

LESSON 37

ROI OF MANAGEMENT TRAINING

Dear Students

This lesson will provide you with a insight over the Return on Investment on Management training program.

A note about ROI (return on investment) in training

Attempting financial ROI assessment of training is a controversial issue. It's a difficult task to do in absolute terms due to the many aspects to be taken into account, some of which are very difficult to quantify at all, let alone to define in precise financial terms. Investment - the cost - in training may be easier to identify, but the benefits - the return - are notoriously tricky to pin down. What value do you place on improved morale? Reduced stress levels? Longer careers? Better qualified staff? Improved time management? All of these can be benefits - returns - on training investment. Attaching a value and relating this to a single cause, ie, training, is often impossible. At best therefore, many training ROI assessments are necessarily 'best estimates'.

If ROI-type measures are required in areas where reliable financial assessment is not possible, it's advisable to agree a 'best possible' approach, or a 'notional indicator' **and then ensure this is used consistently from occasion to occasion**, year on year, course to course, allowing at least a comparison of like with like to be made, and trends to be spotted, even if financial data is not absolutely accurate.

In the absence of absolutely quantifiable data, find something that will provide a useful if notional indication. For example, after training sales people, the **increased number and value of new sales made** is an indicator of sorts. After motivational or team-building training, **reduced absentee rates** would be an expected output. After an extensive management development programme, the **increase in internal management promotions** would be a measurable return. Find something to measure, rather than say it can't be done at all, but be pragmatic and limit the time and resource spent according to the accuracy and reliability of the input and output data. Also, refer to the very original Training Needs Analysis that prompted the training itself - what were the business performance factors that the training sought to improve? Use these original drivers to measure and relate to organizational return achieved.

The problems in assessing ROI are more challenging in public and non-profit-making organizations - government departments, charities, voluntary bodies, etc. ROI assessment in these environments can be so difficult as to be insurmountable, so that the organization remains satisfied with general approximations or vague comparisons, or accepts wider forms of justification for the training without invoking detailed costing.

None of this is to say that cost- and value-effectiveness assessment should not be attempted. At the very least, direct costs must be controlled within agreed budgets, and if it is possible, attempts at more detailed returns should be made.

It may be of some consolation to know that Jack Philips, an American ROI 'guru', recently commented about training ROI: "Organisations should be considering implementing ROI impact studies very selectively on only 5 to 10 per cent of their training programme, otherwise it becomes incredibly expensive and resource intensive."

Why invest in management training?

By Dr. Carol McCoy

Have you ever read a Scott Adams' "Dilbert" cartoon about the pointy-haired manager and felt that Adams was describing your boss and your company? If so, you are not alone. Even though most managers want to be competent managers, ineffective management practices are common in the workplace.

Nothing can be more frustrating to an employee than a new manager who hasn't a clue how to deal with people. Even experienced managers make mistakes, which lower morale and productivity.

Why are management skills so important? Why don't managers know how to manage? How can training help?

Jodi Lerman, director of training and organizational development for Maine Medical Center, says, "Managers have the most significant impact on employee retention and customer satisfaction. By setting clear expectations, breaking down barriers, appreciating and recognizing a job well done, and encouraging personal development, managers create satisfied employees. Satisfied employees create satisfied customers. That's why management training is essential."

Unskilled managers can devastate a company. Being mismanaged leads to worker dissatisfaction, time wasted in workers complaining, mistakes, under-performing, and turnover. One of the top reasons for leaving an organization is having a negative relationship with one's supervisor. Not only do ineffectively managed employees suffer from low morale, they often take their own frustration out on customers. Lack of management skills can lead to an unhealthy work environment, customer dissatisfaction, lower profits, and ultimately business failure.

As Muriel Littlefield, director of human resources for the Maine State Retirement System, sees it: "Managers are in the middle of an organization. They impact it in all directions – up, down, and sideways. Skilled managers are positioned to reinforce new learning and to help the organization make critical changes so that it can stay viable."

Why don't managers know how to manage? Management skill is not simply common sense, and it is not innate. It is learned behavior and knowledge. When looking to promote someone to manager, it is natural to consider people who are excellent individual contributors with outstanding technical skills. Frequently the skill set and motivation needed to excel in managing people is different from what's needed to do the actual work.

For example, a good salesman is likely to be skilled at prospecting customers, explaining the company's products, and closing the deal. He or she is usually motivated by competition, winning, being rewarded and striving for individual excellence. Sales managers, on the other hand, need to help sales people set goals, monitor performance, provide feedback on what's going well and coach others to improve their skills.

Many top sales people don't initially enjoy or know how to manage people; they are more comfortable selling products than coaching people in how to sell. This same situation can happen with people who excel at working with computers and solving technical problems. They enjoy working with computers and may not be as comfortable in dealing with people problems. This discomfort can cause new managers to avoid communicating with their staffs.

Often people who are technical experts experience frustration with new workers who are not as skilled as they were. New managers forget what it was like not to know something. They may assume that others are familiar with company lingo and processes. It can be especially daunting for people who change industries to be overwhelmed with new jargon and unfamiliar terms. It can seem like people are speaking a foreign language. As new workers struggle to perform well, managers may be tempted to take over their work and do it themselves since it's so much faster and easier than coaching another person. This not only lowers morale and productivity, but it prevents the new person from developing the skills needed to succeed.

Even when managers do try to teach new employees how to do the job correctly, they may not do it well. They may assume that all people learn the way that they did or that lecturing is the best way to train others.

How does management training help improve performance of managers? First, it teaches people the fundamental management knowledge and skills needed to succeed in a particular organization. For example, they learn how to set expectations, discover the needs of their employees, and coach employees to improve their performance. New managers can learn best practices in handling various management situations. Furthermore, training provides managers with valuable reference tools and resources that they can draw upon on the job.

Training in a group setting enables people to meet other managers who can help them in sticky situations. By interacting with other managers who experience similar problems,

managers gain a sense of comfort that "we're all in the same boat."

Management training shows new managers that the company cares about their success, which helps to build company pride and loyalty. When managers learn new skills and knowledge, they gain confidence and comfort in their ability to succeed and are more likely to tackle problems than avoid them. Well-trained managers are better equipped to play a leadership role in successfully navigating an organization through the challenges of constant change.

When managers get a chance to build their skills, customers benefit by dealing with more competent employees, employees benefit by having effective managers, and managers benefit by having the tools to do their jobs well.

Developing people, Part II: Take the initiative

By Dr. Carol McCoy

Have you ever left a company because you felt that you were stagnating and not improving your skills? Have your employees left because your organization didn't help them to develop their skills?

Workers today count on learning new skills and knowledge that can help further their careers. What's the best way to help people grow?

Development of new skills and knowledge doesn't have to be complicated or expensive, but development really pays off when it's planned and aimed at something important. This involves creating a developmental plan. How do you do that?

The first step of a developmental plan is identifying learning goals. What do you want to learn? What are the important competencies needed for your current job? What are your strengths and improvement needs relating to your current job?

Do you want to learn new ways to use a strength or do you need to shore up your weakness? For example, can you use your strong analytical skills in new ways, such as managing a budget, reviewing contracts, diagnosing problems, or improving work flow?

If you're interested in moving to a different job, you need to find out what skills and knowledge are critical for you to succeed. Ask your manager if there's a natural career path in your company. See if you can take a look at different job descriptions or speak with other people about their jobs. Taking time to "job shadow" people in different roles can help you identify skills you need to learn.

Next, have a developmental discussion with your manager to fine-tune your plan and get your manager's support. Jean Whitney, Director of Education and Training for Banknorth Group Inc., recommends including specific developmental action plans as part of the

annual performance planning process, and following up with quarterly meetings with your manager to check in on progress.

Your manager may be able to find funding for your learning or help you set up a flexible schedule to pursue your education. In any case he or she will need to plan for back-up support if you will be learning during regular work hours.

Your manager can be a rich source of ideas and encouragement as you develop new skills. He or she can help you target your development to areas that will make a difference to you and the company.

In meeting with your manager, set one or two learning goals, then select learning activities to help you achieve your goals. There are many different ways to learn.

Carol Ryan Ertz, Co-Director of UnumProvident Leadership Development gives this advice: "Don't let traditional learning approaches box you in as the only ways. It doesn't always have to be attending a class. Start by breaking down what needs to be learned -is it some knowledge or awareness versus mastery. Can you gain the knowledge by reading books or articles, doing a web search or attending a professional meeting? Perhaps you can learn by hooking up with someone in the know about a topic."

How do you learn best? Do you prefer a self-paced learning program through computer, video, audiotape, or reading? There are some excellent audio programs, which you can listen to as you drive to work. Do you learn best when interacting with other people? In this case, you may prefer some kind of classroom activity or coaching.

Fred Frohardt, Human Resource Director of Gates Formed-Fibre Products, Inc., describes some of the ways Gates associates can development themselves. "Informal on-the-job training goes on every day, including opportunities to take on a leadership role as project manager or to volunteer for project teams that are outside normal job responsibilities. There are also more formal ways to learn. Associates receive 50% tuition reimbursement for completing college courses leading to a degree. People can attend company-paid seminars and vendor-sponsored seminars as well as internal training programs and computer based tutorials at no cost."

Does your company provide tuition-reimbursement for attending college courses? Can you take advantage of structured training programs-either computer-based or class room-based-relating to skills you want to enhance?

Are there any conferences or workshops sponsored by associations or universities? Meeting people from outside your organization can enhance your perspective. Can you find a coach, either your manager, or someone else who has the skills you desire? Ask your coach to provide you with feedback when you try something new.

Perhaps the best way to learn is to take on a challenging assignment, which causes you to stretch your skills and knowledge. I never learned more than when I moved from being a trainer to managing a small training department for a new business within the same

company.

In that job I learned about strategic planning, project management, budgeting, marketing, and a host of other skills. This assignment built the foundation for all my future work, and taught me skills I needed to succeed as a consultant.

In the words of Jean Whitney, "being on a project team to solve an important problem provides a great opportunity for people to develop new skills. Working on a real business scenario with a mentor or coach not only builds skills, but it also has an immediate payoff for the organization as well."

Whether you learn by completing a college course, listening to an audiotape, taking a computer-based program or learning from a colleague, building your skills and knowledge will have benefits for you as well as your organization

Developing people, Part I: A worthwhile investment

By Dr. Carol McCoy

Let's say you're a manager in a growing company. As the business year ends and the company wants to reduce expenses, senior management asks you to trim your budget.

What's the first area you think of cutting back? Is it training?

Why is training and development often the first area to go when the budget must be cut? Has your manager ever held you back from training or have you ever cancelled training because of immediate job pressures? Why is personal development seen as expendable?

Perhaps it's because the benefits are long-term compared to the benefits of addressing what appears to be a crisis. Unfortunately people often treat any immediate business need as a crisis. They put out the fire, but at the expense of their long-term growth.

You may not be able to see the immediate payoff of increased skill or knowledge as easily as you can see the emotions of a disappointed customer. Stephen Covey in *First Things First* discusses the pressure that people feel to respond to an immediate situation rather than to pursue activities which support their highest, long-term values.

Why is developing yourself and your employees so important? What's the big deal about skipping development opportunities?

First, there are obvious benefits to companies that develop people. Jack Quirk, Performance Management Consultant, Anthem Blue Cross and Blue Shield, explains the business imperative of developing people:

"The most important asset that any organization has is its people. To remain competitive, organizations must be constantly changing, improving their methods of doing business,

getting people to work harder and smarter. If you want to change and be more competitive, you have to train everybody. Developing people is the only way your business is going to stay in business."

Skilled and knowledgeable workers not only do their jobs better and provide better service, but they are also in a better position to take on more responsibility. No one wants to feel poorly equipped to handle a work situation.

Recently I went shopping at one of the mega-stores to get a bargain on perennials. When I asked a nearby worker for help on selecting plants, he actually said to me, "All people with knowledge of plants have left the building." I heard similar comments about lawnmower knowledge when I was trying to buy a new mower.

No one wants to say to customers, "I'm sorry I don't know that. I'll have to call my supervisor." Even worse, "my supervisor doesn't know either."

Studies by the American Society for Training and Development show that companies who are willing to invest in the developing people tend to have better business results and better stock performance. Furthermore, training and development can help companies meet one of today's biggest challenges -- attracting and retaining competent people.

People on the fast track want an opportunity to grow, and want to know that they can keep current by learning new knowledge and skills.

Carol Ryan Ertz, Co-Director of UnumProvident Leadership Development, explains why investing in people is so important:

"Any company that is not developing its people is in danger of losing its competitive edge and its institutional knowledge to a competitor. According to a recent Gallup survey, two of the 12 key requirements of a Great Place to Work point to the value of investing in employee development -- 'Is there someone at work who encourages my development?' and 'This year, have I had opportunities at work to learn and grow.' If the company is not providing developmental opportunities, employees leave and prospective employees never sign on."

Unlike workers who expected to stay with one company for their entire career, today's workers expect to change careers and employers several times. They are looking for ways to make themselves more marketable by learning transferable skills.

Some companies are afraid to invest in training and developing an employee, because that skilled worker becomes more attractive and marketable to other companies. On the other hand, investing in an employee's development tends to increase the worker's positive feelings and loyalty about their company as well as their ability to contribute to the company's success and to assume increased responsibilities. Development also gives them feelings of job satisfaction because they can do a competent job, enhance their skills, and move up in the company.

Jean Whitney, Director of Education and Training, Banknorth Group, Inc. is a strong

proponent of the value of training and development. Jean explains the benefits of training this way: "As organizations grow, positions become more complex and job responsibilities increase in their scope. Training and development of employees is critical to success in achieving business goals and it also helps to attract and retain top notch people. People want to feel good about what they're doing and be able to take on new projects and initiatives. Development helps people to succeed in their jobs and supports their growth both in their current positions and in new positions. "

So, the next time you think of cutting the training budget or skipping personal development, think twice. Next month's column will focus on ways to develop your skills and knowledge.

EVALUATION OF MANAGEMENT TRAINING PROGRAMME

The specification of values forms a basis for evaluation. The basis of evaluation and the mode of collection of information necessary for evaluation should be determined at the planning stage. The process of training evaluation has been defined as "any attempt to obtain information on the effects of training performance, and to assess the value of training in the light of that information." Evaluation leads to controlling and correcting the training programme. Hamblin suggested five levels at which evaluation of training can take place, viz., reactions, learning, job behaviour, organisation and ultimate value.

(i) *Reactions*: Training programme is evaluated on the basis of trainee's reactions to the usefulness of coverage of the matter, depth of the course content, method of presentation, teaching methods etc.

(ii) *Learning*: Training programme, trainer's ability and trainee ability are evaluated on the basis of quantity of content learned and time in which it is learned and learner's ability to use or apply, the content he learned.

(iii) *Job Behaviour*: This evaluation includes the manner and extent to which the trainee has applied his learning to his job.

(iv) *Organisation*: This evaluation measures the use of training, learning and change in the job behaviour of the department/organisation in the form of increased - productivity, quality, morale, sales turnover and the like.

(v) *Ultimate Value*: It is the measurement of ultimate result of the contributions of the training programme to the Company goals like survival, growth, profitability etc., and to the individual goals like development of personality and social goals like maximising social benefit.

Essential Ingredients for a Successful Evaluation

There are three essential ingredients in a successful evaluation. They are:

(i) Support throughout the evaluation process. Support items are human resources, time finance, equipment and availability of data source, records etc., (ii) Existence of open communication channels among top management, participants and those involved in providing data etc., and (iii) Existence of sound management process.

Bases of Evaluation: Training programme can be evaluated on the basis of various

factors like production factor, general observation, human resource factor, performance, tests, cost-value relationship etc.

Production Factors: In operative training, the prime measure of worth is that of productivity. Productivity rates covering both quantity and quality are good indicators of the values of training. In most business situations these rates will have to be obtained before and after training. In an experimental situation, a control group that does not receive training could be compared with the one that does in order to ascertain the effect of training. Management will generally look first at production and wastage rates to determine the worth of operative training. The other production factors are decrease in unit time and unit cost of production and reduction in space or machine requirements.

General Observations

General observation should not be overlooked as a means of training evaluation. The immediate supervisor is often a good judge of the skill level of his subordinates. For on-the-job training programmes, the supervisor is, in effect, the judge of his or her own efforts. If the supervisor is treated as a part of the professional management of the organisation and is properly selected and trained, this self-analysis and appraisal can be quite accurate and objective. The efficient supervisor observes accurately the level of skill and knowledge acquired by the trainee during the training programme. He also observes how effectively the trainees apply the acquired skill and knowledge to the present and future jobs.

Human Resource Factors

Training programme can also be evaluated on the basis of employee satisfaction which in turn can be viewed on the basis of:

- (i) Decrease in employee turnover.
- (ii) Decrease in absenteeism.
- (iii) Decrease in number and severity of accidents.
- (iv) Betterment of employee morale.
- (v) Decrease in grievance and disciplinary cases.
- (vi) Reduction in time to earn piece rates.
- (vii) Decrease in number of discharges or dismissals.

Performance Tests

In the immediate sense, the specific course of training can be evaluated in terms of written and performance tests. The test is supported by a sample of what the trainee knows or can do. Successful accomplishment of the tests would indicate successful training. But the true test is whether or not what has been learned in training is successfully transferred and applied to the job. It is dangerous to rely upon tests alone to demonstrate the true value of training. Performance appraisal on the job before and after training may be supplemented to the tests.

Cost-Value Relationship

Cost factor in training should be taken into consideration in evaluating the training effectiveness. Cost of various techniques of training and their value in the form of reduced learning time, improved learning and higher performance can be taken into account. Cost of training includes cost of employing trainers, and trainees, providing the means to learn, maintenance and running of training centres, wastage, low level of production, opportunity cost of trainers and trainees etc. The value of the training

includes increased value of human resources of both the trainee and trainer and their contribution to raise production, reduce wastage, breakage, minimisation of time requirement etc. Cost-value relationship of a training programme or a training technique is helpful in: (a) determining the priorities for training (for present and potential managers, age structure of the trainees etc.) , (b) matching the employee and job through training, (c) determining the work of management sacrifices (like time taken by training programme, non-availability of staff for production during training period etc.), (d) choosing the right training method.

Anyone of the possible combination of the methods of training evaluation listed below can be used by an organisation for evaluation depending upon the need and convenience. The various methods of training evaluation are:

- (i) Immediate assessment of trainees' reaction to the programme.
- (ii) Trainees' observation during training programme.
- (iii) Knowing trainees' expectations before the training programme and collecting their views regarding the attainment of the expectations after training.
- (iv) Seeking opinion of trainee's superior regarding his/her job performance and behaviour before and after training.
- (v) Evaluation of trainee's skill level before and after training programme.
- (vi) Measurement of improvement in trainees on the job behaviour.
- (vii) Examination of testing system before and after sometime of the training programme.
- (viii) Measurement of trainee's attitudes after training programme.
- (ix) Cost-benefit analysis of the training programme.
- (x) Seeking opinion of trainee's colleagues regarding his/her job performance and behaviour.
- {xi} Measurement of levels in absenteeism, turnover, wastage/scrap, accidents, breakage of the machinery during pre and post period of the training programme.
- {xii} Seeking opinions of trainee's subordinates regarding his/her job performance and behaviour.

Feedback

Training evaluation information should be provided to the trainer and/or instructors, trainees and all other parties concerned for control, correction and improvement of trainees activities. Further the training evaluator should follow it up to ensure implementation of the evaluation report at every stage. Feedback information can be collected on the basis of questionnaire or through interview.