THE ROI OF TRAINING

Valid Mission or Quixotic Quest

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Training, whatever its form, is an expense. It has no direct financial impact other than as an expense. In attempting to determine the ROI of training, care must be exercised to avoid setting off on a quixotic quest.

The ROI of Training: Valid Mission or Quixotic Quest?

In recent years more than a few trainers have set off in search of the ROI of training, spurred on in part by gurus who advocate viewing training as an investment instead of an expense and in part by well meaning but misguided managers who want to know what they're getting in the way of a financial return for the money they spend on training.

It takes only a few moments of reflection to recognize that determining the ROI of training requires being able to quantify the financial payoffs attributable to training. It takes only a few moments more of additional reflection to realize that any such benefits must be indirect – attributable to training only via the linkages connecting the trainees' on-the-job behaviors (new or changed), the operational impact of those behaviors, and the financial impact of those operational changes. In short, training does not have any direct financial impact – other than as the expense it represents.

Why all this interest in ROI, anyway? One root traces to the fairly common practice of presenting proposals to management for approval, authorization and funding. Business cases for such proposals often include the purported return on investment from the requested expenditure. Another root traces to the gurus who advocate viewing training as an investment, not an expense. When you treat training as an investment you are obligated to speak to the return on that investment. A third root traces to accountability. Determining the ROI of your training is a way of explaining to management what they got for their money. Finally, the training department, ever besieged and always beleaguered, is under constant pressure to justify its own existence. A seemingly solid return on investment in training looks quite attractive from that perspective.

A little more than 30 years ago, in an article titled "Finding the Bottom Line Payoff of Training[i]" I explained how training (as well as other kinds of interventions) can be hooked to the bottom line via a process of mapping and analyzing the key operational and financial measures used by the organization. Such an analysis can reveal where and how these measures are or might be impacted by training and other interventions. The method, still valid after all these years, is known as "Measurement-Based Analysis" (MBA). It is straightforward, easy to use and stands up well to the flinty-eyed scrutiny of hard-nosed businesspeople.

So, if it's been possible to hook training to the bottom line all these years, why not go ahead and calculate the ROI? Three reasons follow.

- One reason is timing. Decisions to "invest" in training are made *before* training is developed and delivered. Those flinty-eyed businesspeople want the business case up front, not after the fact (which is why pleas for funds to spend on the evaluation of training so often fall on deaf ears; it's too late, the money has been spent). Moreover, the decision to spend money on training rarely if ever hinges on its supposed ROI; instead, it almost always ties to some operational, political or technical issue facing the organization and the decision is made based on the likelihood that the proposed course of action, including any training, will have some beneficial impact on that issue. Any financial benefits tie to impact on that issue, not to training.

- Another reason is political. For training to take any credit for the financial impact of an operational change or improvement, even if brought about in part through training, it has to lay claim to some portion of the credit owed the people whose actions actually produce the operational results. It's analogous to a consultant claiming credit for what a client did. Not a good idea.

- Finally, the economic aspects of these kinds of issues are rarely clear-cut and they are often governed more by magnitude than precision. One can argue, for example, that training a sales force in the latest methods and techniques for selling Product A or Service B will have a beneficial impact on revenues. Maybe, maybe not; there are many other factors to consider. More important, will revenues increase a lot or only modestly? Will the training cost a lot or just a little? Precise calculations, especially on the benefits side of the equation, give the illusion of a certainty that simply doesn't exist.

In the end, the plain, hard truth of the matter is that there never is and never can be any true return on investment in training. Training, whatever form it takes, is an expense, not an investment, and it has no direct financial impact except as an expense. Whatever positive financial impact training might have is always indirect, realized only through the effects of the actions of the people who have been trained and never as a direct result of training itself. In most cases, the effects of these actions are operational in nature and their financial impact must also be determined. This, too, can be a murky undertaking.

So, if you're thinking about setting off to determine the ROI of your training, be careful you don't set off on a quixotic quest. Make sure you're on a valid mission and that entails establishing the connections and linkages between training, on-the-job behaviors (new or changed), the operational impact of these changes and the financial effects of those operational impacts. On the other hand, if some well-meaning but misguided soul in management is pressuring you to calculate it, then by all means do what you have to but, whatever you do, don't fool yourself about the ROI of training – even if others pressure you into fooling them.

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[i] "Finding the Bottom Line Payoff of Training" is available at http://www.nickols.us/finding.pdf. An early version of this paper appeared in the December 1979 issue of the *Training and Development Journal*.