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People who want to know how to maximize their investment in training.

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Leadership Skills

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How to Get the Most out of your Training

by Kimball Fisher

In today's competitive environment, doing training for training's sake is unacceptable. Although using training as a reward, improving morale through learning activities, or building helpful but non-critical employee skills have some merit in and of themselves, most organizations require something far more from their training efforts. In this article, I'll suggest specific recommendations on how to get the most from your training, including how to determine whether training is needed, how to justify a training effort, and how to determine a return on your training investment.

How to determine whether training is needed

Unacceptable returns from a training effort often stem from an inappropriate use of training. While training is the appropriate intervention for skill development or knowledge acquisition, it is not the appropriate intervention for solving problems caused by a lack of motivation to apply existing knowledge, or by workplace structures or systems. If the problem you are trying to solve is how to retain employees who are dissatisfied with their pay, for example, training managers how to reward people without making any changes to the pay system will probably produce substandard results.

It is important to be clear on why you believe training is needed. Most organizations conduct some sort of needs assessment to determine whether a workplace learning intervention will get you what is required for organizational effectiveness. Ask questions like "what problems do we need to solve?" or "what opportunities do we need to take advantage of?" to determine whether a training need exists or not. If the answer to these questions is something like, "our managers don't know how to lead remote teams as well as collocated teams," or "our teams need to learn how to resolve conflict and deal with poor performance," then a training solution is warranted. But if the answer to the question is "our e-mail system isn't sufficient to help our managers lead their remote teams," or "our teams know how to resolve conflict but they are unwilling to use the knowledge they already have," then training isn't the solution.

Once you know training is needed, identify the specifics. Ask questions like, "what are the key deliverables for this training effort?" and ask follow-on questions until you



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feel you clearly understand what the client is looking for. General answers like “we need stronger leaders,” or “we need more effective teams,” are less helpful than, “our managers need to learn how to coach for performance improvements,” or “our teams need to learn problem-solving skills.”

Also ask questions like, “how will we know when we have reached our goal (solved our problem, achieved the key results, etc.),” and “how will we measure success?” These questions not only help you determine what specific training is needed, but they are necessary to determine your returns on your training investment and will allow you to establish a baseline from which you can conclude whether your training effort was successful or not.

Make or buy?

Once you are clear on the training need, you can evaluate whether to develop the training yourself or buy the training program from an external workplace learning vendor. Generally speaking, it is less expensive to use external partners to do training in skills that have a broader application than in your organization alone (i.e., general leadership and communication skills, etc.), because the up-front research, development, and classroom testing work has already been completed by someone else and you only pay for the instructional and materials fees. Conversely, if the training need is mostly unique to your company (i.e., how to use a company specific technology or process, how to implement a company strategy, etc.), you are generally better off financially to develop the training yourself rather than hire a company to provide a “start-from-scratch” learning solution. An exception to this general rule of thumb, of course, is when you have a critical training issue that is unique to your company, but you simply don’t have the internal resource or expertise to develop it yourself.

Off-the-shelf vs. customized training

If you decide to use a training vendor, you will need to determine how much customization is required to make their products and services fit your unique situation. In our experience, some degree of customization is always required, and vendors who will not provide some appropriate degree of tailoring will not help you get the maximum return on your investment. But the degree of customization required is usually a cost/benefit question you’ll need to decide. Extreme degrees of customization can be costly with only marginal incremental benefits. Consider how to get the most out of your training ex-

perience by customizing in the areas that will provide the highest benefit (typically things like incorporating company specific case studies, modifying content, adding company specific application discussions and including your executive’s perspectives, etc.) rather than things that may give the training your company look and feel but provide little difference in learning.

How to justify a training effort

Once a genuine need has been identified, it is important to develop the support necessary to allocate the resources to conduct the training. This is typically done in two ways. First, to show executives how a training effort will support key organizational strategies, and/or second, to show how a training expenditure will generate key benefits (cost savings, quality improvements, cycle time reductions, revenue increases, etc.). Although there has been a great deal of discussion about training R.O.I. recently, many experts now believe that you receive the biggest organizational impact from training when it becomes a vehicle for strategy implementation rather than just a management tool to reduce cost. It is probably wise, however, to consider both aspects of the justification as you put together a case to secure funding for a training effort. Ask the questions “how can the training effort help us implement key initiatives?” and “what competencies are required for us to reach our key organizational strategies?” in order to identify the best way to design, customize, and sell a training effort.

How to determine a return on your investment

One important way to justify a training effort is to project a return on your investment. It’s also a good way to determine whether completed training was worth the expenditure or not. The calculation for this is fairly simple, but it is often quite difficult to isolate the key variables that will be affected by a particular training effort. Let’s start with the formula and then discuss a few examples of how companies use it.

The formula for determining the return on investment is:

$$\text{ROI (\%)} = (\text{Net Training Benefits} / \text{Training Costs}) \times 100$$

Consider an example: your loan processing team of 10 people gets some training in decision making and problem solving skills that allows them to increase their

productivity. Instead of taking an average of 30 minutes per loan, they use their new skills to improve the process so that they now can complete one in 15 minutes. This saves the team roughly 2100 hours a year. At their average annual salary level, this translates into a savings of \$36,000 a year. The training cost for the team was \$6,640 (\$1370.00 for the cost of the team's salary while they were at the one-day training class, \$70.00 for lunch, and \$5,200.00 for instructor's fees, expenses, and course materials).

Net Training Benefits are the savings minus the cost, or $\$36,000 - \$6,640 = \$29,360$.

So the training R.O.I. calculation is as follows:
 $\$29,360 / \$6,640 = 4.42 \times 100 = 442\%$

The training was a very good investment!

One challenge, of course, is to isolate the variables that really affect the benefit. Was it totally because of the training, or, was part of the benefit due to good management or tools? Some people include a way to account for this concern in their R.O.I. calculations. For instance, if in the above example, you thought the training accounted for only 50% of the benefit, you could cut the final number in half to 221% (still an excellent investment).

The types of benefits people typically see from training include productivity improvements (illustrated above), cycle time reductions, revenue increases, product quality improvement, employee retention, and cost savings in areas such as process improvements, materials reductions, or energy savings. A Fisher Group client in the pharmaceutical industry, for example, credits our training as a significant contributing factor in doubling productivity, improving first-pass quality yields from below 80% to nearly 95% in three years, reducing cycle time by 80%, and going more than 800 days without a lost-work-time-accident. Another in the financial industry boasts a remarkable 1,638% internal rate of return on our training and consulting services based primarily on cost reductions resulting from process improvements and salary savings.

To complete your training R.O.I., identify the key cost levers in your business and determine how training might affect them. Use the calculations that are commonly accepted in your business to determine things like what

saving an hour of an employee's time is worth (or the value of retaining a customer, avoiding a lawsuit, improving the quality of your product or service, etc.).

About the author:

Kimball Fisher is a leading expert on leadership and teams. He is the co-author of The Distance Manager and the author of Leading Self-Directed Work Teams. He has worked with about 1/4 of the Fortune 100 companies on training and consulting projects to improve organizational performance.

