



What makes L&D and Development of Human Capital crucial for organizations and their employees?

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By **eELEVATION**

First things first

Can we ask a more obvious question? Or come up with a clearer answer? Actually – yes. This article originated in a gap we identified in the L&D community and during Limi strategic consulting sessions we conducted in organizations. During these sessions we map existing L&D and HCD processes and together with the customer decide on recommended activities to conduct in order to generate impact – to turn L&D into a growth engine to the organization and its employees. Broadly speaking, it seems that us professionals find it hard to track in an evident and factual way if and how much investment should be put into learning.

The need, as we identify it, exists in different organizational components: management; HR; strategy and innovation departments; and even L&D departments. **This article provides answers for questions that come up, or should come up, about our own role:** how can we assist management to understand why promoting learning is important? What can the organization gain? Where are we positioned facing global and local data? Where should we aim? How do we make data and research-based decisions and not feelings/slogans based? And more.

Another resource emphasizing our need for evidence is the Israel L&D Industry Research we perform annually to analyze the market. This year, again, the question "What troubles you in your profession?" was largely answered: **improving the positioning of L&D in the organization** and the wish to become more relevant and valuable.

On top of everything, the reason for writing this article is belief. **Our deep empathy, us human capital developers, is the reason we're here in the first place.** Our understanding of the reason we do what we do; of the necessity of L&D and HCD in organizations; of the need for professionalism; of why we should invest in that field; and why we believe in our ability to influence organizations and employees. Because the answer to all of these is where we start. Our belief will become our lighthouse which tells us we can do good in this world, and from there (God willing) our quality and our motivation for positive influence shall grow.

But even belief requires **proofs** for the power of organizational L&D and HCD. So, even though there is rather limited academic research about this subject, and its surveys are mostly conducted by commercial entities, we searched and read a lot (!) of data ¹, emphasizing organizational HR and L&D, to gather evidence for our possible impact. We included in this article only "serious" data, which fulfills at least two of the following parameters: conducted by a reliable organization, based on data and evidence (and not opinions) gathered from hundreds of people or organizations, up to date and quoted by other resources.

It's time we gather all evidence indicating the impact learning can generate in organizations and its employees.

Spoiler: our speech about "proof of evidence is on us" awaits at the end of this article...

¹ We were also assisted by the [Methodica newsletter](#) which we have been following for over a decade.

Evidence Stage

We'll start with the big news and tell you we found at least three different and thorough researches + one major survey + one huge report, all proving that:

Investment in human capital and learning generates higher profits!

Probably the most renowned and thorough [research](#) in L&D was published in 1997 by the ATD. Despite being rather old, it is most reliable and cannot be ignored. The research, conducted over 3 years, examined the relation between investment in learning and the financial performance publicized by over 500 traded companies in the US. The research question was if an annual investment in learning will influence the shareholder yield the following year. The researchers created a statistic model that found that the companies in the top quarter of the research group, i.e., those that invested most in learning and training, enjoyed higher profits by 24% and higher income by 218% average per employee compared with companies on the lowest quarter (yes, we also had to double-read these figures to believe). Also, they were able to prove that data about the level of investment in employee learning assists in forecasting the change in share prices and dividends issued during the following year and the company's success.

Furthermore, Dr. Bassi (the lead researcher) was so thrilled by her findings, that in 2001 she founded an investment consulting company managing portfolios based on her research and was highly successful.



Another evidence (a bit less firm regarding learning per se but is certainly supportive) comes from Prof. Dan Ariely's [research](#) from 2018, conducted over several years as well. As part of the research a virtual portfolio was created, based on companies with major investment in human capital ² which generates employee motivation and high satisfaction rate. The research examined the yields of that portfolio vs. investment in S&P 500 index ³. The results showed that the yield in the portfolio based on human capital investment and motivation was higher by 17%(!) than the S&P 500 index. The research also showed that success has resulted from a quality investment in human capital (less than other parameters such as high salary and benefits). Again, Prof. Ariely was so thrilled by his findings that he also promotes an index and an actual [investment fund](#) based on that evidence.

Even research conducted about digital transformation in organizations provided us with concrete evidence. A [research](#) conducted by MIT in collaboration with Deloitte in 2018 including over 4,300 managers from around the world, found a major differentiation between the most successful companies and the rest of them: the way in which the companies and their employees were learning.

For example: in companies with the highest performance, 73% of the employees are involved in learning and update their skills once every six months, and 44% update their skills continuously throughout the year. Thus, the most successful companies are those that study quickly and throughout the year and not only when they must.

Surveys also contribute to this subject. A thorough [survey](#) conducted by [Udemy](#) in 2018 among tens of organizations using their services (in various sizes and industries) shows that companies with high growth ⁴ had more learning hours than companies with low growth. Not surprisingly, these companies invest more than the average ⁵ in L&D resources directly on their employees. The survey also found that 70% of the companies that implement online learning, indicated after the implementation that their income has grown. By the way, the survey did not find a strong relation between employee retention and learning. Why? The researchers explain that you cannot offer solutions for learning and development without actual growth opportunities within the company. In order for companies to retain their employees longer, they have to offer new roles and business opportunities, horizontal or vertical.

² This is how Ariely defines "investment in human capital and increased motivation": as modern workplaces are reliant on their employees' good will nowadays, in order to increase motivation, they should invest in human capital, according to his research, by promoting work environment in which honest mistakes are rewarded with learning, evaluation and further opportunities; generating culture that encourages autonomy and independent work (including decision making and learning); empowering value and meaning at work (what does the world gain? What do I gain?) etc.

³ Stock market index including shares of the largest 500 traded public companies, considered an indicator for the US economy.

⁴ TGrowth was defined as the annual rate of income growth. High growth = growth rate of 50%-100%, medium growth = growth rate of 10%-50% and low growth = rate of 0%-10%.

⁵ At least \$1,000 per worker annually, based on ATD data from 2016.

[Coursera's](#) 2021 Industry Skills [report](#) also showed some amazing results. The report was written based on insights from an algorithm analyzing the usage and content data of Coursera (millions of signals) and on qualitative analysis of over 140 global resources on the subject. One of the major report trends indicates clearly that companies whose employees are highly skilled had larger shares yield and also a much better ability to successfully complete a digital transformation and utilize it better.

We could hardly find independent academic research on the subject, but the volume of examined subjects and the repetitiveness of the findings in the following surveys indicate that:

Learning generates high ROI and ROV for organizations.

Again, this is a proven claim that provides us with several practical directions toward examination of ROI and ROV in organizations.

This time we start from the business side. A [report](#) by Oxford Economics from 2014 shows that personnel replacement requires major investments from employers. The cost mentioned in the report is £30,614 per employee. According to the report, the main factor in this amount is the cost of lost output until the time the new employee reaches full productivity. The estimation is of 28 weeks (about 7 months). The other major factor is the logistic cost of recruitment and reception of a new employee. An [article](#) published in Globes Israel on March 2022, discusses data publicized by Deloitte about the cost of an employee departure: at mid-level this can reach 150% of their annual salary. Direct recruitment costs (advertisements, background checks, interviews, exams, salary offers, recruiters' salary etc.) and initial reception into the organization in the Israeli market are over 11,000NIS per employee. The article also mentioned that according to a Work Institute report, about 2/3 of the departures can be prevented, i.e., are the result of a management conflict, career development and more.

Now that we are aware of how painful this can be for organizations, let's discuss learning and employee development.



The 2018 Udemy survey mentioned above also tested ROI factors before and after integrating online learning into tens of organizations. The results indicated that 67% of the companies that started using online learning as part of the new employee reception process have increased productivity and the total entry time into a role was shortened into less than 6 months. This, in comparison to the period in which no major use was done in online learning, in which the entry period was over 6 months. These companies have also reported increased employee satisfaction and higher involvement rates.

A 2016 [survey](#) conducted by Harvard Business Review in the US including over 1,000 participants, indicated that companies with 10,000 employees may spend up to \$7.6M on extra salary, making up for a bad reputation. Meaning that branding a company a quality employer, based among others on its employee development, can save the company millions. Bad reputation can result in an increase of at least 10% more for each employment. Also, the survey indicated that companies with growth opportunities and positive work culture were listed at the top of the driving forces of employee retention, involvement, and positive reputation.

Later on, we will show that according to the 2022 LinkedIn [report](#) on learning in the workplace, top performance employees tend to leave since they don't see enough opportunities for development or do not identify with the company values. As a result, there is high probability for further increase in costs for training new employees. Thus, training and employee development can influence business strategy and income similarly to sales and marketing.

Another evidence for the ability to generate additional ROI comes from a [meta-analysis](#) performed by Gallup in 2019 in the US. It found that organizations that enable their employees to study reported increased productivity and high involvement. It was also found that companies (especially around 1,000 employees in size) investing in learning, report profits of \$1.8M in average due to better employee involvement/connectedness.

The 2021 Industry Skills [report](#) by Coursera also showed that learners with skills defined "reasonable and above", reported better results in their roles.

And how about some added value?

A 2018 [survey](#) conducted by Bersin for LinkedIn examined the influence of learning on learners. The survey included a sample from countries in Europe, Asia, and Australia of over 2,000 businesspeople in different roles (about 1/3 are freelancers), who invested in LinkedIn's online learning.

On the question: "what is the first thing that inspires you, makes you happy and want to work harder?" the answers showed that the reason listed second (19%) was "the opportunity to learn and grow" (the answer in the first place was the nature of the role itself). When asked "what is the main thing that will cause you to leave your current job?" the answer in the first place (20%) was "a chance to grow and learn".

The survey's results indicated that even people who work hard and with much burden manage to find time for learning while working, 1-5 times a week. And most importantly, the survey showed that everybody who invests in learning (as much or as little) report being calmer, feel more productive, want to expand their responsibility, and even feel happier vs. those who do not learn. Pretty good ROV...

And how can we not mention the dynamic world of employment and the consequences of the pandemic? If before the pandemic, the demand for organizational learning has grown following the changes the world has been going through – now the tables are set, and no organization can ignore it any longer. The massive changes in the work market following the pandemic have increased the workers' power.

An organization's investment in ongoing development and learning is a critical factor for employees for staying or choosing to work there.

A 2017 [survey](#) conducted by PWC, way before Covid, tried to examine the perspective of over 10,000 employees around the world regarding the future work market. A question was directed to Gen Y, "Which of the following will influence you most to choose to work for a certain organization?". The three top choices were: chances for career development (52%), salary and financial benefits (44%) and... learning programs and excellence development (35%).

The survey also showed that employees that are not continuously going through training tend to become frustrated and less loyal to the company. Managements sometime assume that providing training will lead to employee's departure for other companies after being trained. But the survey showed that with proper training, employees feel more valued and happier in their roles, and that a position that comes along with training attracts better candidates.



Fast forward to post-pandemic. The following data won't really surprise you, as we're all feeling the urgent need for employee retention, and most of you are familiar with the challenges the skill gap has created. But we should make the connection between today's situation and the information you read here to prove that learning and human capital investment can assist in dealing with issues such as profit erosion, employee retention, ROI, ROV, involvement, work satisfaction and saving of resources. It's a win-win situation.

Back to the employee perspective. The 2022 Annual Work Trend Index by Microsoft, a [report](#) based on a survey conducted among 31,000 people in 31 countries and analysis of trillions of signals from Microsoft 365 as well as work trends in LinkedIn, found out that 41% of the global work force is considering leaving their work place within a year. By the way, among Gen Z this figure jumps to 52%. Even in Israel, a 2021 [survey](#) by Deloitte conducted among 560 employees, showed that 3 out of 4 employees changed their perception of work in the past year and consider changing their work place.

LinkedIn's learning in the workplace [report](#) from 2022 includes interviews with over 1,400 L&D personnel, over 600 employees around the world, comparison with previous reports and from independent reports of thousands of learners throughout the year. Its findings show that 25% of the skills of the workers in the same profession between 2015-2021 have been updated. The estimate is that at this rate, by 2025, 40% of the skill set will require an update (which corresponds to a 2021 report about the future of the world of work conducted by the global economic forum). Furthermore, the report clearly shows that there was a 25% increase in role changes in October 2021 compared with October 2019 (prior to the pandemic).

The results point to the fact that among employees that feel that their skills are not well utilized in their current position, there is a 10(!) times more chance that they will look into changing their job, compared with those who feel that their skills are well utilized and developed. It's important to note that despite all that, we still have a while to go from role-based to skill-based outlook in organizations.

Facing this data is another fascinating outcome of this report. Companies that excel in training and internal mobility retain employees for 5.4 years on average, almost twice as much as companies that struggle in that area, in which the average retention is 2.9 years. And it's never too late to start improving that front.

Another light at the end of the tunnel comes from a 2021 Employee Well-Being [report](#) by Glint, generated from a combination of data from Glint People platform, data from over 275,000 published LinkedIn positions and a survey conducted among over 620 companies around the world. The results show that compared with colleagues in other organizations, the probability for employees in organizations with high level work culture recommend to other people to work in their organization is 31% higher (#employer_branding). Also, the results indicate that the major drivers of a great work culture have drastically changed through 2021: 5 out of the 10 main parameters affecting positive work culture at the end of 2020 have not even appeared in 2019. According to the report the first driver affecting work culture is "opportunity for learning and development". When compared with 2019, this parameter has gone up by 8(!) steps.

Back to the 2021 Industry Skills [report](#) by Coursera: this report also includes a relevant data: in 2020 the rate of people enlisting to personal development courses has doubled.

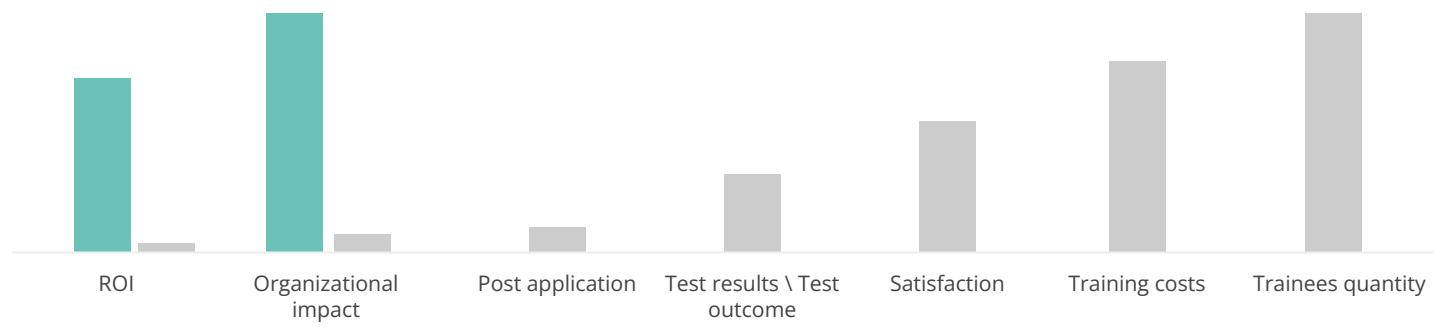
Last, but not least: an astounding discovery: remember Prof. Ariely and Dr. Bassi who founded investment funds after reviewing their survey results? So get this: in November 2020 a new [regulation](#) was set by the US Securities and Exchange Commission, demanding that companies provide their investors with insights regarding their organization's human capital. This information should concentrate on the contribution of the human capital to the company's success and the type of investment the company makes in its personnel. Such parameters include organizational culture, productivity, recruitment, cost of training and learning, mobility and turnover, capabilities and skills and more.

Human capital investment has become an essential and valuable information which assists investors in deciding if and how much to invest in companies. And what's that if not amazing?

It's now time for "the proof of evidence is on us" speech...

We'll start with a short fable... back in 2010 a guy named Jack Phillips conducted a most interesting [research](#). He asked about 100 senior managers in leading US companies what data they wish to get from their company's L&D personnel, and here are the results:

What management gets vs. wants from L&D professionals



Resource: How Executives View Learning Metrics

As you can see in this report and based on our vast experience with organizations, **managements wish to understand two major factors: influence and ROI**. Why? Because that's a real indication of contribution to the organization. Just like all of the results we detailed above.

Nevertheless, we often share the information that does not interest management, and therefore should not interest us that much. According to our own industry survey, even in 2022 most of the L&D departments still measure and collect that data, analyze, and present to management what is perceived as an outcome and not an investment.

So, let's move forward. Let's not get carried away by information and data rather than findings and proper insights. True, we wish to prove ourselves to organizations, convince management to invest in learning, position ourselves well in the company etc. And despite having clear evidence, supported by research and data, that we are crucial to organizational growth, this burden of proof will stay the same, as long as we continue acting this way.

Yes, we are familiar with the statements: "I don't have enough time and resources to invest in measurement", "this doesn't really interest anyone", "we don't have access to this data", "our management still insists on getting dry data", and our favorite, "we can't prove direct relation between learning and organizational influence".

So, here's your answer: We know that without testing the impact of learning and HCD in your organization, it'll be difficult to convince management to cooperate. Proof of impact is an inherent part of our profession, it's what we are paid for. Imagine advertisers who don't test their ad's impact, engineers who don't measure the effect of their planning and execution. We know that we need a proof of evidence. And that's what we did here: created a thorough benchmark with firm evidence regarding the fast effects of L&D on organizations. Now, feel free to embrace it, choose what's relevant for you and tailor this information to your own organization and your profession.

About us



Limi is a home to the L&D profession in Israel.

We provide broad professional solutions in order to empower L&D personnel: managers, employees and trainers. Why? So learning becomes a growth engine and develops organizations

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eLEVATION

Elevation was established in order to solve the skilled work force shortage. The company offers "Academy as a Service" to companies and organizations in order to train existing personnel (Upskill & Reskill) and recruit new employees via training (Train to Hire). By building and operating inter-organizational academies, we create a world with no tuition and democratization of the most advanced knowledge, based around technical skills. Our business clients are in Israel and Europe. Our offices are in Tel Aviv and Berlin.

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Thank you!

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