

Use ROI to Build Credibility for Training in Your Organization

By Patrick von Schlag

In an effective organization, many departments, including product development, marketing, sales, operations, and customer service, deliver valuable services. Because an organization has finite resources, the stewards of the organization must weigh the investment value of many potential “business development” programs.

Training departments gain more credibility and consideration in the competitive budgeting process when effective ROI development processes are used. Because few organizations have the resources or desire to pursue Level 5 ROI evaluations for the majority of their training programs, they must pursue secondary strategies to ensure full and fair consideration of training budgets. These strategies involve the following critical steps.

- **Align training with the company’s goals**

Most corporations fund programs that are clearly aligned with the organization’s strategic goals. It is imperative during the budgeting process to clearly align your training programs, projected expenditures, and projected outcomes with the stated objectives.

- **Focus on hard, quantifiable costs and benefits**

While a knowledge and accounting of the intangible benefits of a training program are certainly appropriate in a thorough ROI analysis, tangible benefits and fully loaded costs will be far more impressive to those who make tough funding decisions.

- **Get the business units to champion the training**

Programs with supporters in multiple business units are more likely to be funded than programs seen as the pet project of one constituency. If you want your programs to be funded, get other business units to champion them for you.

- **Be conservative**

One of the areas where training organizations lose credibility is in taking credit for too much of an initiative’s success. A conservative approach that demonstrates an awareness of the complex factors enhancing worker performance will increase credibility. Jack Phillips’s ROI model incorporates several such conservative approaches including:

- assuming no change on the part of participants who do not complete the measurements
- excluding extreme data
- using confidence intervals to calculate the dollar value of a training program
- isolating the effects of training from other factors.

- including fully loaded program costs.

- **Ask for backup**

Having a credible third party validate the claims of your training organization increases your credibility. Without a third party, reported training results may be viewed as self-serving.

- **Use previous successes to show the value of training**

Success stories and specific examples of successful training initiatives provide a critical human dimension. Especially in the current challenging economic climate, innovative but unproven programs conjure up more risks than opportunities.

- **Try before you buy**

Many learning vendors cite extremely unrealistic ROI values for their products and services. A quick look at their “ROI calculators” exposes a fundamental lack of understanding of ROI or of training benefits measurement in general. Rather than relying on vendor claims or highly theoretical projections of use, cost displacement, or scalability, the most successful learning deployments make extensive use of pilot programs, ASP (application service provider) hosting, and other “crawl before we run” strategies.

- **Sometimes less is more**

Since change is traumatic for most people, staggering the deployment of new training programs makes it far less likely that the weight of the change itself will disrupt the efficacy of the program. At budgeting time, a phased approach to deploying new training programs appears conservative, responsible, and more credible than “rip and replace” programs that create fear and uncertainty.

- **Clearly state the organizational impact of insufficient funding**

For training programs that are mission-critical, be sure to quantify wherever possible the risks to the organization if it under funds or doesn’t fund training. For example, an organization was in the process of a \$15 million deployment to reengineer its entire supply chain and accounting procedure. The cost of incorrect data entry was tracked and the training department demonstrated that the risk associated with ineffective staff training would cost more than \$1 million a day compared to training costs of less than \$150 thousand.

- **Build flexibility into your program**

Many organizations begin the budgeting process six to 12 months prior to the beginning of the fiscal year. Therefore, a responsible budget plan needs to have a certain percentage

set aside for midyear reallocation depending on changes in the marketplace, new strategic initiatives for the organization, or the emergence of unforeseen opportunities.

By using rigorous, structured ROI processes and disciplined, business-case centered proposals, training organizations have the potential to vastly increase their credibility and influence. If the knowledge economy requires treating training and development as a strategic resource, it is imperative we begin using the metrics, terminology, and rigor expected of a company's most important asset.

Patrick von Schlag is president of Deep Creek Center, a learning consultancy based in Clarksville, Maryland. He can be reached by email at pvonschlag@deepcreekcenter.com.