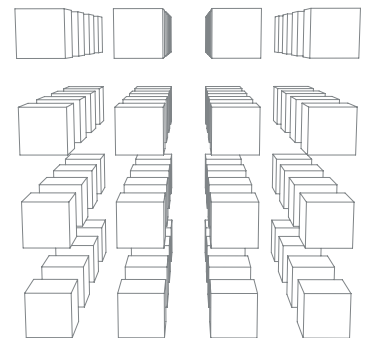


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Where's the "R" in Training ROI? The Business Case for Training

Marty J. Schmidt, MBA, PhD



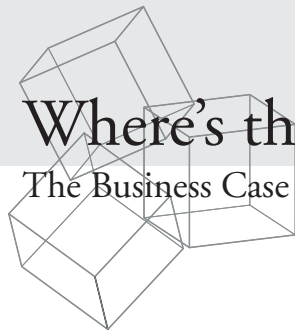
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Where's the "R" in Training ROI?

The Business Case for Training

by Marty J. Schmidt, MBA, PhD

Defending a training budget was becoming more challenging.

"My need for training (ROI) just turned critical. I don't have a year or two anymore. I've got six months or less to get something good on the table."

The message was from Elizabeth, training manager for a large electric utility company. Her company spends many millions of dollars each year on training, which works out to several thousand per employee. Defending a large training budget was becoming more challenging each year, as management demanded more accountability and better return on investment (ROI) from all its cost centers.

Elizabeth and I had already started planning a new program for measuring training ROI for her operation when the announcement came: her company would be acquired by an even larger utility company. Elizabeth knew, as all employees know, that mergers and acquisitions often come with reorganization, re-evaluation of roles, and adjustments to the overall workforce. Facing these uncertainties and the prospect of working for new managers, the training ROI program had taken on a new urgency for her.

Demonstrating training ROI, she believed, would be key to the future.

Show us the Returns!

Where is the hard evidence for training returns?

Having been training manager for five years, Elizabeth had lots of operational data (number of people trained, number of people certified, and instructor utilization rates, for instance). She had a complete statistical breakdown on employee feedback forms, showing that most participants rated their training as "good" or "excellent" and "probably would" help them in their jobs. She had reliable figures on training cost per employee and cost per course offering. The "Investment" or cost side of ROI would be straightforward, she thought. But where is the hard evidence for training "Returns?"

The new parent company was run by a hard-nosed, no-nonsense management team, and she had the uneasy feeling that feedback forms alone weren't going to carry a lot of weight with them. She

The contents of this paper are covered in more detail in the book *The Business Case Guide* (ISBN 1-929500-01-7). For more information on the *Guide* please visit www.solutionmatrix.com/guide. For more business case resources, visit the Solution Matrix Ltd. web site at www.solutionmatrix.com. This document is the copyrighted property of Solution Matrix Ltd. Unauthorized copying or distribution in any form are strictly prohibited and punishable under US and international copyright laws.

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needed to get started building a better training ROI program right away.

Here are the seven steps in her program.

Step 1. Recruit and Make the Most of a Training Advisory Team

The training advisory team can be crucial for establishing the credibility of “return” metrics.

Real Training ROI Is a Team Effort

Who knows best the training needs of individual participants? Who is in the best position to see post-training benefits on the job? Except in very small organizations, the answer is likely to be the training participants’ managers, who supervise their work and write their performance reviews. Elizabeth’s first task was to recruit 10 of these managers for a training advisory team

She planned to bring this group together monthly, to do much more than simply give advice. They would be crucial for establishing the credibility of the “return” metrics and for improving the quality of training measurement in the future. Used effectively, a training advisory team made up of participant managers can help:

- Identify and prioritize training needs
- Evaluate specific training proposals and requests.
- Ensure that training objectives are:
 - Defined in measurable terms
 - Linked to business objectives for the organization or personal objectives for participants
- Provide their own on-the spot assessment of improvements in such things as productivity, quality of work, employee morale, and turnover rate following training
- Ensure that post-training assessment is delivered and completed in their own areas

Add Authority and Credibility

Because these managers should know the individual participants, their on-the-job-needs, and their day-to-day performance, they bring an authority and credibility to training measurement that would be difficult to achieve by a training manager acting alone.

Practical Reality: Recruiting and Getting the Most from the Team

What’s in it for Them?

Everyone involved should understand clearly from the outset that the training advisory team has *work* to do. The team may meet just once a month, but there will be pre-meeting homework: identifying training needs and making sure that post-training evaluation is administered, for instance. They may also assist with pre-course preparation for participants, when necessary (making sure that the assignments are

Training advisory team members will be well prepared for tasks that most managers find burdensome and uncertain.

Training advisory team members will benefit from organizational improvements they can measure and report.

distributed and completed, for instance). And there may be frequent conversations with the training manager or training provider, especially in the days of preparation for training events.

“Why” some might ask, “would very busy managers who have enough to do already, and little time to spare, commit to one more responsibility such as the training advisory team? What’s in it for them?”

When recruiting managers for the team, be sure to discuss several points:

- They will be better prepared for several tasks that most managers find burdensome and uncertain:
 - Writing their own employees’ performance reviews.
 - Providing useful career development guidance and counseling for their employees
 - Responding to training requests from inside their own organization
 - Justifying their own training budget requests
- They will benefit from organizational performance improvements they can measure and report. They will be prepared to demonstrate in concrete terms improvements in productivity, quality of work, and fewer complaints or problems.

The value of this ability should be self-evident, especially for managers thinking of their own budget requests and their own performance reviews.

Spread the Sense of Ownership

Is measuring training ROI the sole responsibility of the training manager? When training ROI improves, should all the credit go to the training manager?

Most training managers have nothing to lose and a lot to gain by seeing to it that senior management answers “No” to such questions.

The accuracy, credibility, and practical value of training metrics, will be maximized when it is understood that the primary owners of training measurement are the entire training advisory team as well as the training manager. When there is measured improvement, moreover, credit should go beyond the team to individual participants, technical specialists, content contributors, and other managers at all levels, where appropriate.

Be sure, therefore, that the training advisory team knows it is a formally established group—and not just a group of interested individuals called together for discussion. To underscore this difference, the training manager will schedule regular meetings (usually monthly), print and distribute a meeting agenda with individual team member