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Simple ways to measure training costs and benefits

With the dollar growing dearer, it is natural for organizations to be concerned about measuring the effectiveness of their training programs. A group of organizations recently joined to discuss common training and development issues and practices. The focus of the meet was to find simple and successful ways to calculate training costs and benefits. To this end, a group of training experts set up a panel to address the following training issues. These cost-related issues are universal in nature and plague most training departments.

Issue 1: A manager recently hired new employees and used a different set of trainers to train his new hires. He wanted to evaluate trainer performance from the new hire perspective. What are the resources that this person can use, to measure the effectiveness of the training that his organization provides?

Before calculating any training costs, it is important to keep the following questions in mind, *"What is the goal of training? And to what extent is this goal being met?"*

These questions, besides providing direction, ensure that a trainer focuses on all training related costs. Getting back to the issue of measuring training effectiveness, experts agree that only by evaluating training programs can organizations determine its value and assess facilitation skills of their trainers. In the above case, the manager needs to assess training effectiveness on four different levels.

Level one: Trainee reaction

Also known as the 'smile test', assessing effectiveness at the reaction level involves measuring a trainee's reaction to the learning experience. To do so, a trainer must ask the following questions post training, *"Did you enjoy the workshop? Did the trainer succeed in keeping you engaged? Would you recommend this workshop to others?"* The response to such questions provides feedback for trainers. By action on such feedback, trainers can strengthen their facilitation skills to improve training effectiveness.

Level two: New learning

To assess learning, experts suggest asking questions like, *"Which new products were introduced in the past six months? Is it, in your opinion, important to expand our diversity 'outreach' efforts? How much of our sales volume is attributed to each of our top ten customers?"* These questions help evaluate whether or not the learner has acquired new competencies and knowledge as a result of training. Additionally, a trainer can better assess level two learning by comparing the scores on pre-tests and post-tests: higher post-test scores indicate that learning has occurred. However, conditions must be kept constant to compare the training effectiveness of one training program with another.

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Level three: Behavioral change

To most organizations, learning is incomplete even after it results in acquisition of new skills and change in attitudes. A behavioral change is necessary to complete learning. The most common method of evaluating behavioral changes is to ask supervisors to observe and compare a learner's pre and post training behaviors.

However, it is important for the assessor to understand that besides training, there are other factors that support the trying out of new behaviors or behavioral changes. Therefore, if the employee fails to demonstrate the desired level of change, it may not indicate training ineffectiveness. It may have something to do with the work environment that has failed to support behavioral changes, lack of managerial support or role-modeling or inadequate awards.

Level four: Business results

This contemporary approach to measuring training effectiveness attempts to establish the extent to which training affects business results. If a trainer can show a reduction in operating costs, turnover and cycle time or an improvement in profits, then training has definitely had a positive impact on business results.

Issue 2: While it is easy to measure the costs of conducting training, it is quite a challenge to quantify training effectiveness. Is there a simple way to calculate both, the costs and benefits of training?

Experts recommend a four-step process to help organizations measure the costs invested in training against anticipated benefits. This process works on the principal that to determine costs and savings the trainer must compare the costs per learner to the savings per learner. This comparison is done using the following four steps:

Step one: Calculate training costs

Total training costs include:

- Trainer or facilitator fees
- Training design
- Courseware, material, workbooks and other literature
- Videos, projectors, and other equipment rentals
- Facilities rentals
- Videoconferencing and computer equipment
- Production downtime or loss in production due to an employees' time off for training
- Administration costs

To calculate the cost per learner, add up all relevant costs and divide the amount by the number of learners present during the training program.

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Step two: Identify potential savings

The common and immediate savings that occur post training are:

- Reduction in equipment downtime
- Reduced employee and customer turnover
- Improved revenue collection
- Minimized errors, scrap and damage to equipment and machinery
- Improvement in equipment start-up time
- Quicker and complete implementation of effective management practices and customer strategies
- Less stoppage of work and employee grievances reduce significantly
- Reduction in recruiting and hiring costs as training makes employees more flexible, mobile and eligible for transfers and promotions
- Induction training maximizes the productivity of new employees

Step three: Calculate savings

As part of calculating potential savings, the trainer must identify and quantify the changes that the training program will produce, all other factors remaining constant. The components of the formula include:

Level of current performance, for instance, the loss of five customer accounts per month, 10 days lost due to work stoppages annually, 100 error rates per month. After determining the level of performance, the trainer must convert this level into a monetary figure. For instance, 10 days lost due to stoppages X Rs. 1000 salary per day= Rs. 10,000 per year.

The trainer must then identify and quantify the potential changes that training can produce, for instance, reduce stoppages to four days per year. He now calculates the savings that this change will generate. For instance, 6 days saved X Rs. 1000 per day= Rs. 6000 per year. To identify the savings per learner, divide the potential savings by the number of learners in that particular training program. For instance, if the number of learners is 60, then the savings per learner amounts to Rs. 100.

Step four: Comparisons

In addition to identifying the actual training and savings costs, the following computations will help establish a training initiative's direct link with business outcomes.

Computation 1: Total number of learners X cost per learner

Computation 2: Total number of learners X savings per learner

The final step involves comparing the two figures to prove training effectiveness.



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It is for the organization to invest in training, it is equally important for them to prove a business case for their training initiatives and what better way than to say it with actual calculations.