

Measuring ROI on Soft Skills Training – An Approach Document

The biggest problem with the ROI claim is the letter I, which stands for "Investment." Contrary to almost all thinking in this profession, training is not an investment - it is simply an expense. While "investment" sounds more important than "expense," training is nonetheless, an expense. "Investment" is a business term that implies the adding of capital to an organization. Unfortunately, "human capital" does not qualify. Until a training vendor will sell a course to you, and then buy it back for more than you paid, you did not invest in training, you spent money on training. Peter Drucker was right when he said, "Marketing and innovation make money. Everything else is a cost."

Not yet convinced it's worth the money to spend on an expensive consultant or training seminar? Read on.

True, it may take some time to see return on investment. However, in almost all cases, soft skills' training is well worth the time and money in the long run. As Nierenberg points out, the results may not be immediate but improving interaction and people skills leads to better assignments down the road. "Your most important element is your human capital," she says. "Unless you have the soft skills, you can't get to the hard skills."

Company management wants to know that the money they are spending on training is well spent. They want to know that they are getting a sufficient return on their training investment (ROI). Improvement factors include increased productivity, reduction of waste, and improved employee retention.

Measurement of training ROI starts with defining the reasons and goals for the training, determining how much the training will cost, and verifying the amount of return.

Questions you may have to include before you spend on training:

What is the reason for the training?
What is the investment in training?
How is the return measured?

Start with training goals

A company may provide training to their workers, managers, customers, and sometimes suppliers. The ultimate reason for training

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them should be to improve the profits and repeat business of the company. It is preferred that this improvement is measurable, so that an effective ROI can be determined. If there are no well defined "measurable goals" then don't even start the training process.

Reasons to train workers

The reason to train workers and managers is so they will learn to do their jobs better or perhaps learn new skills or technologies that can be applied to the company's goals. Sometimes workers and managers are trained to satisfy government requirements, to ensure safety, or to prevent lawsuits or other forms of company loss. Managers are often trained in people-handling skills. Also, companies may allow workers to take training simply as a way to keep them happy in their jobs.

Investment in training

In order to train personnel a company must pay for the development of training material and the time spent by the trainers in the classroom. This is either absorbed through an in-house training department, paid to outside training companies, or a combination of the two.

Costs include paying for time off from work, paying trainers, and travel and lodging expenses.

Time spent by workers

Workers and managers must often take time off from work to attend training classes. Not only is the company paying wages for no work done, but it may also lose opportunities for more sales or productivity during the absence of the personnel. For off-site training, the company may also have to pay for travel and lodging. The burdened hourly rate, estimated loss of productivity, and training expenses must be calculated.

Keep track of costs

Obviously, if a company wants to determine their ROI for training, they must account for all the money spent, especially the hidden expenses.

Measuring the ROI

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The greatest factor in measuring the return-on-investment for training is the definition of what the training is to achieve. Measuring the amount of money generated by a group before and after the training, and then comparing that improvement with the cost of the training is the way to measure the ROI.

If no measurable goals

Very often there are no specific or measurable goals to achieve for a training session. This is especially true in many of the "soft skills" taught to managers. It is very difficult to measure the results of a manager style training seminar. In fact, the goal for such training might be something like: "To be a better manager," whatever that means. If there is no way to measure the effectiveness of the training, the company might be better off simply giving the people money to go on a vacation.

Having specific goals or Key Performance Indicators (KPI)

If the goal is to improve the productivity of a worker in a certain process, a metric must be determined that leads to a company bottom line number. Before and after training measurements must be made to determine the effectiveness of the training sessions. Then the costs involved in training the personnel can be compared with the real improvement of profits to determine its ROI.

For example, safety training has a specific goal of reducing the accident rate. Statistics can be made that will verify the effectiveness of such training.

The reason to train should be to improve the company's bottom line. The investment in training consists of the cost of the training and the time spent by the personnel from their jobs. By measuring the effect on the company profits before and after training, and then comparing with the costs of the training, a company can determine their return-on-investment.

Key performance indicators

So the best place to start is identifying key performance indicators (KPIs). But then what?

"Starting with the KPI, identify the key activities that have to happen for successful achievement of the measure and for each activity,

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identify the competency requirements, especially those with most leverage over the outcome," says Tony Dunk, principal of HR consultancy CDA's training and development business.

For example, the KPI might be a customer retention measure, where one contributing activity is to reduce customer losses by dealing with complaints effectively, so a key soft skill is dealing with angry customers. In this case, Dunk says that we can measure the customer losses both before and after the 'dealing with angry customers' training, quantify the improvement, and set it against the cost of the training.

"Where it is difficult is to take a generic training Programme on handling difficult customers, and answer the question 'what is the ROI for the Programme' when it isn't within the context of a specific KPI," says Dunk.

"This is why training departments often find it difficult to establish ROI for their curricula, because their needs analysis often drives generic development across the organisation, without a real understanding of the financial need being addressed in specific areas of the business. That and the fact that they only tend to do it when the budget comes under scrutiny."

Hence one needs to keep in mind that ROI on generic programs is not really measurable.

Donald Taylor is strategic alliances director at management software company InfoBasis and chairman of the Learning Technologies conference. He says that when calculating the ROI on any training, results need to focus on core areas such as productivity, morale and staff turnover, which are in line with business needs and are of clear value to the organisation.

"It's crucial that alignment to business needs is done up front with training, so that when you are asked retrospectively whether there has been value added, you have clear answers," he says.

Skills audit

According to Taylor, this means ensuring that training is aligned to an ongoing skills audit. "If you are on top of which skills each role requires and because roles are defined by business needs, it can illustrate how training bridges that gap," he says.

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Declan Mulkeen, marketing director at communication and cultural awareness training provider Communicaid, agrees that for soft skills training it is vital to understand that effective programmes will have an impact on end behaviour.

"Once it is clear what changes in behaviour you require and you have determined their potential impact on business performance, it is possible to translate them into tangible metrics, which can be measured financially," he says.

Mulkeen cites the example of measuring the ROI on cultural awareness training given to employees before being sent on an international assignment. "Assignments are very expensive for any organisation, with costs typically four to five times' the annual salary of the employee. By providing pre-assignment training, you can reduce the failure rate. As you understand what you want to measure and possess a clear vision of the outcomes you require, it is then possible to establish ROI," he says.

However, Mulkeen does have a word of warning: on its own ROI cannot determine whether training has been truly successful. "Don't forget delegate feedback, line manager and team 360-degree reviews as well as pre- and post-training assessments and examinations. Other measures of training should always be considered to evaluate whether it was a successful initiative," he adds.

Top tips

- 1) Before measuring ROI, make sure the training solution is aligned with core business needs
- 2) Use an ongoing skills audit to provide evidence of why training in specific areas is needed
- 3) Be clear on objectives and identify key performance indicators (KPIs) to measure training against
- 4) Estimate outcomes from the start – do not start training Programme unless the initial expectation of benefits improvement is justified by the cost.

The benefits that would be felt anyway whether you do ROI calculation or not:

Whilst qualitative results are hard to quantify, we believe there are many tangible benefits to investing a little more time to ensure that

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soft-skills training is as effective as it can be. These include creating/enabling:

- a) **Dynamic working culture** – Team members become better equipped to problem solve positively and proactively, and they have the determination to strive for excellence.
- b) **Successful implementation of change** - Effective leadership, individual motivation and improved communication brings active involvement, and commitment to planned changes.
- c) **Increased satisfaction** – Improved communication and an open, dynamic working culture improves overall satisfaction and commitment.
- d) **Reduction in staff turnover** - A more satisfied and committed, less stressed workforce is less likely to move on. Salary and other benefits become less important when team members feel respected appreciated and supported.
- e) **More efficient meetings** - Open and honest communication and effective facilitation of meetings saves time and improves collaborative problem solving and decision-making.
- f) **Meeting of deadlines** – More effective communication and negotiation between departments means that targets are more likely to be met because of increased transparency, trust and rapport.
- g) **Increased productivity** – Through effective leadership, improved motivation and communication, individuals and teams are better equipped to achieve results.
- h) **Saving of managerial time** - Improved team communication and collaborative problem solving results in fewer conflicts and fewer demands on management time.
- i) **Reduction in complaints** – Improved collaboration, negotiation and resolution of problems results in fewer grievances, and a reduction in internal and external complaints.

In summary, 'Soft Skills' Training can and does offer ROI through sustainable and valuable improvements, particularly when:

- 1) It is strategically linked to individual, team and organisational needs
- 2) It addresses individual, team and organisational attitudes to change
- 3) It is supported by on-going reinforcements by managers and team members
- 4) It is followed by real opportunities to practice “how to”.