BIZ LIBRARY

Proving the ROI of Your Training Program

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The Real Impact of ROI

Employee training is a must-have for companies who want a motivated, more creative, and happier workforce. Yet, there are still many organizations that look at employee training as a line item on the budget and box to check, which often leads to boring, unengaging, and ineffective training.

But organizations should consider all the ways training can help impact the bottom line and the overall success of the organization. Let's take a look at different types of employee training programs.

Compliance

This is the standard kind of training a lot of organizations offer. It's checking the box - think mandated trainings, usually involving safety, sexual harassment, data protection, etc.

There are a lot of complexities and implications when it comes to compliance – government mandates, hiring, firing, harassment, discrimination, data, safety, unions, payroll, benefits, etc.

Regulatory fines and penalties for noncompliance are steep.

In 2021, **fines for non-compliance regulations against the financial sector totaled $5.4 billion.**

Let's look at a data breach:

According to the latest data breach report by IBM and the Ponemon Institute, the cost of a data breach in 2021 is $4.24 million, this is a 10% rise from the **average cost in 2019** which was $3.86 million. Each data breach accumulates costs related to investigation, response, notifications to regulatory organizations, victim identification, public response, attorney's fees, prosecution, victim outreach and compensation, and internal and external communication campaigns.

Onboarding

Onboarding is a way to get new employees up to speed on all things about their new organization. From processes and procedures, to getting to know their fellow employees, this training can be as long or as short as needed.

Now let's look at the cost of not having a robust onboarding program.

Onboarding is an employee's impression of how the organization works and functions on a day-to-day basis. They're learning policies, procedures, core values, branding, messaging, etc. It can be a lot to take in.

Gallup found that only 12% of employees strongly agree their organization does a great job of onboarding new employees. That leaves a large 88% that ***don't*** believe it. That 88% are the ones leaving and costing companies thousands of dollars.

Here at BizLibrary, we have a week-long onboarding where new hires meet with each department, discuss our core values, talk to the CEO, learn industry language, and more. For a quick checklist of things to have for onboarding, view our Onboarding Checklist.

Leadership

This type of training is two-fold. On the one hand, you can have training that prepares employees for leadership by teaching them the skills they need to succeed in those roles such as coaching, active listening, having difficult conversations, and employee motivation.

On the other hand, those already in leadership shouldn't be overlooked when considering training. Courses for them could include finding leadership style, encouraging collaboration, and being a role model.

Without the skills, tools, and support they need, leaders can't effectively lead, which can lead to both them and their employees becoming disengaged.

Upskilling/Reskilling

These approaches train the staff already in place in skills needed for job roles within the organization. Upskilling aims to teach employees new skills to enhance their performance while reskilling focuses on training employees on skills needed to move to a different role in the organization.

The Cost of Not Training

It's common for companies to spin their wheels trying to find the right training strategy. One of the main reasons is certainly cost. It's not cheap to get a program off the ground. There's research and sales calls and time spent getting buy-in and that's just the non-physical cost. Then there's the actual dollars being spent on an LMS, instructors, content packages, etc.

But what's the cost to an organization when they have no training program in place?

First let's look at the cost of disengaged employees. Disengaged employees can affect the work environment and the business.

Non-financially they can have the following impact:

- Lower productivity
- Absenteeism
- Fewer Sales
- High resignation
- Unprofessionalism
- Lower morale

Gallup estimates that $300 million is lost each year due to actively disengaged employees.

Let's break that down.

According to Gallup, disengaged employees have **37% higher absenteeism, 18% lower productivity and 15% lower profitability.** When that translates into dollars, you're looking at **the cost of 34% of a disengaged employee's annual salary**, or $3,400 for every $10,000 they make.

The median annual salary in the United States is about $53,000. 34% of $53,000 is $19,610.

That means a single disengaged employee at the median salary level is going to cost you almost $20,000 per year. Raise their salary to $75,000, and they will cost you $25,500 per year. Increase their salary to $100,000, and their disengagement will cost you $34,00 a year.

The Importance of ROI

Return on investment (ROI) is a key indicator that's used by businesses to determine the profitability of an expenditure, such as training. It's used to measure success over time and helps to inform future decisions. By calculating ROI, decision-makers can better understand how their efforts are doing and which areas could use improvement to help achieve set goals.

BizLibrary client Tarrant Regional Water District is a great example to show the value of ROI.

Within the first year of their program, they saw unprecedented results by creating accessible training opportunities in the subject matter employees encounter the most. By doing so, they're developing a knowledge source that can be used to train new and current employees.

The first thing they did was establish TRWD University, a repository of BizLibrary content. Bringing training in-house reduced training costs by 65% and instructor travel costs by 33%.

They also spent less time and money on onboarding new employees which, in turn, increased productivity and reduced terminations by 64%. This has saved $28,903 in onboarding costs alone.

If that's not enough proof for you, another client, Wyandotte Tribe of Oklahoma, took four years and measured employee and overall success of the program. They were able to decrease employee turnover to 10% in 2019, decreasing by 13% overall.

How to Calculate ROI

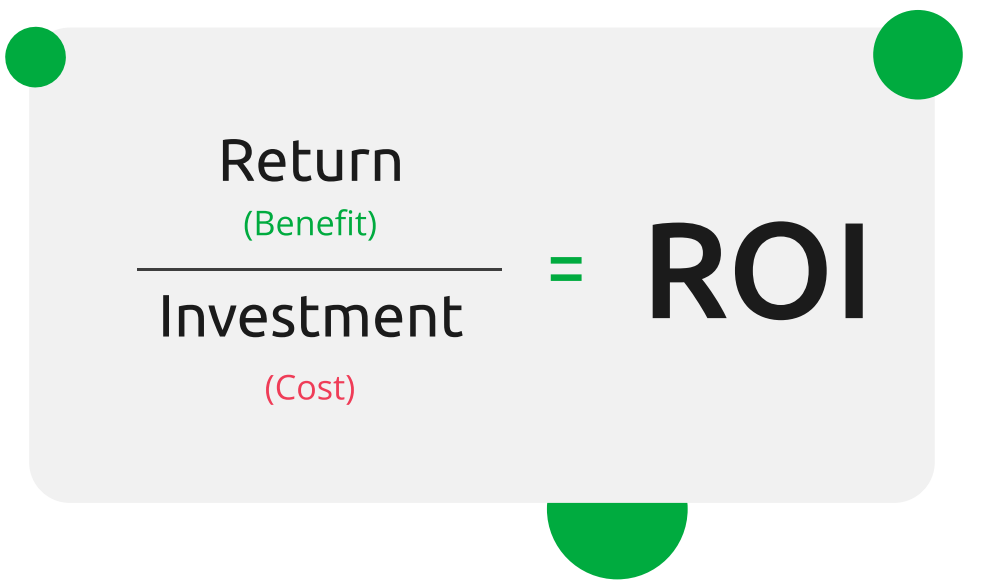
Training and development needs to be treated like other investments presented to top management, with its potential value substantiated. The following formulas can help put the financial part in perspective when trying to get leadership buy-in.

First there are all the costs needed to do the math:

- Any design and development costs
- Needed program materials
- Training facilities, if needed
- Salaries and benefits
- Administrative costs

The standard equation is simple.

ROI = NET Program Benefits/Training Program Costs x 100



This doesn't have to be an intimidating process. Think of it like this:

1. Plan. Just like anything in life, the earlier you start thinking through things, the better. Setting goals is a great starting point when planning and gives a measurable outcome. Here are a few examples of goals to set:
    - Have fewer compliance violations (can be numeric or a percentage)
    - Have fewer safety related incidents, such as injuries (can be numeric or a percentage)
    - Lower the turnover by a certain percentage

2. Gather data. Collect all the data possible before, during, and after implementation of a program. This will be vital when calculating the impact it has on the business.

3. Analyze and measure. Calculate ROI based on those original goals to see if they were reached, fell short, or were (hopefully!) exceeded! Don't forget to gauge employee satisfaction, stress levels, engagement, etc.

4. Report. Leadership loves to see the data that backs up findings. Make a case for training by *painting a picture* that demonstrates the value.

Let's see how our client, **Sunset Transportation**, measured ROI for their program. They utilized the overall price per course and compared it to off-site customer service training. They looked at a previous external customer service training course that required travel and participation costs at $2345 per person.

To send all active learners just through this one class in a year would cost:

- 158 x $2345 = $370, 510 total cost for learning

BizLibrary's provided a cost savings:

- 22 courses per year assigned x $4.17 (cost per course) = $91.74 per learner per year
- $91.74 x 158 = $14, 494.92 total for the year
- $370,510 - $14,494.92 = **$356,015.08 total in savings**

This single metric alone showed a great ROI for them.

Check out our training ROI calculator for a deep dive into how to calculate ROI for employee turnover.

Use this workbook to think through and see the result of your training plans.

	New Manager	Compliance	Onboarding
Cost of Not Training	$188,000 per year on leadership training	$4.24 million per data breach	$20,000 per employee on average
Cost of Your Program			
New Goal			
Savings *YOY			