



Training and ROI

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The Big Question

“Before I agree to this training program, show me the ROI we expect...”

Objective #1: Avoid getting asked this question:

- Training is not a profit center
- Training is hard to measure in isolation
- Training must be part of the strategic plan of the company, not a separate initiative that is seen as a “nice to have” rather than critical to business
- Cost-aware training proposals help avoid this question by demonstrating business savvy

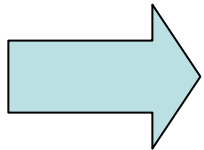
Making Training Part of the Strategy

- Does training in your company serve a specific written strategic objective?
 - Training adds value only when aligned with the corporate strategic objectives
 - Training as critical to achieving corporate objectives
- What are the key areas of improvement/innovation being identified?
- What new skills are being required of the company?
- Where can training make a difference in the results being achieved?
- Is training part of building a corporate culture?

Selling Training as Strategic

Key strategic roles training can play:

- Building new skill sets (using a new technology, tools, software, new selling strategy)
- Expanding knowledge to new areas (new market segments, new customer segments, new tools and constructs for selling, marketing, analyzing, etc)
- Building a culture (common vocabulary, metrics, process, etc) to build performance over time
- Strengthening the management bench (key business skills, people skills, networks, etc)

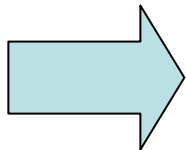


Creating or maintaining a strategic advantage

Forging A Partnership with the Customer

The process of developing metrics and goals focuses the internal customer's mind on the purpose of the training and on how training solves a business problem.

The discussion itself builds a common goal of improved performance and makes the ROI or a simple cost-benefit analysis easy.



Start with the Internal Customer

When you Must Calculate ROI

- ROI (return on investment) is gaining use among Chief Learning Officers as a measure of the effectiveness of alternative training programs and as a way to optimize the training budget
- The difficulty is in getting agreement to which measures are most relevant and give a fair assessment of training
- ROI helps position training initiatives as investments rather than costs
- The best systems of calculating ROI rely on three things:
 - Alignment to business results
 - Existing measures
 - Simplicity

What to Measure

- Traditionally, training departments measured “evaluations” or assessments by the participants of the effectiveness of a training.
- For ROI, we need to use business metrics, showing an impact on business results.
- What you measure depends on where you sit:

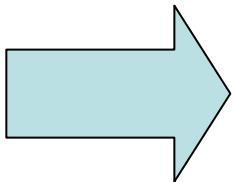
Function	Goal	Measurement	Scope
Training manager	Close skills gap	Individual performance	Business unit specific training
Business unit manager	Achieve business goal	Project goals, business metrics	
Corporate staff	Choose best alternative	Financial metrics, business case	Enterprise, e-learning, infrastructure, culture building
Executive management	Gain competitive advantage, transformation	Business case, shareholder value	

Adapted from Jay Cross, “A Fresh Look at ROI”, January 2001.



Alignment on Metrics

- Before you decide on a training program, have the business problem you are trying to solve clearly delineated. Some examples might be:
 - Staff to be proficient in using a new technology
 - Sales force to be able to sell into larger accounts and manage the process
 - Marketing team to absorb corporate knowledge and increase efficiency of spending
- What is the skill deficiency that could be remedied to product better business results?

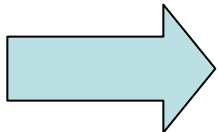


Once this is clear, begin designing the training and the measurement to fit the business problem and its solution.

What is Already Measured?

Measures currently being used are often the most critical ones for your business success:

- Revenue and revenue growth
- Profit by unit
- Customer satisfaction
- Call volume
- Product Quality/Defect rates
- Employee performance ratings/certification/evaluations
- Employee retention rates
- Employee productivity
- Employee satisfaction
- Costs and cost savings
- Close rate in a customer segment
- Etc.



Inventing and implementing a new measurement system is an additional burden you don't ne



Simplicity is Important

- Most training programs have many possible measures (productivity, cost savings, retention, satisfaction, etc)
- To make the analysis quick and easy to follow, choose the two most closely related to the training, and stick to them
- Other measures can be mentioned as added benefits, but keep the ROI factors to no more than 3

Timeline Analysis

One way of approaching training is to compare results before and after training:

- Isolates training effect by time period
- May inadvertently include other events
(pricing, competitor moves, economy, changing employee attitudes, product launches, etc)

Revenue per month pre-training	245
Revenue per month post training	295
Increased revenue per month	50
Cost of training	35
Return on investment	15 (1-month)
Breakeven	<1 month

Probably the most common way of measuring

A vs. B Samples

- This relies on two groups of employees: one receiving training, and the other not
 - Effectively isolates the training from time-related events (pricing, economy, new product launches, etc)
 - Relies on two very homogenous groups in order to measure the effects (similar starting skills, similar experiences, attitudes, ability to learn, etc)

Revenue per month Group A with training	180
Revenue per month Group B without training	150
Increased revenue per month	30
Cost of training	40
Return on investment	20 (2-month)
Breakeven	2 months

Used very often in training “pilot” studies to justify rolling out a program to a larger group.

“Soft” Measures to Supplement ROI

- The numbers support the emotional decision on whether or not a training program is effective, but do not replace it.
- Interviewing the managers and colleagues of the trained individuals will give insight into behavior changes
- Morale changes and attitude are hard to quantify, but can have significant impact

When writing a final training analysis, include financial and business measures as the first-line justification, but other metrics, including intangibles, should be included in their order of impact.

Getting the Most out of Training

- The impact of training diminishes rapidly after exiting the classroom or learning setting
- Same job, same desk.... Same old behavior!
- Reinforcing the learning is key to really leveraging training
- Internal sponsors need to emphasize the importance of the new skills and behaviors
- Coaching (both internal and external) fundamentally changes the game and creates new behaviors to support the use of new skills

	Without training	With training	With training + coaching
Revenue per store	\$450	\$480	\$525

In one example, the impact of the training was more than doubled by coaching provided to reinforce the new skills.



Coaching as a Powerful Tool

A case study:

A defense & aerospace company:

- Telecommunications consulting unit building and training clients in the use of highly complex information technology systems
- Needed to train consultants to keep on the cutting edge of the technology.
- Chose a blended approach of in-class training, self-study, web content and workbooks
- Individual coaching and mentoring was an integral part of the program
- ROI was based on increased employee productivity, product and service quality and customer satisfaction (4 other benefits were cited as well)

1. High investment per employee (70 consultants - \$5000+ per consultant)
2. Existing data to measure the value of customer satisfaction
3. Investment in coaching as a key part of the program to build consultant's skills and professional development

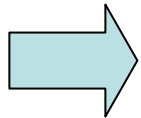
CompTIA/Hurwitz Study as published by Gene Salois, "Case Studies in the ROI of Training" March 2003.



Case Study Results

Results: Payback on initial \$100,000 investment in 1 month, and a 4x return on investment by the end of 1 year, including ongoing training costs (\$375,000 in the first year).

CompTIA/Hurwitz Study as published by Gene Salois, "Case Studies in the ROI of Training" March 2003.



Investing in the right training really pays off

In Conclusion...

- Make training part of the corporate strategic plan
- Align training goals to business goals in collaboration with the business customer
- Calculate ROI based on commonly used business metrics that are already being measured
- Use only 2-3 metrics – Keep it simple
- Include the “soft” and other benefits not in the ROI calculation to make a robust and complete case
- Demonstrate a good understanding of the business impact and costs, and management will be more open to training investments
- Include coaching (either internal or external) for the most important skill upgrades and behavioral changes

Training can be the basis for strategic advantage in your industry



About Transcend

Transcend Business Coaching and Consulting, founded in 2002, provides strategic business services to growing organizations.

- Executive Coaching to CEOs, executives and entrepreneurs
- Strategic Planning for businesses and non-profit organizations
- Management consulting on strategic marketing, process improvement, organizational development and targeted training
- We use a combination of strategy consulting and executive coaching to grow organizations and individuals into new roles and capabilities to develop self-sufficiency for self-generation of future growth.

Our Goal: Growing people and organizations to reach the next level

Background

Laura Huckabee-Jennings, Founder

- 20-year track record in building businesses and organizations in Asia and Europe with global corporations such as Procter & Gamble and Coca-Cola.
- Experienced international executive and coach
- 11 years of strategy consulting experience
- Degrees in science (AB Physical Chemistry, Princeton University), comparative culture (MA Jochi University, Japan) and an MBA (INSEAD, France)

Client Examples

Some recent clients:

- Open Biosystems
- Hudson-Alpha Institute for Biotechnology
- Montessori School of Huntsville
- Russel Hill Cancer Foundation
- Adept Media
- dealnews
- Executives from:
 - Lockheed Martin
 - SAIC
 - Comlet Technologies
 - Siebel Systems

Past clients:

- ICI Paints
- Chanel
- Monsanto
- Mitsui Bussan
- BAe Systems
- Toyota
- Inchcape
- Coca-Cola
- Procter & Gamble

Thank you!

For more information, contact:

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