

MTD Quick Tips

How To Measure The ROI Of Training

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I've got something different for you this time!

We work with HR Managers and Training Managers to formulate training plans, competency frameworks, how to get buy in from the business for training and countless other activities.

One of the main areas I particularly enjoy helping HR/Training Managers with is measuring the return on investment of internal and external training.

Whilst on the outset this can be seen as a complicated beast - it can be tamed once you know what to do.

Here are some quick tips on how to measure the ROI of your training - these just scratch the surface so if you need any further help with measuring the ROI of training in your business please do not hesitate to drop me a line or call our switchboard - details are at the bottom of this email.

Measuring training effectiveness and ROI

Your organisation needs a well-developed competency plan or road map for its workforce from the management team to the shop floor operations. All training and development will need to be extended to all employees based on competency determined road maps and business needs. Hence, identifying and developing a sound framework that can measure returns on this investment becomes of vital importance.

To help ensure a good return, your training must be focused on its needs and must result in measurable changes in knowledge, skills and abilities. The investment must also result in behavioural change, make a difference to business results as well as meet the needs of the learner.

At the end of the day, it will be the learner's ROI that is most valuable.

Achieving good returns

A poor return on investment does not mean that the training is inherently ineffective. The learning may be poorly planned and badly implemented, if it is implemented at all. Employees who are involved in training without assessing needs, either theirs or the organisations', may find their newly acquired skills not effectively integrated into the workplace.

At a minimum an organisation needs to consider five basic questions with respect to learning and a healthy return on investment. These are:

What to train:
What skills are needed to meet current and future business goals?

Who to train:
Who needs to be trained in the role that contributes best to meet business needs?

Where to train:
Where is training most effectively best carried out: on-the-job, in a face-to-face environment or does a mixture of these need to be put in place?

When to train:
When is the best time to schedule training so it meets the dynamic demands of the workplace?

How to train:
Which delivery options are available to aid in the learning process and how should these options be combined to be most effective?

Measuring the results

Return on investment is determined by taking the actual cost of the training from the total value of the benefits. This sum is then divided by the cost of the training. The first step in measuring ROI is to itemise costs. Once costs are determined the various benefits can be counted. By doing this, you can prove to your managers that the work you do is vital and effective:

Try these steps:

- Defining your objectives

- Application

- Cost assessment

- Benefit assessment

- Doing the sums

- Evaluation

1. Defining your objectives

Here you define the reasons and goals for the training. Typically, objectives for training projects are diverse and can include increased productivity, reduction of errors and improved employee retention.

With or without defined objectives, many organisations barely get through the first stage of evaluation - relying on 'happy' sheets to let them know if the course went well and leaving it at that. A delegate who achieves a high score immediately following a training session may well be the kind of person who finds it difficult to convert what they learned to the real workplace, or may just forget everything after a weekend away from their desk. So what did their delegates actually gain from the course? How much of what was said by the instructor, or read and practiced through the learning mechanism, was understood?

2. Application

Tests taken after a longer interval (perhaps 3 months after the course) can prove that certain topics have truly been taken on board.

On the other hand, it's the application of these topics within a business context which is what you really need to gauge. If goals have been set from the start, this will be achievable – Is there, for example, a reduction in errors on the system? Are there fewer calls to the help desk? Are more people sending emails and easing off internal memos?

Traps have to be placed in advance to capture this type of information and relate it back to the training course. Did a user always perform a task in one way and subsequently, after training, demonstrate a skill that was covered on the course? If the answer is yes, the course achieved a degree of success – but was it worth the cost?

3. Cost assessment

Itemising the costs of a training programme is a detailed job and requires commitment to the task - breaking down the share of a cost even if it could easily be lost in overheads.

What was the total cost of the course? And trainer development, programme materials, instructor/facilitator, facilities, travel/lodging/meals and administration?

Can you place a value on your delegate's time; even calculate a potential loss of earnings from a sales person who's been taken away from their customers for a day? If you can, and therefore obtain a well-researched figure that can be attributed to the cost of the programme, then display it against the list of benefits achieved (reduced errors, improved morale etc) to complete the cost assessment.

4. Benefit assessment

All benefits must be converted to a monetary value, which is easy enough for hard facts such as time savings, but difficult for soft data such as customer satisfaction.

Time savings can be figured by multiplying the number of hours saved by the workers' average hourly salary. Production gains are computed at the monetary value of the extra goods produced. If such a number does not exist internally, external studies and expert opinion can be sources for the data.

Typical benefits you should consider include time savings, improved productivity, labour savings (less supervision, overtime or temporary help required), improved quality, and better morale.

If the measures have been taken before the project began these can be more than just estimates.

5. Doing the sums

Once you've taken into consideration the above, the calculation looks simple enough:
ROI = (value of benefits - cost of training) / cost of training

Return on Investment is usually expressed as a percentage, but what scale is it measured against? What is a good ROI? Achieving a minimum of 25 per cent is a respectable goal, but some organisations are satisfied as long as they break even.

Management/leadership training programmes typically yield returns of 150% to 400% because the training affects not only the delegate's performance but also the performance of the delegate's team members or colleagues.

6. Evaluation

To maintain the credibility of your ROI findings, it's important to try to isolate the effects of training, rather than taking credit for improvements caused by other variables.

Ask the users, ask their managers, ask the technical team. And if enough people tell you the training made the difference and allowed them to hit a business target they've never hit before, take pride in what the training has achieved and report it.

Conclusion

ROI builds a compelling financial case for funding any future training programmes. It can enable sound decision-making on which learning programmes to progress, and which to discontinue.

The more detailed the evaluation, the more information you will have on whether the training is working well and if not, why not? This will help you make informed decisions on which programmes to continue, and give you a better idea of the potential of future programs.

However, evaluations do take planning, time, and money. You may not be able to perform a full ROI on every skills development activity you undertake, but it's worth choosing to do it on the big ones.

In the final analysis, in an era of budget-cutting, training managers who can talk to their directors about ROI will stand a better chance of maintaining a skills and learning development strategy.

I hope this helps you.

If you ever need any help or guidance with measuring your ROI for your training please do not hesitate to give me a call.

God bless and take care

To your success,

Sean

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About Sean McPheat



Sean McPheat

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Founder and MD of international management development firm MTD Training, Sean McPheat is widely regarded as a leading authority on modern day management and leadership.

Sean is a bestselling author, and has been recognised for his own business building skills through the **British Business Awards** and has been featured in the **Who's Who Of Britain's Business Elite**.

He has been a regular judge for the UK's Young Enterprise Programme but was not as horrible as Simon Cowell (well almost!)



Sean has been featured on **CNN International, the BBC, SKY, ITV, The Guardian, Forbes, Arena Magazine, Marketing Weekly, Business Zone, Winning Edge** and radio stations such as BBC WM and LBC (London's Big Conversation).

Sean has over **250 media credits** to his name and his weekly email tips go out to over **60,000 people** interested in management and development strategies.

Sean is also a **much sought after media figure and motivational speaker** on all topics related to management, HR, business improvement and entrepreneurialism.