

Determining the Value of Training

By: Nanette Miner, Ed.D.

The motivational speaker Zig Ziglar, has a classic anecdote about employee training:

What's worse than training your employees and losing them?

Not training them and keeping them.

Frequently, training departments have difficulty financing projects or getting adequate participation in classes because management doesn't understand the value that is returned from training. Managers and business owners often gasp at what they perceive to be the high cost of a training initiative. It is cumbersome to calculate a return on investment that would identify, dollar for dollar, what an investment in training would return, but there are a number of other ways that the organization can realize the value in training activities.

The easiest way is simply to ask: "What would happen if we did *nothing*?" The cost of doing nothing can weigh heavily on an organization. What is the cost of not teaching preventative maintenance? Machine repairs, lost production, poor quality products. What is the cost of not teaching email etiquette? Miscommunication, offending clients, lost information. It's not hard to imagine "worst-case" scenarios for almost any training initiative your organization may be considering.

Alternatively, organizations are often satisfied with intangible results, for instance, when something as simple as *satisfaction* is improved, or *occurrences* are reduced. It's not necessary to see the dollars-and-cents savings related to the training - rather, the savings or benefits can be surmised. For instance, if your organization is struggling with on-the-job injuries, you may not be able to estimate how much money a safety training program will save the company (which could include medical savings, paid sick leave, an increase in insurance premiums, decreased productivity, etc.), but you can anticipate that the amount of injuries will be reduced as a result of training, and therefore savings *will* be realized.

Or, you may find that a particular department has a higher than average level of turnover and exit interviews suggest that the turnover is a direct result of the way the manager interacts with his or her employees. It may not be a worthwhile investment in time or energy to estimate the dollar savings that could be returned by lowering the turnover in that department (which would include the cost of recruiting a new worker, time/cost factor of getting the new worker up to speed, etc.) but you can easily observe whether or not worker satisfaction has increased and turnover has decreased once the manager has been given management skills training, and extrapolate a positive return on the investment.

If more tangible results are required, it's not that hard to associate concrete numbers with training initiatives and outcomes. For instance, a sales training class which is delivered to 20 participants at a cost of \$18,000 may sound like a lot of money to management. However, what if that sales training results in five new sales in the next two months, and each of those sales was worth \$5,000? The training has then returned \$7,000 to the organization.

Or, you may be able to utilize the costs associated with functions your company already tracks, such as in the this real-life example: A food processing plant was quoted \$56,000, by a consulting firm, for the development of new hire training that covered the safe and proper way to handle the raw-material food product through the various stages of inspection, processing, and packaging. When the operations manager requesting the training was asked to validate the expenditure, he was able to cite expected savings in terms of: reduced employee turnover, less on the job accidents, fewer OSHA violations, and less wasted food product due to various human errors in the processing.

He was able to change upper management's focus from "How much will this training cost us?" to "How much can we save by implementing this training?"

Unfortunately training often looks like a cost-center rather than an income generator (or saver), but with a little thought about the long-range outcomes associated with a training program, it's not too hard to track the return on investment you'll reap.

Author Credit:

Dr. Miner is the founder of the non-profit support group The Accidental Trainer; created to help all trainers who have found themselves "thrust" into the role. This article is based on ideas from her book by the same name, *The Accidental Trainer*, (c) John Wiley & Sons, Inc., (2006).