



## TRAINERS CORNER

# Measurement key to evaluating impact of training on bottom line

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**IS IT WORTH** investing money to develop people? How much should you spend and how many hours should an employee receive training each year? How do you measure the success of a workshop or training class?

These are just some of the questions that face business executives every year. The way organizations approach training varies widely. Some employees receive no formal training, year after year.

Other companies have made learning a key strategy of their organization and require every employee to develop themselves annually.

Why such a wide gap? If training truly impacts performance, then shouldn't everybody be doing it?

Training is often the first item cut from a budget, especially during lean times. It is also one of the last budget lines brought back into an organization during the boom times.

Looking at this trend would seem to suggest that training, for many organizations, is seen as "nice-to-do", but not a key operational strategy.

So the real question is, does good training truly impact the bottom line? Several methods exist to measure training.

**Donald Kirkpatrick** introduced four levels of measurement to the training world in 1959, reaction, learning, behavior, and results. **Jack Phillips** later added a fifth level, return on investment.

**Reaction.** How did the participants react to the training? This includes the presentation of the material, the activities, the trainers, the environment, etc. Reactions of participants, their managers, the

trainers, training management, etc. are all valuable sources of information.

**Learning.** Did the participants understand the information presented to them during the learning event? Pre-test and post-test ratings are a common method of determining knowledge acquisition. Retention of information can be measured immediately at the end of the intervention and over an extended period.

**Behavior.** Did the person change their behavior as a result of the learning? For example, after a person attends a behavior-based safety workshop does the person use what has been presented to create a safer working environment? Managers' observations, participant self-reporting and statistical data are frequently used to determine if behavior change has occurred.

**Results.** Did the change in behavior produce the desired results? If we are trying to increase retention, are turnover numbers down? If we are trying to improve safety, have we reduced the number of incidents that occur? The measurement of results typically requires some expertise with statistical methods to help factor out extraneous influences that affect the specific outcomes we are examining.

**ROI.** What is the return on the investment? Looking at all the expense factors, salary, facility costs, travel, consultant fees, etc. What was the impact on the bottom line? Frequently training has one of the highest ROIs for any business investment – sometimes reaching 1100 percent or higher.

Does training pay off? ASTD conducted a study from 1996 to 1998 and published in a 2000 report, "Profiting From Learning: Do Firms' Investments in Education and Training Pay Off?"

Training companies that invested \$680 more per employee than other compa-

nies, on average, could expect to have a 6% higher increase in total stockholder return (TSR) 12 months later.

The study went on to say, "When ranked according to how much they spent on training, those firms in the top half of the study group had an average TSR in the following year of 36.9%. The TSR for those in the bottom half was only 19.8%. By comparison, the S&P 500 had an annual weighted return of 25.5% during the same period."

Benchmarking is another key factor in measuring training success. Each year ASTD publishes the State of the Industry report.

It includes information from the ASTD benchmarking service that reports number of hours of training per eligible employee, amount spent per employee as a percentage of payroll, use of technology in the delivery of training, and many other relevant comparisons of training that organizations should use to determine best practices.

Randy Smith Training Solutions works with its clients to identify what success means for their organization and management prior to engaging in a learning initiative.

Once identified, putting measures in place that prove success, and sharing that information with senior management and other stakeholders is vital to create belief in the value of workplace learning.

It is our responsibility to educate executives and managers throughout the organization how the impact of developing our greatest asset, our people, contributes to the bottom line.

Training must be one of the last areas cut in a down turn, and should even be increased during organizational retrenching modes.

So back to the question, does training impact the bottom line of the company? Absolutely yes, training is extremely beneficial and lucrative for every organization.

For training to have impact it must be designed well, focus on addressing a true business need that is impacted by training, delivered well, have strong management support, include follow-up back in the work place, and include results that are measured and evaluated. Training truly is one of the best investments an organization can make. ■