

## Thoughts On Training ROI

*By Jeremy Lee*

You want to conduct training and development programs for your people, but the BOSS wants to see the Training Return On Investment (Training ROI) before he will approve the training, so what do you do?

As a training and consultancy organization, we are constantly bombarded with questions from our clients on how they can measure their training ROI. They constantly seek to be reassured that their training investment is adding value to the organization. Such questions are a norm as more and more organizations become performance orientated and training's cost benefit analysis needs to be calculated.

ROI is a traditional financial measure based on historic data. It can be calculated by the formula:

$$(\text{Total Benefit} / \text{Total Costs}) \times 100\% = \text{ROI}$$

**Total Benefits** consist of additional revenue generated or any expenses saved by the organization that can be traced directly back to the training. The indirect benefits could be less complains higher quality levels, better efficiency or effectiveness etc.

**Total Costs** consist of the obvious such as the training and development costs, learner's time away from doing something productive, physical materials, rental of room, food and beverages related to the training. The not-so-obvious are the overheads of the training department or the opportunity cost of the money spent for the training and development program.

The problem with ROI measurement is that there is no absolute metrics for measuring ROI for training and development. The only certainty is the subjectivity of the whole exercise. An investment into a training and development program is unlike an investment for a physical object. There are only a limit ways that a physical object can be used as it is built for a specific purpose. However training and development programs transfer knowledge which is fluid and can be used in many ways. Therefore in the end any ROI is used primarily for self-justification rather than continuous improvement of the business

Rather than looking at the ROI of training, it is recommended that training and development departments look into how to apply the knowledge learnt in the training. To determine the success of a training and development program, we need to implement the following 4 steps:

1. Determine the success of the transfer of knowledge from the program. This is by determining the employees' understanding and acquisition of knowledge (knowledge acquisition) from this program. Tool available: Participant assessment of the learning and Trainer's Evaluation Forms.
2. Next we need to examine how well this knowledge is internalized. Tools available: Coaching Sessions for the participants and further participant assessment.
3. Thereafter we should measure the success of the knowledge application where the user uses this know-how for the benefit of the organization. Tools available: Monitoring sessions and surveys.

4. Lastly we can should look into how this internalized knowledge can be used for other application:  
Tools available: Brainstorming sessions and Dialogues.

Ultimately the whole purpose of learning and development is to ensure that the participants learn and apply new knowledge. It is a much better investment for the training and development department to maximize their time to assist the participants to apply the knowledge rather than spending the time to calculate the ROI on training and development programs.