

Muktasamwad Summary Note- Training and ROI- Can we measure it?

This time Chatur Knowledge Networking (CKN) collaborated with NHRDN (Pune Chapter) to organize Mukta Samwaad (MS). Rahul Apte introduced the theme of MS, talked about CKN and NHRDN and how Knowledge Sharing on common platforms leads to learning. The topic for discussion was "Training and ROI- can we measure it?" The three panel members were Mr. Ajay Vaidya (GM HR, Thermax India Ltd.) Mr. Kingshuk Ganguly (HR Consultant) and Mr. Jayant Joshi (HR Consultant). Some of the thoughts which they have shared are compiled below-

Ajay Vaidya- He focused on talking about calculating training effectiveness. He further shared that unless one links measurement with strategy it will not show results. Here he quoted his experience at Thermax- Thermax was looking at measuring effectiveness of HR strategy on business results, where they experimented with the HR value proposition models with some of their SBUs for the first time. This is where they closely started working with business heads.

They conducted a two-day workshop with their business heads and they looked at the business environment, the challenges in the competitive scenario and the key buying behavior of customers. Looking at the growth aspirations and different business models they came up with a plan to focus on a few HR initiatives. They were looking at 50% CAG (Compounded Annual Growth) year on year and were also looking at doubling the turnover and tripling the bottom line in a span of 5 years. Thermax was a 1000 employee organization with a topline of Rs. 500- 600 crores. And they were targeting to be a billion dollar organization in a span of 5 years (2005-2010). HR had played a pivotal part in this and training also played an important part.

- Training initiative- HR was adding around 1000 people every year. The learning curve for a design engineer was 1-1.5 years from the time he joined till he became very effective. And they had a challenge to shorten it to three months. Thermax was adding 1000 people every year, and for measuring their ROI and doubling topline, an internal initiative called the professional skills development initiative was rolled out where 15 functions across the country were identified and also subject matter experts were picked up to identify 4-5 domain skills required across different job roles. With this initiative they trained around 4000 people across 15 functions- 5 competencies across each function- so there were 75 subject matter experts and 75 training courses every week for 4 years. And that resulted in developing capability- may it be supply chain management, construction management, project management. These are some of the initiatives which have worked for them. Moving on to ROI:
- $ROI = \frac{\text{Net benefit out of any intervention} - \text{cost}}{\text{Total cost}} * 100$
- Cost could be calculated, but they could never get judgment about calculating their benefits. Hence they referred to the ROI Institute. They could not calculate ROI, but they looked at different models used by Accenture, Pfizer, and Merck etc to calculate training effectiveness.

Ajay concluded by saying that ROI on training is not restricted to a short term horizon of a business cycle but needs to be calculated over a long term period. Treat it as a long term investment not a cost.

Kingshuk Ganguly- He shared some specific examples and a framework which had evolved through the list of interventions he had worked on. The first thing which is required for a training intervention is

1. a Sponsor- someone who is requesting you for some training help.

2. Situation- we need to understand what gap are we trying to address so the as is situation needs to be understood really well.
3. Subject- who is going to go through the intervention.
4. Skill- What is the skill that I bring to the table when I get the mandate?
5. Scale-What is the scale I am using to measure the shift/delta?

So when he looked at the 7-8 interventions he had worked on, he felt that sponsor, situation and subject are out of control factors. According to Kingshuk, the 'Sponsor' is driven by someone/something else to whom he may not have access to. Second is the 'Situation'- Questions like - why do it now, what if we don't do it now etc came to him much later. And he thought these were great measures of effectiveness.

The third factor is 'Subject' who is going to get the training- he/she is out of trainer's control. It's important to pause and check and ask if he/she is trainable. Kingshuk realized in the later stages of his career the need to choose the trainee objectively. And the last two factors-Skill and Scale are in control factors. Skill- how I practice, learn, reflect, analyze mistakes, fix it and refine it? What scale you are going to use to measure shift? Many times the sponsor interfered and said I want this to be measured and a strategic partner pushed back and said is this the right scale?

Kingshuk shared about his experience in GE where the Six Sigma teams were measuring the processing time of loan application forms. And they changed from an internal facing (internal customer) mechanism to an external facing (external customer) mechanism to make it effective.

He further shared about a framework in the BPO arm of GE where they actually measured the effectiveness of training. The BPO arm was growing at a rapid pace (2002-2005) hiring 1000 employees per month at different locations. These people had to be trained on high end processes on account reconciliation etc. And at the point of training they were not billable. There was high attrition at this stage. GE needed to arrest attrition at this stage and also train fast and make them billable fast. Here the Chief Learning Officer designed the concept of '**learning path**' which talks about adult learning and toll gates at different stages. The learning path for each person was how soon a person becomes **IPRGFTE- Independent, Productive, Revenue, and Generating FTE**. So to find out the time to make each person independent, they video-recorded all their activities and defined a learning path. Then they studied their pattern and found that different people take different periods of time to master a process. Further the Manager defined an independent resource as one who could do 4 entries without supervision and 95% errorless. And they baked that into the learning path too. They further identified a subject matter expert who could teach the respective module, and further made the learning process person independent. Then they did a control group of 60 people who went through the learning path. They found out that these 60 people were released about 10 days before the earlier training which means they were getting additional 10 days of billing because they were releasing him/her earlier in the system. That was their measure of **independently productive resource**. Their team was the first in the organization to create a learning path for 120 processes and they were able to release earlier into the system and make them billable. And that was a way to ensure that the sponsor was in place, the situation was understood well, the subject was within our control.

Jayant Joshi

He first shared the journey of the role of Human Resources. It has been a journey from Munimji to strategic business partner in HR. Changing roles of HR: Sethji was the MD and Munimji was the HR

man. The original role was hire and fire, time office, compensation and benefits, then labour welfare officers, legal HR, factory managers- then personnel management and industrial relations- then human resource development- and then we integrated with HRM. Finally we became HR as a strategic partner. When we were welfare people- ROI of training was not asked. As strategic partners- ROI of training is prominently discussed. Second point is training is expensive, but if there is no training it is more expensive. The paradox of training is training people to the point where you lose them and then you won't lose them. Therefore what really is training and development-?

Training and Development is not welfare, not for filling training hours, not a tonic for mental health, not an award given to make the employee happy. T & D should be a part of business. T & D should be aligned to vision, mission, values and strategy of organization

When people are hired, some competencies are expected out of the role, and the hired person may possess some other competencies – so bigger the gap, higher the need for T& D. T & D is actually a lock and key relationship. Plant development programs will return value to the organization in terms of increased employee productivity, reduced costs and increasing morale. Certain types of training should be given to all across the organization for eg: fire and safety. Some type of training should be given to certain employees who are chosen to be strategic leaders, etc. Incase the organization is looking forward to a transformation something like Six- Sigma, good quality practices etc training is required.

There are 4 core aspects of T & D:

- Assessing training needs of employees- developing course content, identifying faculty.
- Measuring training effectiveness
 - Change in knowledge can be measured (pre & post test), attitude (not measurable (since it is an intrinsic value), practice can be measured.
 - Using training in day-to-day life and simultaneous change in the culture of organization
 - Cost effect analysis (Training cost)

Mr. Joshi further shared how to measure training effectiveness in a tangible way. We cannot measure change in a person- just like sales, production etc, Can change in HR be measured? It can be by bringing psychology and statisticians together, by doing pre test and post test, test after 4 months to measure retention of content, supervisory observation of change in practice, performance measurement can indicate what change has taken place, by giving small live assignments.

He further spoke about how in-house training can reduce the cost. The standard cost of infrastructure place, electricity, A/C is taken care of. Developing in house faculty is another way to save cost.

Cost benefit Ratio (CBR) - Total Benefits/total cost of training

ROI= Total benefits-total cost of training/total cost*100

Lastly he shared that it is better to have surplus skill rather than surplus manpower. Therefore major attention is required for minor details. 80% of your results must come from 20% of your efforts and time. Manage more and more with lesser and lesser which is what the top organization will expect from you. Manage credibility and goodwill both, because if you have too much goodwill then you might lose credibility, and if you are too credible then you might lose goodwill. You have to manage

both- that is what a good HR man should focus on. People are not problems, people have problems. And after necessary first aid always go the root cause of the problem.

Alternative training evaluation for ROI-

- 360 degree feedback
- Performance learning satisfaction evaluation
- Very powerful is Balanced Scorecard- It shows financial, customer, internal and learning perspectives and indicates where the organization is going.

In the absence of training, one blames the situation, after training he blames the achievement. This is the true ROI of training. So let us make HR a strategic partner in business.

Thank you!



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