Spend a Dollar on Training, Make Three

If businesses could make three dollars for every one it spent on training, wouldn't they want to know how? Organizations in the U.S. spend millions each year on training, and most of them don't even know what they're getting for their money. They should, because in the current business environment, learning and development programs need to prove their value like every other program in an organization.

ESI International [1]*, the world's leading project management training company, recently announced the release of a new research study titled "Training ROI: If Someone Asks You've Already Lost Your Budget." The study explains how those responsible for organizational development can prove the value of their training programs through a practical and straightforward approach to return on investment (ROI).*

ESI Vice President Mark Bashrum recently spoke to Manufacturing Business Technology [2]*about training ROI, its importance, and how companies and organizations should approach it.*

MBT: Tell me a little bit about training ROI and how companies are currently approaching it?

Bashrum: People are being asked to justify whether their programs are bringing in more value than they cost. It's a fair question, and it's one that's always been out there. Any training program has a budget that's approved at some point by someone. Intuitively, the person that approves the budget, though they may not have seen an ROI number, believes that program will generate more value for the organization.

When resources become scarce, then that program has to be weighed against other programs. I may have intuitively believed it adds value, but the question is “How much value?” Now I have a priority list. I have a portfolio of projects that I need to launch or find. Where does that program stack on that list?

I think that it’s often looked at in the sense that if they are delivering a good program, I know it is adding value. Therefore it’s justified. But the game has kind of changed, and it’s all about how justified it is. I think that’s where ROI really makes its mark the current business landscape.

MBT: How difficult can it be to accurately calculate training ROI?

Bashrum: In my view, it’s always better to measure what people do rather than what they think. But you must look at the cost to capture. It can be a very involved process. If you spend next year’s training budget on doing the ROI study, it probably wasn’t worth it. You have to look at it in relative terms. So you have to measure what they think, so it is a survey approach. We can ask people what their opinions are in terms of their productivity; let’s say, after they take the training.

Then, after they get back on the job for six weeks or so, we ask them and their manager if their productivity increased and by how much. So, you are asking about increases in productivity in a kind of a survey approach, and you are doing a couple of things to help with accuracy. We also know there is bias when you ask someone. It’s about one-third when factored into the calculations. That’s based on millions of pieces of data. By triangulating and creating several data points, you can come to a reasonable ROI number.

MBT: Are there any other critical factors or things to keep in mind when trying to get a good handle on this that can affect the results one way or another?

Bashrum: It’s not enough to calculate the number of ROI. You can calculate that number. Really what you have to do to get at productivity is get three numbers: the increase in productivity in terms of percentage, the cost of the resource and the cost of the training. It’s not that it’s not accurate. It just won’t be credible. When you calculate that number, that increase in productivity has to show up somewhere in the business. You have to be able to go back and say “What does that mean to the business?” So it’s not enough to just calculate the ROI number.

When it comes to training, you actually need to determine several things. The first is the training delivery. This is what most programs measure, and that’s where most stop. The second level asks if the learning was effective. Did people actually learn what they were supposed to learn? Were the objectives of the course met in terms of learning? The third level is job impact. I learned, but how did that impact my job and performance? You need to measure that. Then you need to measure the business result.

Then that ROI number makes sense and there should be a progression. If one of the

numbers is way out of whack and don't follow a trend, then I would be worried about that number. So it ensures accuracy as well.

MBT: How has what's transpired with the economy over the course of the last handful of years really affected how companies take a look at this?

Bashrum: What you find are people that look at the environment and categorically start making cuts. They do it as a matter of budget. I think the more forward-thinking companies are not doing that. I think what they are asking is how they get the same impact with fewer dollars. They are focused on the results, getting the impact and being more efficient — not just cutting dollar figures. Those companies I think are coming to the right conclusions.

In our study, ROI almost doubles if you integrate the training into the job and/or integrate the job into the training. It's really about adoption. I think smart companies are taking the work into the classroom so someone doesn't just go to class, listen to a lecture and learn something. They take their work into the class and learn by doing their work. So it's efficient because they are actually working on their projects in the class, they've adopted what they are learning and they also tend to have higher levels of support from their management, which is critical for ROI.

So I think smart companies are coming up with those ideas and they are starting to kind of understand that. Those companies who are really focused on training results at lower costs are really coming out ahead.

MBT: In your opinion, does the size of a company or the industry it's in affect the approach it takes toward training ROI?

Bashrum: Really, it's not. I look at vertical data all of the time. It really comes down to the management of the organization. I haven't really noticed one particular industry outperforming another in terms of their view on training. It's really kind of balanced out in the commercial sector. Everyone has kind of accepted the environment that we are in right now.

MBT: So it really comes down to organizational leadership?

Bashrum: That's correct. It's all about leadership and sponsorship.

ROI is the language CFOs understand. If you can put an ROI in front of a CFO, and tell him or her what the program is, what the ROI is and how you reached it, that means a lot, especially when companies are making a lot of key decisions right now.

For more information please find ESI's study on training ROI here [3].

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