

Calculating the Return on Training

Trust Technology Solutions is a professional corporate training firm for a variety of training needs. Their principle area of expertise is in software and hardware application training. Brian Cesca and Tom Jiang opened Trust Technology Solutions in 2005, to fulfill unmet corporate needs in employee training. Both Brian and Tom have years of experience in employee training. To contact either Brian or Tom call 704-248-6626 or email at bcesca@trusttechnology.com. For more information please see their website at <http://www.trusttechnology.com>

A company's investment in technology establishes the foundation that ties all corporate departments together. Technology and the firm's employees are the primary factors in the success of a company.

The predominant role of technology in the corporate environment requires that I.T. and Human Resources departments have a thorough understanding of how that technology influences the effectiveness and efficiency of employees within their specific domains.

Productivity increases are often considered a result of new and better technology. Getting high quality job performance from your employees also depends on giving them opportunities for personal growth, achievement, responsibility, recognition and reward. Establishing a training program can provide employees with the tools and incentives required to achieve measurable productivity gains.

The structure of the training and the goals of the organization are also important to maximize results. Employee morale is boosted if the training is seen as a reward, and the training company develops their program to be goal-oriented and interesting.

Too often, however, the demand for training is often related to a drop in productivity, in diminished customer relations or in an inability to achieve certain goals. Unfortunately, employees who undergo training when negative results are the cause, often view the training as a result of a failure on their part. This form of training may not accomplish the company's goals such as lower turnover, greater morale and better job performance. Better results are obtained if training becomes a reward for past performance and sets employee expectations that the company appreciates their value and will invest in that employee.

Internal versus External Training

Companies must decide whether to conduct employee training internally or use an external contractor. There are advantages and disadvantages to both approaches. Although there is reported higher use of external trainers, the decision is company-dependent.

Internal training can provide the following advantages:

- Training a trainer from within the current labor pool can be seen as a reward for past achievements
- More customization of training programs
- The trainer is available for follow-up questions from attendees and can conduct post-training satisfaction surveys

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There are disadvantages to internal training, a few considerations are:

- Productivity of the trainer. Is the need for training high enough within the organization to keep a trainer busy full time?
- If trainers are regular employees who are given training as an additional job responsibility, the quality of training is generally very low
- Keeping training manuals current, training the trainer, and organizing the training class is generally more time-consuming than originally planned for
- Cost of training may exceed the original forecast
- If HR assumes the responsibility for training, the outcome of that training becomes an HR function. If the training is assumed as an HR function initially, it will be much more difficult to convince management of the need for an outside contractor at a later point.

There are advantages and disadvantages of external training as well. Advantages of hiring a training contractor would be:

- Assurance of up-to-date training materials and instruction
- An outside resource for staying abreast of technology advances
- To evaluate the appropriateness of various types of courseware
- Quality of training becomes the responsibility of the outside contractor with HR taking an oversight role
- Low consumption of internal resources and time preparing for the classes
- Justification of an internal trainer’s productivity becomes irrelevant
- Cost of training is known

Disadvantages of external training can be:

- Employee travel time to and from the training site
- A lack of intimate knowledge of corporate culture

Partnering with an Outside Training Contractor

If the decision is to use an outside contractor to meet your training needs, it’s important to treat the contractor as a partner in the training process. An outside training company can add value by acting as a proactive resource that can suggest training opportunities that fit within a particular corporate environment. Maximizing the value of the outside training contractor by utilizing them as an outside resource to stay abreast of technology changes, courseware changes, and helping to set training goals, can positively impact the outcome of the training and employee satisfaction. To maximize the training value, it’s important to educate the training company as to the technology environment within the corporation, work with them when technology upgrades are being considered, and keep them informed about changes in corporate goals for employees.

Versatility

When considering the specific methodologies utilized by training companies, it is important to select a company that offers experience and superior alternatives to the traditional training environment, with its inherent flaws.

It is imperative that the training each employee receives enables them to make a seamless transition from the classroom to the work place. This is accomplished by offering training

with specific courseware that employees can utilize to achieve their—and your—specific goals.

By offering private training at a corporate site or offsite facility, you can be assured that your employees receive timely information, techniques and methodology that will enable you to establish short-term and long-term objectives.

Setting Goals

The importance of setting specific goals cannot be overstated. These goals are the benchmark of progress, the standard by which the effectiveness of training is measured. There are quantifiable goals such as increasing productivity, reducing errors, cutting costs through more efficient processes and it important to establish learning goals that enable employees to fulfill the corporate vision. Those goals must be broken down into training components that can be delivered effectively to increase individual capabilities and performance.

Hard and Soft Benefits

Even when it is sharply focused on a particular subject, training always has ancillary benefits that are derived from the process. Acquired knowledge may be the primary goal (hard benefit), with increased confidence or higher employee morale (soft benefit) a secondary benefit. There are generally ‘hard’ and ‘soft’ benefits to be gained from the training.

Financial Returns

Hard benefits are the quantifiable results, such as improving productivity by a certain amount. The degree of success is determined by contrasting the outcome to a ‘reasonable’ projection.

The information can be manifested in several key areas, including employee retention. Studies show that over 40% of employees who received no or minimal training planned to leave the company within one year. Of the employees who received excellent training, only 12% stated they planned to leave the company¹.

Another immediately identifiable ‘hard’ benefit is the cost of training—by outsourcing your training you’re saving 73% over the cost of in-house training². Although surprising, results from several industry studies seem to confirm the lower cost of external versus internal training. Part of this cost can be seen in a study conducted by Avatech that surveyed 1,000 companies on their experience with formal instructor lead training versus informal, learn-as-you-go training. Their survey yielded the following results:

| Results of formal, instructor-lead training | Results with informal, learn-as-you-go training |
|---|---|
| 94% Improved productivity | 53% Usually incomplete |
| 90% Increased capabilities | 34% Takes too long |
| 82% Improved quality | 33% Lack in-house expertise |
| 76% Reduced design time | 31% Frustrating |
| 56% Improved customer service | 74% Complain of problems |

1) *How do I measure return on investment (ROI) for my learning program?*, learnativity.com, <http://learnativity.com/roi-learning.html>

2) *ibid*

“ - by outsourcing your training you’re saving 73% over the cost of in-house training.”

Indirect Bottom Line Contributors

‘Soft’ benefits are those which may contribute to the ‘hard’ benefits but are measured in terms other than numerically. Improved employee morale is a soft benefit. And that improved morale can be directly linked to increased productivity. Another benefit could be that the employees who received this training are now ready to move on to new training when required, without having to retrace their steps.

When measuring the benefits of your training, include the soft benefits as well. They are also key contributors to the bottom line, and they are often included as goals in the training process.

Return on Investment—Measuring the success of your training

Before you decide whether to train or not train your employees, you will want to consider these facts—

A study conducted by training industry experts shows that firms which invested \$1,500 training an employee vs. firms that invested \$215 training an employee realized 24% higher gross margins and \$218 higher income per employee.³

Also:

A 2% increase in employee productivity nets a 100% return on investment in out-sourced, instructor-lead training⁴.

Employees who received training are 17% more productive than those who did not receive training.⁵

Employees who received training realize 20% higher performance levels relative to their peer group⁶.

Employees who received training are more than 6 times more likely to think the company is a ‘great place to work’ than those employees who did not receive training⁷.

Employees who received training are more likely to think they are fairly compensated than employees who did not receive training⁸.

While these facts may influence your decision to provide training for your employees, you will want to establish your own assessment process to evaluate the cost-effectiveness of your training.

To determine the return-on-investment of your training you must confirm exactly what you are trying to achieve. If you are measuring the overall effectiveness of your training, then you will measure the results against the corporate goal. To do so, you will want to incorporate these criteria: expectations; data and information; resources, tools and support; skills and knowledge; individual capability and capacity; consequences, incentives and rewards.

To calculate financial ROI, quantify the total financial gain your company obtains from a training program and then subtract from that number the total cost of developing, producing and delivering the program.

3) *Training Proves It's Worth*, Carroll Lachnit, *Workforce*, September 2001

4) *Training ROI*, Avatech Solutions, <http://www.avat.com/trainingroi.asp>

5) *The ROI Of Training*, Margot Carmichael Lester, http://www.larta.org/lavox/articlelinks/2003103908_roi.asp

6) *ibid*

7) *Training and ROI*, Roseanne D’Ausilio, Phd, *CRM2Day*, <http://crm2day.com/library/50055.php>

“ A 2% increase in productivity nets a 100% return on investment in out-sourced instructor-lead training.”

The Right Perspective

Employee training is often perceived as a luxury expense rather than a necessary business investment. Training should be structured so that your employees achieve personal growth and then be rewarded for that growth, thereby boosting morale. As important as morale and productivity gains are to maintain a competitive position in the marketplace, common sense dictates a payback for the expense incurred. Regardless of how you assess the achievement of goals within the parameters of company projections, you'll find that structured training yields a number of hard and soft benefits that not only drive individual performance but corporate achievement as well. With profit as your ultimate goal, you'll find that an investment in your employees—your most valuable asset—is absolutely necessary.

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Trust Technology Solutions

Assessment, Education, Consulting

1750 AHwy 160 West
Suite 101-168
Fort Mill, SC 29708
Office: 704-248-6626
Cell: 704-953-1277
Email: bcesca@trusttechnology.com
<http://www.trusttechnology.com>