

E-BOOK

7 Steps to Measure ROI of Training Programs





Armezo is the "arm that measures", talent, potential and performance for organizations through our Assessment and Survey Solutions. With a decade of experience in delivering Assessment, Examinations and Survey solutions to over 100 delighted customers.

Empowering Improvement through Innovation.
Intelligent Assessments + Actionable Analytics

Preamble

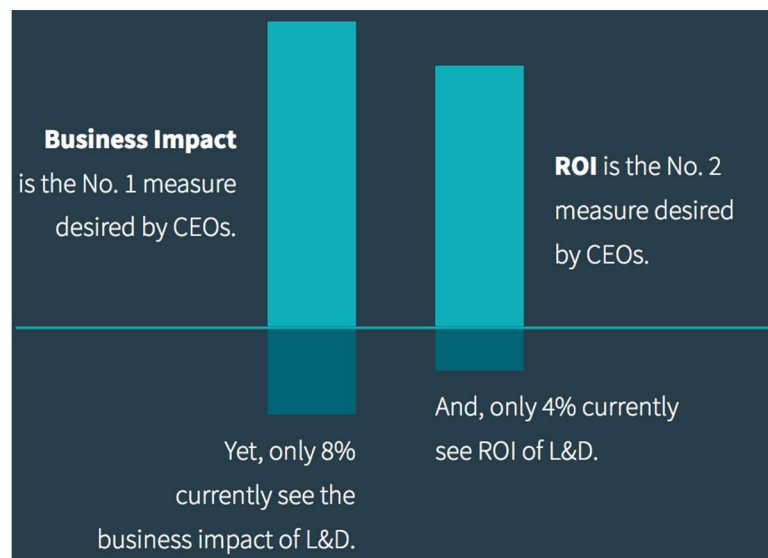
People are the lifeline of any business and great businesses understand and nurture this lifeline. 35% of the millennial consider comprehensive training & development programs as the top benefit they would want from a company.

It's an accepted fact that employee training and development is critical to the success of any organization. Through effective training programs, organizations can address various challenges that lead to reduction of profits, bad customer service, disengaged workforce, lack of product knowledge, high rejection rates, time & materials waste, and high attrition rates.

With the rapid change in the technology landscape, the necessity to re-skill the workforce is a big challenge necessitating the need for further investments in training. However, as stakes become higher, budgets are increasing and so is the influence and expectations. There is a growing demand from the economic decision-makers to understand the ROI of any training program and budget management.

- 1**
Identify and assess skills gaps
- 2**
Increase engagement with learning programs
- 3**
Develop career frameworks
- 4**
Provide consistent and valuable learning to employees globally
- 5**
Train for soft skills
- 6**
Deliver company-specific insights to close organizational skills gaps
- 7**
Understand the impact of technology and automation on skills development

Top 7 focus areas for Talent Development in 2019



CEO's Expectations from L & D

*LinkedIn Learning Report

ROI of Training Programs

While the benefits of trainings are many but when it comes to presenting ROI analysis for training investments, many L & D leaders would struggle. The struggle is not only in terms of the time consumed but understanding all the direct and indirect costs as well as benefits and quantifying their impact on the business.

Use this guide to help you identify the components and how to calculate their impact that can be put on the ROI analysis.

While this guide would be helpful in estimating the direct cost, use feedback surveys, pre, and post training assessments, baseline improvements on key metrics, NPS, etc. to attribute indirect benefits. While there are established models like Kirkpatrick, their success also depends on assessing & measuring the change.

While preparing the ROI sheet, L & D leaders should be careful about taking a slightly long term horizon as some of the benefits accrue over a slightly longer time period like a year.

Process to Measure ROI

We believe that the ROI measurement is a process that starts from the need analysis itself. Below are the details of the process of ROI measurement.

- 1. Is ROI measurement needed?**
- 2. Qualitative vs. Quantitative**
- 3. Pre Assessments**
- 4. Assessment Methodology**
- 5. Post Assessment**
- 6. ROI Analysis**
- 7. Showcasing the ROI**

1. Is ROI measurement needed?

Decision-makers understand the value of training, but that is not the issue. The issue is how much? This is often required when the decision-makers have to make choices between competing programs for funding and initiatives. ROI is the tool used to help them prioritize the list. It is difficult but not impossible to measure the ROI of training programs even when some of the benefits are difficult to quantify. But if one follows a structured approach, it's possible to calculate the business impact of training programs without spending too much time.

2. Qualitative vs. Quantitative

Any discussion on ROI typically starts with the definition of measures and choices between the qualitative and quantitative measures. While quality is important, it doesn't go a long distance in proving the value of the intervention. Good training program results in better learning and better learning to better results is not always true. A new mindset is required to focus on the business impact and results even after the learners have left the learning class. A mindset which focuses on the impact on the business results and KPI's than anything else, where all the impacts are measured and reviewed

against objectives is the key. The ideal scenario is using a mix of qualitative and quantitative measurements for the best results.



Case Study: Leading IT services company with over 2Bn USD in revenue

made their Learning Managers accountable for the performance of the new hires they were aligned to. There was a ranking of all

the learning Managers in terms of how many of the learners assigned have over-achieved their numbers and top 10 were awarded the highest sales recognition. This entire initiative enabled 30% increase in the new hires over achieving their targets in the first year.

3. Pre-Assessments

Any journey of calculating the ROI starts with understanding the KPI measures and creating a baseline. The measures come from the objective of the training and the root cause analysis of the situation. E.g., if the customer satisfaction score for an organization is low because of lack of product knowledge, then improvement in the Customer satisfaction score is the KPI that would be measured to evaluate the outcome of the training. For qualitative measures, conduct the root cause analysis, 360 degree evaluations and analyze learner's expectations to have a more engaging learning experience.

4. Assessment Methodology

The key to doing the most effective and efficient ROI measurements is using the assessments & surveys. A good assessment methodology is the key to success. The assessments should be designed to measure the combined mix of effectiveness, job impact and the business results.

L&D leaders have for long invested in methodologies like Kirkpatrick Model or the Jack Phillips Model for training ROI evaluation. A high level look at three levels of measures

Learning Measures

Learning effectiveness provides proof that learning did, in fact, occur. The question will typically ask the learners to what extent they experienced gains in knowledge and skills as a result of the course.

Work Impact Measures

Job impact measures gather the ability of the learner to apply the learning on the job and to what extent it has improved their job effectiveness. Also, gather the time it takes for the learners to apply new learnings.

Business Results Measures

Gather specific information related to specific desired outcomes and by measuring the extent to which the learning impacted them. All the data gathered should be quantitative and aligned to the pre-assessment KPI's and measures.

5. Post Assessment

Data collection is critical to the ROI process and is the starting and penultimate point of the ROI process. Data for measures of effectiveness should be captured in a post-course survey delivered 30 to 90 days after the course was delivered. The learner's manager must be surveyed to substantiate and validate the findings. Of all three surveys—the course effectiveness Survey must be conducted immediately after the intervention, the post-course learner survey,

and the post-course manager survey—should be structured so that the data can be corroborated among them.

One aspect worth considering in calculating the accurate measure of ROI is to isolate the impact of training. The key is to identify the exact amount of output performance directly related to learning. This step is essential because many factors influence performance data after training and specific attribution will pinpoint the amount of improvement directly related to the program, increasing the accuracy and credibility of the ROI calculation.

6. ROI analysis

The ROI analysis starts with preparing a cost basis. Understand and tabulate all the direct & indirect costs

- L & D costs of development of the program
- Courseware, logistics, licensing, technology, etc.
- Salary of learners, time spent

Try to be as close to the actual as possible but don't get bogged down by trying to reach an exact number at the cost of delivery or follow up.

ROI is calculated as the return of training (Business Result) divided by the cost of the training.

For example, if a training program resulted in an increase in revenue for the sales team by 50 lakhs with an investment of 5 lakhs then the ROI would be 1000% on this particular training investments.

A more structured approach is required if the business results are not directly measurable as the sales results. For example, if the finance team is able to increase transaction productivity by 30%, then the ROI would be a measure of net productivity improvement

of 30% over finance team's salary divided by the cost of training. The other measures of quality like rejection rate, reworks, time saved etc. could be used.

7. Showcasing the ROI

Presenting ROI is all about the key objectives and how far they have been met. Ultimately it's not only about the numbers but also about the other benefits it offers in terms of Employee satisfaction, attrition & engagement.

Use a mix of testimonials, anecdotal data and other KPI's to showcase the actual ROI of any training program.

ROI is about a mindset. Taking the ownership of learner's activities, actions and results needs a different thinking for the L & D managers. Including program performance indicators to include learning measures, work performance, and business results shifts the focus of the program from training delivery to business impact.

The L & D leaders who are willing and ready to modify the measures of success to more quantifiable business impacts would see success in aligning with the C-level initiatives and continue to receive funding for the initiatives.

How can Armezo help?

Four Quadrants of our Offerings



Technology

Our In-house built technology helps us simplify the complexities around process and deliver an **EASY** experience for our users.



Content

On demand holistic content creation and validation by **EXPERTS** accounts for a highly efficient and optimized experience.



Logistics

Round the clock support, technology based proctoring solutions and 100+ assessment centers provide **SEAMLESS** experience for our users with a 360 coverage.



Analytics

Our **ACTIONABLE** Analytics suite offers a holistic overview of all around metrics for all key stakeholders of our customers to optimize hiring, training and organization development.

Empowering Improvement through Innovation.
Intelligent Assessments + Actionable Analytics



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