

Return on Training Investment

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What is ROI?

- Return on Investment (ROI) is a traditional financial measure based on historic data.
- ROI is a backward-looking metric that yields no insights into how to improve business results in the future.
- In education organizations, ROI has been used primarily for self-justification rather than continuous improvement

ROI Calculations

$$ROI = \frac{\text{Total Benefits} - \text{Total Cost}}{\text{Total Cost}} \times 100$$

- **Total benefits** include money saved by the organization, money made, and anything that adds directly or indirectly to the bottom line.
- **Total costs** include the obvious and the not-so-obvious: development costs, learner's time away from doing something else, overhead of education department, physical materials, etc.
- (For instructor-led training this also includes program materials, meals/refreshments, facilities, cost of coordination, cost of job coverage during training, overhead of instructors, and any other cost incurred.)
- Online courses include servers, graphics, web development or CD-production, etc.)

Other Types of Value

- Reduced Travel: Saved time, Addressed safety concerns, ability to talk with those you work with and also network across the globe .
- Reach Across Time and Space: Access to experts, peers with wide experience, better (and worse) times to do the work

Consider for any sort of training program these measures

- Accuracy. Does the performance match an exemplar ?
- Class. Is the performance relatively superior to what is expected or what is typically seen ?
- Novelty. Is the performance innovative in any way?

Quantity and/or productivity subcategories

- Rate. Is there a desired improvement in the rate of performance? What are the time-to-performance or speed-to-competence rates ?
- Timeliness. Does the performance occur at the right time? "Time has become more important than money in today's economy," says Munson .
- Volume. If the amount of output produced by the performance matters, but there is no time-sensitive component, does the amount improve ?

Cost subcategories can include

- Direct labor. Are there monetary benefits as a result of more efficient or effective performance ?
- Management (indirect labor): Do supervision and administrative costs decrease ?
- Materials. Are fewer resources expended? What about travel expenses?

Other types of evaluation should include

- How much value you can create for your organization
- Referenceable customers
- Reduced turnover rates
- Portfolios of learners' work
- Customer satisfaction surveys
- Employee satisfaction surveys

Cost of Not Training ?

- Untrained users take up to six times longer to perform the same tasks .
- Training enhances employee retention. A Louis Harris and Associate Poll says that among employees who say their company offers poor or no training, 41% plan to leave within a year. Of those that say their company offers excellent training, only 12% say they plan to leave .
- Studies show that in-house training costs 73% more than outsourced training .
- A four-year study by the American Society of Training and Development shows that firms who invest \$1500 per employee in training compared to those that spend \$125, experience on average: 24% higher gross profit margins and 218% higher income per employee !
- Just a 2% increase in productivity has been shown to net a 100% return on investment in outsourced, instructor-lead training

Where do you start?

- Begin to gather the data your organization (and the finance department) already collects .
- Collect in one place all that factors than can tell you how much program development costs. Don't forget to include indirect fees .
- Add up any money you gained from the program.

Questions you'll need to ask during the process

- Are the metrics you collect meaningful for the organization?
- What categories are you missing? Does another department collect the information you need?
- How will you convert data that is not in a useful format for you?
- What is your organization's broad objectives? Are they broad enough? How do your programs' objectives align with your organizational goals?
- What should you isolate and when is it more important to look at an overall effect?
- What are the "intangible factors" that contribute to your programs' success and the growth of those who participate?

consider tracking the following internal measures

- Enrollment. Are learners showing up?
- Activity. Are people moving through the course?
- Completion. Did starters finish?
- Scores. How well did learners score?
- Feedback and Surveys. How was the program received?