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## How Should We Measure the Effectiveness of our Corporate University Programs?

Jonathan Masannat  
*Cornell University*

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# How Should We Measure the Effectiveness of our Corporate University Programs?

## Abstract

As a result of the sub-optimal performance of recent graduates, the corporate university was created. Now, the corporate university is a central part of many learning organizations. Although firms with the largest investments in their people have proven to outperform other firms by 17% to 35% on the Standard and Poor's index, the fact is corporate universities still cost money, a lot of it. So, numerous firms have sought out to forge methods of measuring the effectiveness of corporate universities to determine the business impact and the potential need of improvement. However, determining what to measure and how to do so has proven to be a challenging task, one that many firms haven't yet tackled. For instance, one study found that 39% of organizations spend less than 1% their training budget on measurement and 94.3% of firms spend less than 5%, although measurement is crucial to improving the success of a corporate university. Thus, this paper will present a variety of the best approaches that can be used to measure the efficacy of a corporate university.

## Keywords

corporate university programs, measure effectiveness, human resources, HR, analytics

## Comments

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By Jonathan Masannat

## EXECUTIVE SUMMARY

### RESEARCH QUESTION

How should we measure the effectiveness of our corporate university programs? What are the best metrics/measurements?

### DESIRED RESEARCH

The executives want research displaying an array of metrics of effectiveness, not just ROI. After presenting the various metrics, a recommendation should be made.

### CORPORATE UNIVERSITIES: THE METRICS CHALLENGE

As a result of the sub-optimal performance of recent graduates, the corporate university was created<sup>1</sup>. Now, the corporate university is a central part of many learning organizations. Although firms with the largest investments in their people have proven to outperform other firms by 17% to 35% on the Standard and Poor's index, the fact is corporate universities still cost money, a lot of it<sup>2</sup>. So, numerous firms have sought out to forge methods of measuring the effectiveness of corporate universities to determine the business impact and the potential need of improvement. However, determining what to measure and how to do so has proven to be a challenging task, one that many firms haven't yet tackled. For instance, one study found that 39% of organizations spend less than 1% their training budget on measurement and 94.3% of firms spend less than 5%, although measurement is crucial to improving the success of a corporate university<sup>3</sup>. Thus, this paper will present a variety of the best approaches that can be used to measure the efficacy of a corporate university.

### CORPORATE UNIVERSITY EVALUATION/MEASUREMENT MODELS

A corporate university should be created with a goal in mind; that goal may be to increase retention, employee engagement, employee satisfaction, or the like. Such goals should be measured in gauging a corporate university's success, and therefore, there is no single method that will work for all corporate universities<sup>4</sup>. However, to measure the degree to which the university induced the desired change in the participants, there are varying models below that can guide you:

**(1) Kirkpatrick Model** (used by Farmers University):

- Level 1: Reaction. Students of the university evaluate the program in its totality (i.e. courses, instructors, etc.) Kirkpatrick's calls it a "measure of customer satisfaction"<sup>4</sup>.
- Level 2: Learning. The degree to which participants change attitudes, improve knowledge, and/or increase skills as a consequence of program participation<sup>4</sup>.
- Level 3: Behavior. The degree to which the participants' behaviors change as a result of attending the program<sup>4</sup>.
- Level 4: Results. Visible outcomes that are a result of the participants attending the program. These results include increased production, improved quality, decreased costs, reduction in accidents, increased sales, reduced turnover, and higher profits<sup>4</sup>.

**(2) Phillip's ROI Measure** (also referred to as Level 5 of the Kirkpatrick model):

• Similar to standard ROI measures, it considers the ratio of cost to benefits. First, calculate the costs of a training class, which include the instructor fee, handouts, room costs, and the like. Most firms also factor in the cost of the employees' benefits and salaries for the time they are in class, plus taxes. Second, calculate the benefits. Start by focusing on the goal of the corporate university. Then decide what a successful outcome would look like and how one would measure it. For example, the TVA does so by calculating the degree to which a course's material is used on the job, the amount of improvement as a result of the course, and the worker's value in the firm. These calculations in general can be very tricky, but some have done so successfully<sup>1</sup>.

**(3) Allen's Model:** I recommend this model for use, as it develops on the popular Kirkpatrick model in a comprehensive and meaningful manner<sup>4</sup>.

- Level 1: Participant Satisfaction. Student reports satisfaction with program<sup>4</sup>.

- Level 2: Cognitive Acquired Knowledge. Using various models of pen-and-paper testing, one can determine if participants acquired new information, facts, formulas, etc<sup>4</sup>.
- Level 3: Technical Skill Acquisition. Observations of newly acquired skills or the development of already possessed skills<sup>4</sup> (i.e. did volume increase as a result of the new training?)
- Level 4: Attitude and Perception Change. Conducting pre- and post-learning attitude assessments by using narrative data, where employees provide their opinions, beliefs, and attitudes about specified concepts, and using narrative analysis software will measure the program's effectiveness in changing attitudes<sup>4</sup>.
- Level 5: Individual Behavior Change. Performance evaluation by means of a neutral 360-degree feedback, specifically using a "nonequivalent group" design (comparing the trained group to a non-trained group<sup>4</sup>.)
- Level 6: Individual Behavior Change Regarding Application of New Knowledge. Participants undertake action-learning projects and calculate the ROI on said projects to measure behavior change and knowledge transfer<sup>4</sup>.
- Level 7: Critical Mass Change. Summarize the data of steps 1-6 by adding and/or averaging the results at each level and cumulatively<sup>4</sup>.
- Level 8: Culture Change. Triangulation of measures of cognitive, attitudinal, and behavioral changes to check validity of the three; triangulation is a simple statistical formula/concept<sup>4</sup>.

#### **CASES: REAL WORLD EXAMPLES**

##### **Motorola University**

This is one of the most successful and long-running corporate universities. It measures success of its goals in three categories: client, business operations, and talent, using a balanced-scorecard type approach. They call this approach the goal, question, and metric approach ("GQM"). The first step is to first define "success" in the specified area by looking within the organization; for example, what do we consider to be a highly satisfied client? Then, it will measure the client's satisfaction by considering performance (using Kirkpatrick's model to see how well the program induced the intended outcome), timeliness, and cost (was it provided at the agreed cost?) So, as you can see, it used a model to determine the efficacy in causing the intended result, but it also considered other factors they considered to be important, such as timeliness<sup>5</sup>. To measure ROI, Motorola University uses a very consultative and holistic approach that can measure the ROI of a corporate university investment before it occurs. First, it diagnoses the root cause of business gaps, such as cash flow problems. Then, utilizing internal partnerships and business data, like finance and market research, it estimates the percentage that employee performance contributes to the gap. Next, they narrow down how much of that employee performance gap is due to knowledge or skills that might be addressed by training. Finally, they then estimate the value of the training initiative leveraging the data gathered in the previous steps<sup>4</sup>.

##### **The University of Oz**

MGM Grand wanted to increase retention. It decided to create a corporate university that would permeate a culture, which would do so; it did not really have a culture at the time. Thus, it created The University of Oz, which is a degree program spanning a number of months. The degree is worthless outside of the firm, but internally, it is a very valuable and prestigious honor. Since the goal of the university was to increase retention, that is the metric that it monitored. Because this metric was already monitored, it was easy to see the impact. Once again, it is best to measure the progress of the goal for which the university was created to attain<sup>1</sup>.

#### **TAKEAWAYS**

Measuring the effectiveness of a corporate university is an integral part of its success, for it establishes credibility and identifies areas of improvement. Each corporate university must create its own measurement of effectiveness that is connected to the goal(s) the university was created to attain. However, utilizing a model, such as Allen's model, will successfully measure the effectiveness of a corporate university's ability to attain the intended goal.

## References

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2. Wheeler, K. B., & Clegg, E. M. (2005). *The corporate university workbook: launching the 21st century learning organization*. San Francisco, CA: Pfeiffer.
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5. Miller, C. (n.d.). Inside the Latest Measurement Techniques. - Chief Learning Officer, Solutions for Enterprise Productivity. Retrieved April 9, 2014, from [http://clomedia.com/articles/view/inside\\_the\\_latest\\_measurement\\_techn](http://clomedia.com/articles/view/inside_the_latest_measurement_techn)

## Recommended Readings

Below are some readings that may be really beneficial to you:

### **1. JetBlue University's Strategy for Evaluation**

Overcast, S., Schmidt, T., Lei, K., Rodgers, C., & Chung, N. A. (2009). A case example of assessment and evaluation: Building capability in a corporate university. *Performance Improvement*, 48(6), 5-15.

### **2. Motorola University's Approach to Calculating ROI: Chapter 10**

Allen, M. (2002). *The corporate university handbook designing, managing, and growing a successful program*. New York: AMACOM.

### **3. Caterpillar University's PowerPoint on its Evaluation Strategy**

[http://www.azhixiao.com/uploads/soft/200907/659\\_02174505.pdf](http://www.azhixiao.com/uploads/soft/200907/659_02174505.pdf)

Appendix

1. Motorola University's ROI Calculation Sample (see book for complete process)

**Figure 10-7. Performance drivers and solutions.**

<b>Driver</b>	<b>%</b>	<b>Possible Solution</b>
<b>Environment</b> <ul style="list-style-type: none"> <li>Sales force is an average of one day of travel from customers</li> </ul>	5%	Relocate sales force so it can be an extension of customers' team
<b>Process</b> <ul style="list-style-type: none"> <li>Lead qualification process is too slow</li> </ul>	15%	Business process redesign
<b>Motivation</b> <ul style="list-style-type: none"> <li>Paid to reach quarterly targets, not long-term relationships/outcomes</li> </ul>	33%	New solutions—selling/customer loyalty-based compensation and performance management system
<b>Skills/Knowledge</b> <ul style="list-style-type: none"> <li>No access to global customer intelligence (data on current and future needs across customer locations)</li> <li>Product sales proficiency, not solution-oriented consultative sales</li> </ul>	10%	Create Web-enabled strategic customer data mines (e.g., companysleuth.com) and customer solutions communities of practice
<b>Capacities</b> <ul style="list-style-type: none"> <li>Traits not systematically sought after in hiring process</li> </ul>	12%	Teach solutions skills for sales force whose 360-degree feedback scores fall into "require development" category
<b>Capacities</b> <ul style="list-style-type: none"> <li>Traits not systematically sought after in hiring process</li> </ul>	25%	New realistic job preview and prehire assessment

**Figure 10-10. Calculation example.**

## Value X Effectiveness = Benefit

What's the scorecard gap worth in dollars? 15% gap = <b>\$3 billion</b>	Did we shift performance the entire distance the business required? Top Box is now 80%	Shareholder value-added estimate
What % is due to human performance? <b>10%</b> ; 25%-85% = 60%	55/60 = <b>91.7%</b> of desired performance improvement	
What % of performance is a knowledge or skill gap? <b>22%</b>	In the time frame the business required? Goal: by 12/31/2002 Actual: 15 days late 100%-(15/90) = 100%-16.7% = <b>83%</b>	

Value = **\$66 million** × **91.7%** Top Box goal × **83%** on-time = **\$50,215,018**