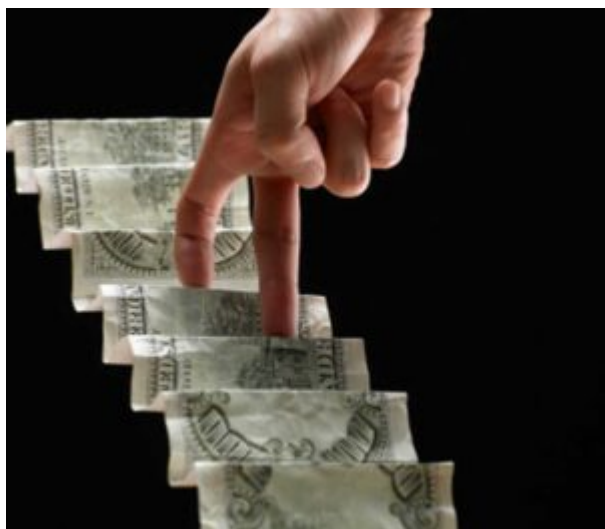


Take 5 Steps to Prove the ROI of Safety Training Programs



Getting sufficient funding for the OHS program, including safety training, always seems like an uphill battle. It can be especially difficult in a struggling economy when budgets are getting slashed. “Training dollars compete against other funding requests on a daily basis,” said J. LeRoy Ward, Executive Vice President of ESI International, a project management training company. Ward added that, in today’s environment, it’s not enough to simply measure how well a training program is delivered. In other words, those responsible for training, such as safety coordinators, need to prove to senior management that their programs are having a measurable impact on the bottom line.

Easier said than done, right? ESI recently released a report that explains how you can prove the value of your training program through a practical and straightforward approach to return on investment (ROI). Here’s a look at that report and its step-by-step process for calculating the ROI of a training program. (Although the study speaks to training programs in general, we’ll apply its lessons to safety training specifically.)

5 STEPS FOR CONDUCTING A TRAINING ROI STUDY

Proving the ROI of training means providing evidence that training is creating value. Yes, business value is generally as measured in dollars. But you can’t credibly jump straight from training to dollars; you must first show where value is being created in the company, explains the ESI report. In other words, you need to prove:

- Your training program improves workers’ ability to do the job and do it safely;
- That improvement has a positive impact on the company;
- That impact benefits the company financially; and
- That benefit is more than the cost of the training.

To accomplish the above, the report recommends that you take these five steps:

Step #1: Survey Workers Who Attended Training

After a training session, survey all workers who attended. The survey shouldn't be long and should be easy to complete. For example, the ESI report includes a case study that used a survey that contained 22 questions and took about seven minutes to complete. Some of the areas the questions in the survey should cover include:

- Quality and effectiveness of the training;
- Impact of the training on the workers' job performance;
- Any post-training support provided, such as resources and opportunities to apply the training; and
- Business results, such as improved productivity or fewer safety incidents.

Step #2: Re-Survey Workers 60 Days Later

Sixty days after the training session, give the workers who attended a second survey to validate their initial responses and collect additional information, such as any barriers to the use of their training they've experienced. It's important to re-survey the workers because immediately after training, they tend to be overly optimistic about how the training is going to impact their jobs.

Step #3: Analyze the Survey Results

The study recommends analyzing the results of both surveys based on "four levels of learning measurement":

Quality and effectiveness. The goal here is to determine whether attendees were satisfied with the overall program, the instructor's performance and the content and delivery, and whether they gained significant knowledge and skills from the training.

Job impact. The single most important measurement in determining the ROI for a training program is the training's contribution to performance improvement. So it's critical to determine how the training impacted workers' ability to do their jobs. For example, you want to know whether they were able to successfully apply the knowledge and skills they learned to their jobs and whether the training contributed to a significant improvement in their job performance. You should end up with a percentage by which the workers' performance improved due to the training.

Business results. When reporting ROI to senior management, it's not enough to claim that the company was impacted positively by your training program. You need to explain *where* it was impacted and provide quantitative evidence. You can do so by asking in the survey for specific business results that the workers' participation delivered to the workplace and measuring the extent to which training impacted each. For example, determine whether training:

- Increased quality, productivity, customer satisfaction and worker engagement; and
- Decreased safety incidents and violations, injuries, risks and costs.

Step #4: Calculate Cost of Training

Because ROI by definition is a return on investment, it can't be calculated

without knowing the investment—that is, the cost of training. To calculate training ROI, the report says you should estimate:

- The per worker cost of attending training, including course materials, the instructor's fee (if applicable), venue costs (if training isn't conducted in the workplace), snacks, administrative costs, etc.; and
- The average salary cost of the attendees. Although your estimates should be as close as possible, they're averages, so you shouldn't have to go to the HR department for specific salary information.

Step #5: Calculate ROI and Related Measures

When it comes to measuring ROI, be as conservative as possible in your calculations. Although ROI is technically a single calculation, there are a few additional calculations you can perform around ROI to help communicate the impact of training more effectively. We explain how to calculate each below:

ROI. ROI is calculated as the return of the training (financial benefit) minus the investment in the training (cost) and then divided by the investment, resulting in a percentage. You calculated the investment component in Step #4. Calculate the return by multiplying the average percentage of performance increase by the average attendee's salary. Why salary? As the ESI report explains, your company gets more value from you than it pays you—that's how it earns a profit. So we can conclude that if a worker's productivity increases by, say, 6%, then the company would benefit by more than 6% of his salary. Thus, using salary as a basis for calculating ROI is actually conservative. Here's the math using numbers from the case study in the report to make it more concrete:

Return = \$80,000 (average salary) × 5.82% (performance increase) = \$4,656

Investment = \$1,600 (cost of training)

ROI = $(\$4,656 - \$1,600) / \$1,600 = 191\%$

Monetary benefit per worker. This number shows only the return side of the ROI calculation. For example, using the figures above, the training generated \$4,656 in monetary benefit for each worker attending the training session.

Benefit to cost ratio. This ratio spells out the monetary value of the training relative to its cost. For example, again using the figures above, the companies in the case study that invested in the training program received \$2.91 for every dollar they invested in training (\$4,656/\$1,600). So the benefit to cost ratio is 2.91 to one.

Average payback period. This measure is a time-based ROI calculation, which indicates how long in months it will take to pay back the initial investment in the training. To calculate the payback period, divide the per worker monetary benefit by 12 to get the monthly benefit. Then divide the investment by the monthly benefit to get the payback period:

$\$4,656$ (annual benefit) / 12 (months) = \$388 (monthly payback)

$\$1,600$ (investment) / \$388 = 4.12 month to pay back the investment

Bottom Line

Very simply put, if you're unable to prove beyond a reasonable doubt that your training efforts generate more value than they cost, then sooner or later you're going to lose funding for your training program. Of course, because safety training is required by the OHS laws, management can't cut it completely. But they can force you to make do with as few resources as possible. So as a safety professional, it may be up to you to not only ensure that the company provides adequate safety training for workers, but also justify the training program in financial terms.

Don't Rely on Numbers Alone

When presenting ROI to senior management, it's easy to get caught up in the numbers. But the ESI report warns that you shouldn't let the narrative get lost in the data. Ultimately, ROI isn't about the numbers—it's about the story of your training program, where it has been and where it needs to go. Your story should be compelling and interesting. So the report recommends that you clearly state the goals of your training program as you first envisioned it, the challenges you faced and how you overcame them to make a difference for the company. If at all possible, include testimonials from workers to help tell the story. Antidotal evidence alone may mean nothing, but when testimonials are combined with data to make a point, they can be very powerful, notes the report. [/box]