the learning process, not results in the workplace. But training isn't really useful for an organization if it never goes beyond the classroom. Here's some more data about the kinds of metrics that learning and development organizations typically collect. They're all about the process and how efficient it is. This information might be useful, but you can't determine whether the training effort really helped the organization unless you measure results.

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### NARRATOR

So the first two mistakes that organizations make are about not doing enough. They either don't measure at all, or they just measure the process and ignore the results.

But attempts to measure results can also run into problems. In this next section we'll be hearing from three clients – Rose, Harry, and Donna. They made valiant efforts to measure results, but they still made mistakes. Let's listen to their experiences and see what we can learn from them.

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### ROSE

I put in a DDI selection program in my organization a couple of years ago. We had an online system to screen for the right experiences, then a test battery, and finally a Targeted Selection interview. A few months ago I realized that we would soon have 100 new hires--which was enough to measure the results of the new program--so I decided to see if it reduced our turnover. I measured turnover then, and measured it again when we hit the 100-hire mark. Unfortunately, the data were almost the same in my pre-measures and post-measures. We were really disappointed.

### ROOKIE

A Pre and Post measure sound very sophisticated. I wonder why Rose didn't get any difference in turnover. What do you think her mistake was?

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### PRO

Rose had the right idea with her pre- and post-measure, but she started too late. She should have measured turnover before the selection program was put in place.

Poor timing is a big mistake that clients make. Usually it's because they don't think about measurement until it's too late to get a good baseline. Sometimes they also measure too soon; they get overly eager to look at results when there really hasn't been enough time for anything good to happen.

Here's the way it should be done. The pre-measure should be taken before the program gets implemented. That's the only way to get a good baseline measure. The post-measure shouldn't be taken until there has been enough time for the talent management initiative to take effect. For example, people who were trained need time to use their new skills on the job. People in a succession management program need even more time to get up to speed on how to handle higher-level positions.

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### HARRY

My boss was always bugging me to show the bottom line impact of our talent management programs, so I went for measuring results in a big way. We put DDI's Maximizing Performance program into our company at the beginning of last year. I thought it was a great program, and we got a lot of favorable feedback about how it got us to focus on key results areas. A year after it was installed, I looked at the impact on our profits and they had gone up! I went to a meeting of the operating committee to brag about it, but they were very skeptical about my news. They weren't convinced that the profits had anything to do with putting in MAX. I was really frustrated!

### ROOKIE

I don't understand how this happened. Managers are always saying they want to see the bottom line results of programs, but when Harry gave them what they wanted, they wouldn't give him the time of day. What did he do wrong?

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### PRO

Harry is like a lot of HR professionals who find that financial results, such as revenues or profits, improve after they instituted a new talent management program. They just assume their program cause the increase.

But just because these two things are related doesn't necessarily mean that the talent management initiative was the CAUSE of firm performance. They make an **assumption** that it was.

- They treat Talent Management like it's the gun; by shooting its bullet at the target, it creates money for the organization

But maybe the reason for the relationship is backwards. It could be that the organization was profitable and then used its profits to invest in programs like MAX.

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#### PRO

Or perhaps neither talent management nor firm financial performance was responsible for the financial gains

- Instead, there might be another cause, such as a culture of innovation that spurred the organization to install innovative talent management practices and also create new products. The new products might have caused the increased revenues.

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#### PRO

You have to realize that a lot of things affect financial performance. Many departments might claim that they are responsible for the profits. For example,

- Sales might believe that their penetration of new markets was responsible
- Production might claim it was their more efficient manufacturing process
- Marketing might attribute revenues to their new marketing campaign
- Or Research and Development might say their newest product was responsible

How can human resources compete with all those claims? They need to show that talent management also hits this target – that it added to financial benefits over and above what the other departments might have done.

Harry could have built credibility about the financial benefits of the MAX plan if he had set up a control group. That is, he could have introduced MAX in one business unit and left a comparable business unit on their old performance plan. If the MAX unit generated profits above and beyond those generated in the control business unit, Harry could claim that MAX must have been responsible. After all, both business units had the same sales markets, the same production innovation, the same marketing, and the same new product. The only thing that was different was having MAX or not.

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#### NARRATOR

Here's a simple example of how a control group helps you establish that your program actually caused the measured results. In this example, the client wanted to show that a training program actually changed behavior.

Before the training, the company administered a pre-measure on table manners Key Principles. The group to be trained and the control group scored about the same.

After the training, a post-measure was again administered to both groups. The trained group's behavior had improved, but the control group's behavior remained the same. Because all other conditions were the same for the trained group and the control group, the client knew that the training must have been responsible for the behavior change.

Of course, the next step is to try the training on the control group and see if they also show better table manners Key Principles. We wish them good luck with that.

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### DONNA

I didn't measure financial results, but I still had a problem getting acceptance of my measurement study. I put the Targeted Selection interviewing system into my company two years ago. We had been very inconsistent in the way our hiring managers were interviewing before that and had even gotten some complaints from candidates about inappropriate questions. Targeted Selection stopped all those complaints, and 18 months later I found that the business units that were using TS had better customer satisfaction than those that were not using TS. But even though I had a good comparison group, senior managers didn't seem to accept my data. They told me it didn't make sense to them.

### ROOKIE

Here's another client with a credibility gap. I don't see what Donna did wrong. Do you?

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### PRO

Donna didn't persuade her management because she couldn't explain how better interviewing by hiring managers would lead to customer satisfaction. She left them with a black box between her program and the results. If she had data or even a theory about what was going on in the black box, she would have made a more convincing case.

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**NARRATOR:** Here's how DDI's approach overcomes common mistakes

### 1. Don't measure

DDI's measurement framework applies to any kind of talent management initiative; we simply tailor it to the specifics of the client's situation. In addition, our measurement projects are scalable from small to comprehensive. Our involvement is also scalable, from consultation to partnership to outsourcing.

### 2. Measure only process

DDI believes it's important to measure at each stage of a project, from determining whether a solution is appropriate and properly implemented to identifying its effect on the workforce and business results. We can measure from beginning to end.

### 3. Measure too late or too soon

DDI avoids these timing problems by establishing a measurement plan in the first stages of a client engagement – before the program is implemented. The plan includes a timeline for when each measure will be taken. That way baseline measures can be gathered before it's too late, and clients will be aware of when each step comes due.

### 4. Assume causation

DDI often recommends control groups who haven't been affected by the program. That way we can rule out other explanations when our program is shown related to measured results.

### 5. Fail to explain how

DDI works with clients to lay out a “**logical path**” from the design and implementation of a talent management solution to the kinds of outcomes that should result. This process helps clients think through how the program will help them achieve their objectives and also points the way to the type of metrics they should collect.