

Measured Success! Raising the Bar in HR

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TRAINING: The Time is Now!

When pressures mount to do more with less, companies often look to training as an area to reduce expenses. While cutting training dollars will produce immediate cost savings, long-term organizational growth will be irreparably harmed by such a rash decision. Consider the following:

- 1. PRIME AGE GROUP** - Growth of the prime age (24 to 54) U.S. born workforce during the past 20 years was 44%. For the next 20 years, the growth is projected to drop to ZERO.
- 2. LABOR FORCE** - From 1980 to 2000 the U.S. labor force experienced a 50% rise - it is projected to rise only 16% through 2020.
- 3. INCREASED RETIREMENTS** - It is estimated that 26 million Americans will retire from the 147 million-person labor force by 2008 - thats 18% of the workforce.
- 4. INCREASED LEVEL OF SKILL REQUIRED** - Since 1992, 80% of the jobs created require some degree of post-secondary training or education.
- 5. LACK OF SKILLED WORKFORCE** - 90% of high school graduates say they will go to college; 63% actually go; and 30% graduate.
- 6. SUPERVISOR/EMPLOYEE RELATIONSHIP** - According to a recent job satisfaction survey, communication and relationships between employees and management were ranked very important (sixth and seventh respectively) out of 21 factors.

What do these statistics tell us - **TRAIN AND TRAIN NOW!!** But who should be trained? Start with your management team. Increasing the management and leadership skill levels within your organization will mean the difference between attracting and retaining top talent and experiencing high rates of turnover. With the labor pool shrinking via fewer individuals in the prime age group, increased retirements and lower available skill levels, recruiting and retaining top talent will be an organizations most critical ability over the next five years. As the economy rebounds, individuals will feel

more freedom to shop around not only for a better total compensation package but also for a better leadership fit.

To position your organization as a good fit for top talent, it is critical that your management team be highly skilled in building trust and employee esteem; effectively communicating and developing a fulfilling work climate; and understanding employee flexibility needs. It is also important that they are developing talent and enhancing employee performance and understanding retention as well as seeking out talent

ACT NOW! Your three steps to success:

1. Analyze the leadership and skill gaps your organization will be facing in the next five to ten years - if you're lucky you will have that much time to plan!
2. Identify training solutions that will help prepare your leaders and workforce to face the future.
3. Although you may feel pressure to implement just in time training solutions, a systematic approach now will benefit your organization well into the future as it competes for top talent.

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## **MEASURING SUCCESS! Calculating Training ROI**

According to the ASTD 2003 State of the Industry Report, organizations with up to 500 employees spend an average of \$892 per employee annually on training; or 2.79% of payroll (without benefits). If your annual payroll is \$6,000,000 - you could be spending over \$160,000 for employee training. In today's economy, calculating cost savings and ROI for quantifying the value of your training investment is critical. Use the following formulas to set your company's internal benchmarks.

**DEFINITIONS** TBT - Technology Based Training  
ILT - Instructor Led Training

**COST SAVINGS**  $ILT \text{ costs} - TBT \text{ costs} = \text{Total Cost Savings}$

**BREAK EVEN ANALYSIS FOR TBT**  $STEP 1 \text{ TBT Delivery Costs} / \text{Number of Students} = \text{Per Student Delivery Cost of TBT}$   
**STEP 2**  $ILT \text{ Delivery Costs} / \text{Number of Students} = \text{Per Student Delivery Cost of ILT}$   
**STEP 3**  $(TBT \text{ Design} / \text{Development Costs} - ILT \text{ Design} / \text{Development Costs}) / (\text{Step 1} - \text{Step 2}) = \text{Break Even Point}$

**COST BENEFIT ANALYSIS**  $\text{Financial Benefit} / \text{Cost of Training} = \text{Cost/Benefit Ratio}$

**ROI CALCULATION** (Total Benefits - Total Costs) / (Total Costs x 100) = ROI

Only green dollars (actually spent or saved) should be used in quantitative cost justification. Savings in blue dollars are often cited; however a blue dollar is absorbed by the organization and not actually spent or saved. For example, what is the green dollar value of improved customer service? Training results could also include increased market share, competitive advantage, sales growth; new product success; performance, costs, productivity; job satisfaction and retention; innovation and customer focus; and accelerated change.

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What Does That Mean?

ASTD - American Society for Training and Development

ISPI - International Society for Performance Improvement

ALP - The Association of Learning Providers

AEA - American Evaluation Association

WedNET - Workforce and Economic Development Network of Pennsylvania:

Provides qualified PA companies with money for training in a wide range of basic and high-tech topics

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# **THANK YOU!**

## **The Research**

Domestic Strategy Group of Aspen Institute; United States Department of Labor;

SHRM/CNNfn Job Satisfaction Series: Job Satisfaction Survey Report, 2004;  
[www.workforce.com](http://www.workforce.com); TD, May 2004; ASTD 2003 State of the Industry Report on Trends  
in Employer Provided Training in the United States.