

The NIIT logo consists of the letters "NIIT" in a bold, dark blue, sans-serif font, centered within a white circle.

NIIT

Is Your Investment in Learning Working Hard Enough?

Measuring the Impact of Learning Portfolio Transformation





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You never change things by fighting
the existing reality. To change
something, build a new model that
makes the existing model obsolete.

R. Buckminster Fuller




Introducing the Portfolio Effectiveness Index™

Today, companies worldwide spend over \$300 billion to train their employees. However, a large part of the Learning & Development (L&D) spend is discretionary and subject to budget cuts as and when a company goes through difficult times. In the last decade, companies have gone through so many peaks and troughs that volatility, uncertainty, complexity, and ambiguity have become prevalent sentiments. L&D departments are not immune to this. Many of them are implementing various strategies to transform their learning portfolios (curricula), making them more effective and efficient - some as a proactive measure, while others under severe pressure to reduce costs.

Almost all our current customers are in the midst of a learning portfolio transformation initiative, such as vendor consolidation, delivery modality shift, globalizing curriculum, reconfiguring the learning journey, optimizing learning objectives, and reducing duration. These portfolio transformations, as we all understand, typically have a medium to high risk element. Many of these initiatives also require an initial investment that should lead to positive impact in the short to mid-term future. However, as L&D heads and their CEOs wait with bated breath to view reports summarizing the impact, they find that results are elusive.

It is hard for the stakeholders to assess the total impact of portfolio transformations and there is always a doubt whether these transformations have yielded the desired or positive outcomes. The following is an example of a question that a learning stakeholder will most likely ask:



Changing to technology-driven delivery modality means reduced access to learning for about 10% of the employees who are in the field. However, what does it mean in the context of total cost reduction and enhanced effectiveness due to using an expert facilitator? Does the gain in effectiveness and cost reduction outweigh the compromise on the overall reach?

To address this gap in a comprehensive metric that measures the impact of learning portfolio transformations, NIIT has developed a unique single measure that enables our clients to measure the “effectiveness” of their learning portfolios (or curricula) over a period of time. We call this the Portfolio Effectiveness Index™.

Understanding the Portfolio Effectiveness Index™

The Portfolio Effectiveness Index™ is a measure of Portfolio Effectiveness per unit cost of learning.

Portfolio
Effectiveness



Cost per
Learner Hour



Portfolio
Effectiveness Index™

There are four critical elements that determine the effectiveness of a learning portfolio:



Criticality to Business

To maximize the impact of training, it needs to align with business objectives. There are multiple advantages of doing so:

- > Businesses are willing to invest in and sponsor participants' time in training.
- > There are immediate opportunities to apply the new learning at work.
- > Participants are encouraged by the acknowledgement of the new skills that they have acquired and the improvement in their capabilities.
- > Managers are willing to reinforce training and provide an environment in which the new skills nurture.



Training Efficacy

To deliver value, training has to transfer the learning objectives effectively. It needs to inspire the participants to adopt new behaviors and make them feel confident about their ability to apply new learning.



Target Audience Coverage

We have seen many exceptional training programs failing to create the envisioned value because they were not accessible to the target audience. This could be due to reasons such as non-availability in the local language, inaccessible technology, or prohibitive cost.



Content Coverage

Sometimes learning portfolios fail to deliver value because they do not provide the required content coverage. An example is a Project Management learning portfolio that does not cover the proprietary project management tools and processes used in the organization & leaves the participants stranded when it comes to integrating project management concepts in their day-to-day work.

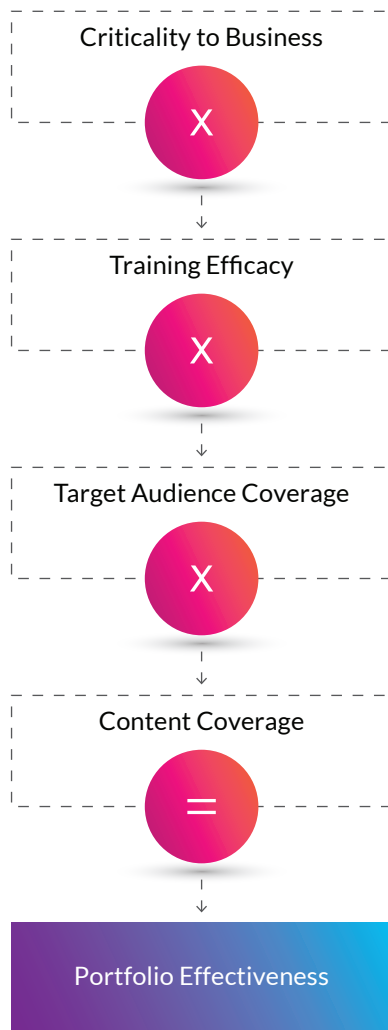
Hence, we define Portfolio Effectiveness as a multiplier of Criticality to Business x Training Efficacy x Target Audience Coverage x Content Coverage.

The cost per learner hour is the unit cost of learning. We have found that many organizations track at best only the direct costs to determine the cost of training. This is a misleading number because in reality, the training costs much more. True total cost of training includes all direct and indirect costs. Further, direct costs or out of pocket costs include all the costs that are normally in the learning budget (e.g. staff, infrastructure, facilities, training staff travel, all vendor costs, venue costs, etc.). Indirect costs include costs such as cost of participant's time and travel for training, cost of lost productivity, and cost of poor quality.

The cost per learner hour is calculated by dividing the total cost of learning portfolio (direct and indirect) by the total learning hours delivered.

Understanding the Portfolio Effectiveness Index™

Let's work through an example of learning portfolio of Business Skills to calculate the Portfolio Effectiveness Index.



Where:

- > Criticality to Business is an estimate of the value of the skills being taught to the business, from 100% = completely critical to the company's success to 0% = not useful at all.
- > Training Efficacy is an estimate of how well the training does at inculcating the targeted skills (where 100% is perfect).

- > Target Audience Coverage is an estimate of the percentage of the audience who should take the training versus who are taking it.
- > Content Coverage is an estimate of the percentage of what the portfolio should ideally cover versus what is currently covered.

3.1.1 Criticality to Business

The portfolio manager measures this parameter as well via a survey with the managers and business leaders. The following is an excerpt from the survey.

	Manager 1	Manager 2	Manager 3	Manager 4
Negotiation	4	5	4	5
Consulting	5	5	5	5
Presentation	8	9	8	9
Teamwork	10	10	10	10
Business Acumen	7	8	7	8
Customer Service	6	6	6	6
Project Management	8	8	8	8

Let's assume, based on this data, the criticality to business is 7 on a scale of 10 i.e. 70%.

3.1.2 Training Efficacy

The portfolio manager or program managers measure this via a post training survey of the learners and their managers. The following is an excerpt from a survey.

	The training was very effective	The skills taught are very relevant	I am very confident about applying new skills	Average score
Learner 1	8	9	7	8
Learner 2	7	9	5	7
Learner 3	7	8	6	7
Learner 4	8	10	8	8.7
Learner 5	6	9	6	7
Learner 6	8	9	7	8
Overall Average : 7.6				

3.1.3 Target Audience Coverage

Similarly, the following table shows the target audience coverage.

	Role 1	Role 2	Role 3	Role 4	Role 5
UK	100%	100%	90%	100%	100%
USA	100%	100%	100%	100%	100%
Germany	100%	0%	90%	100%	100%
Poland	100%	0%	0%	0%	0%
Belgium	100%	100%	90%	100%	100%
Singapore	100%	0%	0%	0%	0%
Japan	0%	20%	0%	0%	0%
Korea	0%	0%	0%	0%	0%
India	100%	100%	90%	100%	0%
West Africa	100%	100%	90%	100%	60%
Average	80%	52%	55%	60%	46%
					59%

3.1.4 Current Coverage

As per the data displayed below, the current coverage is 83% as this portfolio does not address 2 out of the 12 content areas.

Area	Currently Covered
Negotiation	✓
Consulting	✗
Presentation	✓
Teamwork	✓
Business Acumen	✓
Customer Service	✓
Project Management	✓
Mentoring	✓
Leading a Team	✓
Communication	✓
Planning	✓
Time Management	✗

Cost Per Learner Hour

Cost per learner hour is the unit cost of the portfolio based on the total cost of training for the said portfolio. Divide the total cost of a learning portfolio with the total learner hours to obtain the unit cost of the portfolio. The total cost should include both direct and indirect costs. The table below shows the total cost of a learning portfolio on Business Skills for a period of 6 months.

Direct Costs	\$307,000
Trainer	\$200,000
Trainer Travel, Boarding & Lodging	\$200,000
Venue	\$0
Catering	\$12,000
Printing & Shipping	\$2,000
Training Administration	\$4,000
Technology Licenses	\$0
Amortised Development Cost	\$4,000
Allocated Training Team's Costs	\$60,000

Given the data in this example, Portfolio Effectiveness = 70% (Criticality to Business) x 76% (Training Efficacy) x 59% (Target Audience Coverage) x 83% (Content Coverage) = 26.05%

Let's assume the following data for the total hours of training.

Program	Duration (Days)	No. of Participants	Total Learning Days
Program 1	0.5	100	50
Program 2	1	40	40
Program 3	1	40	40
Program 4	1.5	50	75
Program 5 - eLearning	0.25	200	50
Total Learning Days			255
Total Learning Hours			1785

Given the previous page's data, the total training cost per learner hour = \$1,837,700/1,785 = \$1029.52

(0.2605)
Portfolio
Effectiveness



(1029.52)
Cost per
Learner Hour



(0.00025)
Portfolio
Effectiveness Index™



Implementing the Portfolio Effectiveness Index™

While all stakeholders would like to measure impact and progress of the training, we do understand that measurements can sometimes be cost prohibitive. Keeping this in mind, we have defined a very simplistic process for implementing the Portfolio Effectiveness Index.

There are five key components of the implementation plan:



Target

This is the goal where we want to reach. It is a combination of cost and all the effectiveness measures. To determine the target, we start with baselining the current position on the index. We then estimate the target based on the transformations planned and our hypothesis of the impact that these will create.



Costs

This includes a record of program-related costs, such as trainer, venue, printing, travel etc. and a record of standard costs, such as participant salary and benefits cost based on grade (or average cost per employee) and cost of lost productivity based on overall company revenue per employee. We also understand that poor quality training also has a cost attached to it. We call it the cost of poor quality. This is calculated by analyzing the feedback of programs and assigning a dollar value to any rework, repeat training required, or write-off as a result of the poor first time training. It is normal to find that the cost of poor quality is typically about 10% of the total cost range on average.



Surveys

This includes a record of program-related costs, such as trainer, venue, printing, travel etc. and a record of standard costs, such as participant salary and benefits cost based on grade (or average cost per employee) and cost of lost productivity based on overall company revenue per employee. We also understand that poor quality training also has a cost attached to it. We call it the cost of poor quality. This is calculated by analyzing the feedback of programs and assigning a dollar value to any rework, repeat training required, or write-off as a result of the poor first time training. It is normal to find that the cost of poor quality is typically about 10% of the total cost range on average.



Content Coverage

Map for each program in the portfolio. The portfolio owner updates this every six months. Depending on the structure of the L&D organization, the portfolio owner can collate this data in various ways. We typically recommend that the portfolio owner connect with the business stakeholders to assess the relevance and coverage of the learning objectives. Most learning programs have a shelf-life of at least one year, so this activity can be conducted once or, if required, twice a year.



Target Audience

Reach map for each program in the portfolio. The portfolio owner updates this every six months. The portfolio owner could get this data from Business Learning Leads or Market Learning Leads, if these roles exist. The portfolio owner could also run a survey with the business leaders to determine the accessibility to learning. Also, some organizations set up their learning portals with the option to “register your interest” in a program, if the program is not available in a desired language, location or format. Analyzing this data can be another way to determine target audience coverage.

Managing the Portfolio Effectiveness Index™

The Portfolio Effectiveness Index™ provides a quantitative indicator of how effective and efficient the targeted portfolio is. The following levers can improve the index:

Enhancing the content coverage where content coverage is determined by calculating the learning objectives/competencies that the current learning programs address versus the learning objectives/competencies that the business desires. For example, a business requires that the business skills curriculum should enable participants to cover the following four learning objectives:

- > Communicate effectively with customers
- > Make effective presentations
- > Analyze data to share insights
- > Create a business case with recommendations

If the learning content addresses three out of the four objectives, the content coverage would be 75%.

Further, an organization may choose to calculate the content coverage at a more granular level. The choice will depend on the maturity of the training function. For example, to what extent is each learning objective addressed.

Let's review the sample data here:

Learning Objective	Addressed by the Current Curriculum	Extent to which the Curriculum Addresses the Business Objective
Communicate effectively with customers	Yes	80%
Make Effective Presentations	Yes	70%
Analyse data to share insights	Yes	90%
Create a business case for recommendations	No	0%

If we look at this more granular view, the content coverage now becomes 60%.

Enhancing the target audience coverage, where the target audience coverage can be measured as either:

- > Percentage of regions with access to the curriculum.
- > Businesses that have access to the curriculum.
- > Roles that have access to curriculum.
- > Employees who have access to the curriculum.

Multiple factors influence the measures we choose. These include the structure of learning in the organization, the audience to whom the curriculum is relevant and the granularity of data available to calculate the measure. Let's consider examples to illustrate this further.

Example 1:

Global finance curriculum for the finance function in all regions & businesses of Company A

For this curriculum, the table below depicts our recommended method to determine the audience coverage.

Business	1	2	3	4	5
UK	100%	100%	90%	100%	100%
USA	100%	100%	100%	100%	100%
Germany	100%	0%	90%	100%	100%
Poland	100%	0%	0%	0%	0%
Belgium	100%	100%	90%	100%	100%
Singapore	100%	0%	0%	0%	0%
Japan	0%	20%	0%	0%	0%
Korea	0%	0%	0%	0%	0%
India	100%	100%	90%	100%	0%
West Africa	100%	100%	90%	100%	100%

We would look at the percentage of target learners within each business and each region who have access to the learning program. For example, as per the table above, none of the finance personnel who are part of the Business 2 in Germany have access to the program. However, all the finance personnel who are part of the Business 4 in Germany have access to the program.

Example 2: Sales skills curriculum for the centrally located tele-sales organization of Company B

Assessing the target audience coverage is much simpler for this curriculum since the target audience is co-located and part of a single business. The two tables below depict the two ways to calculate the target audience coverage. In the first sample, we look at the total audience and in the second sample, we breakdown the audience based on the projects in which they are working.

	Total Target Audience	Target Audience Covered	% of Target Audience Covered
Course 1	1001	1001	100%
Course 2	1042	938	90%
Course 3	715	715	100%
Course 4	370	148	40%
Course 5	1581	798	50%



	Team A			Team B			Team C		
	Total Target Audience	Target Audience Covered	% of Target Audience Covered	Total Target Audience	Target Audience Covered	% of Target Audience Covered	Total Target Audience	Target Audience Covered	% of Target Audience Covered
Course 1	400	400	100%	270	270	100%	331	331	100%
Course 3	325	293	90%	442	398	90%	275	248	90%
Course 4	200	200	100%	335	335	100%	180	180	100%
Course 5	179	72	40%	80	32	40%	111	44	40%
Course 6	630	378	60%	556	222	40%	395	198	50%

By enhancing training efficacy, which is measured by determining the effectiveness of the program. Training efficacy can be improved by ensuring:

- > High business relevance of the program.
- > Increased opportunities to apply the learning soon after training.
- > Enhanced participation of the managers to reinforce learning.
- > Learning design that ensures higher retention e.g. learning by doing.
- > Use of pre and post activities that enhance learning.
- > Others

By ensuring that the learning programs within the targeted curriculum are critical to business. This is done by:

- > Ensuring a strong linkage between business requirements and learning.
- > Ensuring that the portfolio is addressing the key capability needs of the business (es) it is serving.

- > Managing the learning inventory such that learning programs, which are no more relevant to the business or have low business relevance, have a sunset date.
- > Allocating learning budget such that the learning objectives, which are more critical to the business, are prioritized.
- > Conducting a periodic survey with the business and learners to test the relevance of programs within a curriculum.

By optimizing the cost of programs. There are multiple levers within this category. Some examples are:

- > Rationalizing vendors
- > Centralizing procurement to drive volume-based pricing
- > Reducing travel-related to training
- > Leveraging more effective delivery modality
- > Transforming curriculum
- > Increasing fill rates in a program
- > Reducing amount of training time
- > Eliminating scrap training
- > Decoupling content from delivery
- > Moving fixed costs to variable costs
- > Others

Conclusion

In this age of big data, a lot of it is available at the click of a mouse. However, we find that L&D teams struggle to make meaning from that data. Therefore, when we designed the Portfolio Effectiveness Index, we had three key considerations.

Comprehensive Measure

We wanted a comprehensive measure that captures all aspects of training efficiency and effectiveness. We wanted to enable the L&D professionals to share with their stakeholders on how to enhance effectiveness of a learning portfolio. Just as cost cutting may result in poor quality, superior quality at a very high cost may also not be an optimal decision.

Simple and Easy to Calculate

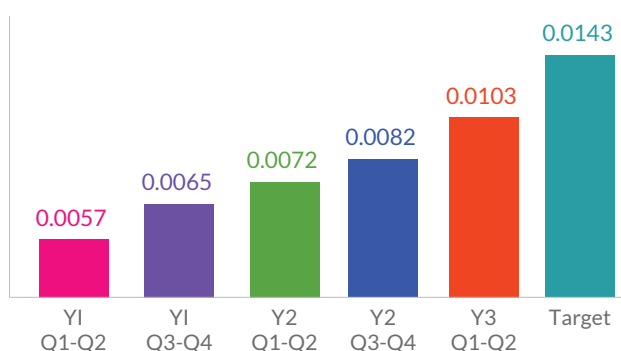
We wanted the measure to be simple and easy to calculate. We understand how MIS, data collection and analysis can take the shape of a complex task that requires a dedicated team to do just that.

Single Index

We wanted the measure to be a single index that is easy to remember and track. We wanted it to be based on a simple formula that all L&D stakeholders understand.

The Portfolio Effectiveness Index™ combines all the critical measures in a single index that can be tracked on a six monthly (or annual) basis to determine the impact of learning portfolio transformations and take actions to enhance the progress.

The tracker displayed below shows the movement of the Portfolio Effectiveness Index towards the targeted value over a period of three years.



Portfolio Effectiveness Index for Portfolio x

We believe that this easy to adopt index will help L&D leaders work with their sponsors and business stakeholders transparently and objectively towards enhancing learning portfolios. We believe that this will help break the communication barrier between L&D and business, create a common vocabulary and ultimately allow L&D to return to the business much more value than the investment the business makes in training.

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