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CALCULATING RETURN

Learning To Measure Learning

BY ANNA MARIA VIRZI

As one Fortune 500 chief information officer puts it, training for employees is like plumbing. "It's the cost of doing business. You need to keep your skills up to date," he says.

But financial belt-tightening is forcing HR and corporate training professionals to pay attention to assessing the return on investment. "ROI is probably the hottest thing in the technology learning business. Training managers are being forced to run an effective business, and ROI is clearly a part of it," says William Vanderbilt, director of operations for information technology training at CompTIA, an association with 10,000 corporate and 10,500 individual members.

Many programs offer clear benefits. Penny Gelb, former training manager at Genuity, says her department started an "IT boot camp," a one-day program for new employees. "That cut down calls to the help desk by 30% from new hires," she says.

But companies have taken an axe to training programs in part because managers are unable to forecast potential returns, says Vanderbilt. "Most training managers are ill-equipped to start doing an ROI analysis. People looking for benchmarks are having a hard time finding anything to take to executives."

Jack Phillips, a consultant and author who helps companies assess the ROI of training, says the task requires lots of information gathering. The first pieces involve measuring employee reaction to the training and determining the new skills that are acquired.

Next, employers should identify related changes in employee behavior. For example, what is the employee doing differently? Then the company can assess the business impact of the change, such as whether a developer is able to write code faster or more efficiently, resulting in savings to the company. The savings can then be compared with the cost of a program to determine the actual return, says Phillips.

An ROI review—estimated to cost 5% of a program's overall budget—is worthwhile for some but not all training activities, according to Phillips.

"We suggest doing this type of analysis for programs that are very expensive, strategically focused, involve a lot of people, a lot of time, or are controversial; and finally, those that interest the management team. They often want to know the value of training," Phillips says.

EXERCISE: FINDING THE RETURN ON DEVELOPER TRAINING

Training may seem too intangible for an ROI assessment, but consultant Jack Phillips believes that if a program is worthwhile, its effects can be measured. The example below, developed by *Baseline*, looks at the return on sending developers to a certification course. It follows the basic steps recommended by Phillips in his book, *Return on Investment in Training and Performance Improvement Programs* (WWW.FRANKLINCOVEY.COM/JACKPHILLIPS).

Step 1: SET OBJECTIVES
Increase code output and quality
Improve staff performance

Step 2: DEVELOP EVALUATION PLAN
▸ Identify control and variable groups
CONTROL: 10 developers, no training
VARIABLE: 10 developers, five-day training

▸ Identify measurements, take baseline
Weekly lines of code (LOC): 692
Code breakage: 8%
Performance rating: 7.5 out of 10
Coding sophistication: 6.5 out of 10
Average developer salary: $80,000

Step 3: COLLECT DATA
▸ Reassess both groups, post-training
Weekly LOC: 722
Code breakage: 6%
Performance rating: 8
Coding sophistication: 8
Cost of training: $41,867

Step 4: ISOLATE EFFECTS
▸ Analyze each group individually

	CONTROL	VARIABLE
Weekly LOC	700	744
Code breakage	7.5%	4.5%
Performance rating	7.75	8.25
Coding sophistication	7	9

SOURCES: *BASELINE*, JACK PHILLIPS CENTER FOR RESEARCH

Step 5: CONVERT DATA
▸ Quantify tangible and intangible benefits of training

TANGIBLE:
Increased productivity (44 additional weekly LOC): $50,256
Improved quality (3% reduction in code breakage): $24,000

INTANGIBLE:
Improved performance (6.4% increase)
Improved coding ability (29% increase)

Step 6: CALCULATE RETURN ON INVESTMENT
▸ Use tangible measures to derive financial bottom line for each year

$$\frac{\text{(Benefits - Cost)}}{\text{Cost}} = \text{ROI}$$

$$\frac{\$74{,}256 - \$41{,}867}{\$41{,}867} = 77\%$$

ONLINE EXTRA
The cost of assessing the ROI for training may be more than the exercise is worth. This quiz helps you calculate the return of, well, calculating return. WWW.BASELINEMAG.COM/TRAINING/ROI