

# Many companies analyze the return on investment for advertising campaigns and other company initiatives, but not training. Why not?

By Gary M. Stern, contributor

FORTUNE -- Whether it's harvesting pearls of management wisdom from the works of William Shakespeare, workshops on building better teams, or an in-depth exploration of the latest application development software, training business is big business at American corporations. But do any companies actually track what comes out of these programs? And, if so, how?

American businesses spent a staggering \$125.9 billion on employee learning and development in 2009, according to the American Society of Training & Development's 2010 industry report. While companies track every data point of an advertising campaign, they often ignore the return on investment on their training dollars. Are companies getting any bang for their training buck?

While many companies collect data on the number of employees they train and the cost of training per person, most do not establish metrics that connect training sessions to the ultimate goals: improved sales, generating new customers and increased productivity.

Staff training programs largely fall into two broad categories: product, sales, and technical training, which teach specific skills; and more "intangible" workshops on leadership, team effectiveness and diversity, says Homa Bahrami, a lecturer in management at The University of California-Berkeley's Haas School of Business.

The results of a training session on new software can be quantified easily, but finding an easy way to gauge the benefits of intangible training programs is more complicated.

"Even though some aspects might not be measurable, there are measurable ways to determine if the money was spent wisely. Did we take actions?" asks Stephen Burnett, associate dean of executive education at Northwestern University's Kellogg School of Management.

Many companies say it's difficult to measure training's role in raising revenue. But, Burnett wonders, can a company determine the impact of a \$50,000 social media skills workshop on winning more customers that generated \$100,000 in revenue? Granted, many factors contribute to increased revenues, but can you separate the effects of training from those other factors?

Some say that the lack of performance measurement has more to do with the priorities of the training programs than anything else. Most trainers are "focused on delivery of learning rather than on improved results," says Calhoun Wick, co-author of *Getting Your Money's Worth from Training and Development* and founder and chairman of Fort Hill Company, a training consultancy.

Nevertheless, these metrics matter a great deal to CEOs. In fact, 92 out of 96 Fortune 500 CEOs said that they are most interested in learning the business impact of their learning and development programs, but only 8% see that happening at their companies now, according to a

study recently conducted by the ROI Institute, a Birmingham, Ala.-based research and consulting organization.

"They're being told by chief learning officers that you can't measure these things. You have to take it on faith," says Jack J. Phillips, ROI's chairman.

Phillips says many human resources heads and learning directors avoid producing these kinds of measurements because they fear for their jobs, but he says the worrying is misguided. Whether the training is on customer satisfaction, productivity or quality control, companies can zero in on one or two items, measure the before and after, and determine a course's effectiveness.

Other techniques to isolate the benefits of training programs include establishing control groups, agreeing on performance contracts with employees, and monitoring business performance linked to the training workshops, Phillips says.

When Phillips consulted for a large financial services firm, the company measured the relationship between leadership development, employee retention and revenue by determining whether its sales staff opened new accounts, how much revenue each account generated, and comparing that data to the cost of training.

And when Haas' Center for Executive Education performed leadership training for Statoil, a Norwegian energy company, the center's staff designed a detailed questionnaire on what new actions were taken and what new business resulted from the training.

Companies that study returns on training investments end up improving their education programs and "see the connection between learning and development and how it drives the bottom-line," Phillips says.

Greeley and Hansen, a Chicago-based environmental engineering firm, uses its training partly as a way to retain its engineers, professionals who are difficult to recruit even in a tight job market, says COO John Robak

"Organizations have traditionally treated training as a cost and expense. When training has a sufficient payback, it can be viewed as an investment, not an expense," Robak says.

At Agilent Technologies, a Santa Clara, Calif.-based measurement company, examining the results of its leadership training is part of its DNA. The company does pre-training exercises which include assessments, interactive webinars, e-learning and readings to let staff know exactly what business results it seeks. Agilent then organizes 10-week post-training sessions where employees focus on how an individual course aligns with the company's business goals, says Teresa Roche, Agilent's chief learning officer.

"If employers' want engagement and commitment, they must put money into training," says Kristen Fyfe, a spokesperson for the American Society of Training & Development. Industry leaders create "a culture of learning" at their organization, which enables them to attract the best employees, she adds.

But training often lacks urgency. Calhoun Wick says pharmaceutical companies offer workshops to meet FDA regulations on the safety and manufacturing of drugs that influence its sales and

revenue. "If they don't apply that training, they're out of business. There are real consequences," he says.

A program on team building would not likely include a threat of such dire consequences, and for good reason. Just the same, more urgency and an increased focus on the return on investment would improve training at many companies, Wick says.