

Measuring Return on Investment of Training Programs in Organizations

V. Nivedha,

Final year MBA Student,

MOP Vaishnav College for Women,

Chennai.

R.S. Sindhuja,

Final year MBA Student,

MOP Vaishnav College for Women,

Chennai.

M. Sree Lakshmi,

Final year MBA Student,

MOP Vaishnav College for Women,

Chennai.

Abstract

In a more competitive business world, companies are always looking for ways to boost employee productivity and increase profits. Corporate training is a common and often large investment in that effort. But without a clear way to measure its impact, the true value of these programs remains uncertain. This project addresses the need to measure training's return by moving beyond anecdotal feedback and providing a quantitative assessment of how training affects organizational performance. The study finds that a well-designed training ROI method is not just a tool for accountability but a critical way to align human capital with strategy and make better-informed decisions. This research explores established training-evaluation frameworks, tracing the shift from Kirkpatrick's Four Levels to the Phillips ROI Methodology. While Kirkpatrick's model is useful for assessing reaction, learning, behavior, and results, it often misses the financial data executives need. By adding a fifth level, the Phillips model enables a clear calculation of monetary return by systematically isolating the financial benefits that

come from training. This project will demonstrate how to collect and analyze data step by step, from identifying training effects to converting those effects into monetary terms. To show the program's value clearly, the process looks at both measurable outcomes—like fewer errors or higher sales—and less tangible benefits—such as improved employee morale and greater customer satisfaction. Ultimately, this project will demonstrate the strong link between Strategic Human Resource Development (SHRD) and effective measurement of training ROI. Within the SHRD framework, learning and development are treated as strategic assets rather than costs. By accurately measuring training ROI, organizations can confirm the impact of their learning initiatives, identify areas for improvement, and ensure resources are invested in efforts that directly support key business goals. Using this data-driven approach, HR leaders can demonstrate to the C-suite the true value of their work, shifting training from an operational expense to a vital part of long-term competitive advantage and business success. This study therefore confirms training ROI as a key strategic tool for modern organizations and offers a clear guide to understanding and applying it.

Keywords: Training, ROI, Measuring, Productivity, Investment, Strategic Human Resource Development (SHRD).

I. INTRODUCTION

When we trace the history of training, we can see that training was provided to soldiers who were a part of army during the war. Later on, the training moved onto be something for employees who work in the factories and it was during this time frame, that various theories related to management evolved. Later on, the focus shifted to not only train employees but also to tap into their potential and create a synergy between the organization and employees as they are essential for the organization to grow. The current Human Resource approach is strategic in nature. In Strategic Human Resource Development, the focus is not only to develop the skills of employees by way of training but it also on the strategic alignment of individual growth with organization growth.

In the current competitive landscape, organizations must have skilled employees to stand in the market. As such, it becomes necessary that organizations spend some of their funds for training their employees. Since money is invested in the employees to get them skilled, it is only natural the organization ensure that investment is returned by employees by measuring the '*Return on Investment*', which is concerned with the strategic approach to the Human Resource. Through this project, the application of ROI as a measurement of training programs is studied.

What is 'Return on Investment'[ROI]?

To simply put, it is a financial tool that is used to measure the profitability earned as against the investment made. In other words, it is the ratio of benefits minus the total cost to the total cost of investment. From a HR perspective, it is the metric for evaluating the net benefits to the cost of investment.

Through the ROI, an organization can see it in quantitative terms, as to the effectiveness of the training programs. As said earlier, it is crucial for organizations to train their employees by re-skilling and up-skilling, in order to stay relevant in the market that is brimming with competition. Based on the ROI, it is easy for an organization to see how well the training programs are, in alignment with the organization's goals.

What is Training Program?

A training program is a structured process that is curated with an aim to develop the skills, knowledge & attitude of employees as required by the organization. At large, training programs are conducted for a group of employees. A training program can involve activities that enable employees to perform their current & future jobs. By training the employees, organizations can see increased productivity, consistency, and to be innovative. There are various ways through which employees can be trained, these ways include virtual learning, on-the-job training, hands-on training, succession planning and more.

How to Measure Return on Investment?

In order to measure the ROI of training programs, there are various methods that organizations can opt for. Some of the methods are as below:

- I. **KIRKPATRICK MODEL** - Under this method of measurement, the training effectiveness is evaluated at different levels. At first level, the responses & reactions of the employees to the training program are collected. At second level, the attainment of objective of training program is measured by observing the performance of employees. In the third level, it is assessed if there is any change in the behavior of employees after the training program. At the final level, the impact in of training with respect to the business goals are measured.
- II. **PHILLIPS MODEL** - This model is created with Kirkpatrick model as the base. Along with the four levels that were already a part of the Kirkpatrick model, one more level is added. In this level, the assessment is made on the application of training by the employees. The first level is to assess the reaction of employees to the training. Then comes the measurement of achievement of training objectives. After, the new level, application is

determined. The fourth level is impact of training on business and lastly, the calculation of ROI.

III. IMPACT STUDY - It is a step-wise study that determines the impact of training on the business. The first step is to determine the educators that can be used to measure the impact. The data regarding the training such as no of lasses, employees who were trained & the cost of training at the second step comes data collections from the relevant sources.it includes pre & post training business financial data. The next step is to analyse the data by converting them into monetary value and using the same to evaluate the ROI The last step is to hate a report made on the basis on key findings of the analysis.

In order to collect the data for the aforementioned models, the organizations must be able to put a monetary value on all the activities that is carried out in training and with relation to training. They must also have a clear outcome for the which the training is provided to assess the effectiveness of training. Additionally, it is advisable for organizations to have a certain criterion as their key performance indicators to make the computation of ROI easier.

Why measure ROI of Training Programs?

The very purpose of training program is to ensure that employees are equipped with sufficient skills to carry out their job. This, in turn, will increase the productivity of employees, thereby, increase the profit earned by the organisation. Here is where the measurement of ROI becomes a requirement. The following are some of the reasons to measure ROI of training programs:

- A. IMPACT ON BUSINESS** – The organization's financial performance is used a tool measure the contribution of training programs towards the impact on business.
- B. HR STRATEGIES AND PRACTICES** - With the help of ROI, organizations can make informed decisions as to areas that the employees lack. It also fosters an efficient HR function which supports the overall growth of organization.
- C. EMPLOYEE PERFORMANCE & PRODUCTIVITY** - In order to evaluate the performance of employees pre-training and post-training, ROI is a useful to measure the change in productivity and thereby, the performance of employees.
- D. EMPLOYEE SATISFACTION** - When an employee is sufficiently trained, naturally, they are able to carry out their tasks well and their satisfaction towards job increases. This achievement of satisfaction can be obtained by way training. Therefore, a good level of ROI can help in understanding the job satisfaction levels of employees.

- E. EMPLOYEE DEVELOPMENT** - Through effectively training the employees who can provide tangible results, organisations will be able to reward the employees with either monetary or non-monetary benefits. This in turn motivates the employees to train themselves and produce better results.
- F. CONTINUOUS IMPROVEMENT** - By effectively making use of training ROI, organizations can strive to improve their employees' skillset by providing them the required training and recognizing the areas that need more focus.
- G. BENCHMARKING AND OUTLIERS** - With the help of ROI, it is possible for organizations can set a benchmark as to what they expect the results and this, in turn, helps to identify any result that is not adhering to the expected benchmark.
- H. BUILD STAKEHOLDER CONFIDENCE** – A good ROI can help in building the confidence of stakeholders, as the return shows mirrors the profitability of the organization as a result of the program.

Process of Measuring the ROI

For the purpose of measuring the ROI of training programs, the following steps is followed by organizations:

- 1. DEFINE THE OBJECTIVES** - The aim of the training programs must be clearly defined. For the purpose of defining the objective, various goal-setting models may be used such as SMART, or going on the basis of industrial trends.
- 2. IDENTIFY KEY PERFORMANCE INDICATORS** - Keeping in mind of the objective of the training program, an appropriate KPI must be selected but the organisation. In other words, the chosen metric must reflect the purpose of training.
- 3. TRAINING COSTS** - There must be an accurate estimation of the costs incurred in providing the training for the employees. The costs include all direct & indirect expense, trainer payment, cost to use to the venue, material of the training as well as the output that was lost due to training are all taken when estimating the training cost.
- 4. PRE-TRAINING PERFORMANCE** - In order to accurately, evaluate the effectiveness of the training program, a comparison must be made as to the performance of employees before and after the training. As such, it is essential for organization to have measured the pre-training performance of employees.

5. DELIVER THE TRAINING PROGRAM - The training is conducted and the employees attend the same. It is crucial to ensure that the employees are able to keep up with the training. The attendance, engagement of the employees must be recorded.
6. POST - TRAINING PERFORMANCE - The already chosen KPI's are used to determine the changes. The post-training performance are recorded at regular intervals to check whether the impact on the business operation is consistent.
7. CALCULATE MONETARY BENEFITS - As previously stated, the performance improvements must be put in terms of money so as to record the increase in revenue, reduction in cost as well as lower employee turnover rates. This is very important for any organization as their main aim is to not only have skilled employees to work productively but also have an increase in profit with reduced cost and less employees leaving the organization.
8. Apply the ROI Formula - $ROI (\%) = ((\text{Monetary Benefits} - \text{Training Costs}) / \text{Training Costs}) \times 100$.
9. COLLECT FEEDBACK - Feedback is to be collected from the employees who are trained to know of their satisfaction with training. This can be gathered by way of surveys, interviews. The observations of manager are also to be taken with respect to any behavioural changes of the employees.
10. REPORT AND REFINE - The analysis and the feedback is to be consolidated as a report, that is to be presented for the stakeholders, which points out the key findings and also suggest ways to improve the future training design and delivery.

By following the above-stated process, organization can measure the gains from its investment in training as the Return on Investment.

Maximize the ROI

Ultimately, all organizations would want to increase their ROI from training programs. Here are some key aspects that play a role in maximizing the ROI:

a. ALIGNMENT OF TRAINING OBJECTIVES WITH BUSINESS GOALS:

It is necessary for a training program's objectives to be in line with the business as such training has enduring impact on the operations as well as the profitability of the organizations.

b. PROVIDE TRAINING AS PER EMPLOYEES' NEEDS:

For employees to be satisfied and engaged in the training programs, the organizations must ensure that such programs are meeting the skillset that

the employees need and prefer. This can be found by surveys, observations.

c. USE OF TECHNOLOGY:

The organizations can cut cost on the venue, technical items and even the productivity loss by leveraging technology. They can have the employees to be trained virtually either in a synchronous class setup or in an asynchronous class setup. The materials of the training can also be shared online to reduce cost spent on providing a hard copy of the materials.

d. CONTINUOUS EVALUATION & FEEDBACK:

To ensure that training programs remain effective in the long run and that employee training investments are profitable, organizations must prioritize the measurement and communication of training impact.

These are some of the suggestions made to organizations that are evaluating the Return on Investment of their Training Programs.

SHRD & Measuring ROI of Training Programs

1. ALIGNS TRAINING WITH BUSINESS STRATEGY:

The ROI analysis ensures that training programs are not just educational but are also strategically relevant. The ROI ensures that there is proof for contribution of training to organisational performance that is need in SHRD.

2. VALIDATES INVESTMENT IN HUMAN CAPITAL:

In SHRD, the employees are considered to be the most important strategic assets of an organisation. By measuring ROI, the investment made into training the employees is justified as it shows that improvement in performance of employees.

3. ENABLES DATA-DRIVEN DECISION MAKING:

ROI metrics help HR leaders prioritise high-impact programs. As such it can be seen that SHRD relies on analytics and evaluation to guide talent development strategies and take well-informed decisions with regard to the Human Resource.

4. SUPPORTS CONTINUOUS IMPROVEMENT:

Through continuous feedback, ROI can be improved by designed more refined training programs which in turn increases the KSA of employees. This shows that training programs are changed according to the evolving business needs which is what SHRD is all about.

5. STRENGTHENS HR'S STRATEGIC ROLE:

Demonstrating ROI elevates HR from a support function to a strategic partner. Moreover, it gives HR a seat at the table when discussing growth, transformation, and innovation of an organisation.

This is the interconnection between ROI of Training Programs and Strategic Human Resource Development.

II. CONCLUSION

From this project, we have gotten a glimpse of what ROI is, what training programs are. The ways to measure ROI of training programs, the importance of the same and lastly, the key consideration to be kept in mind while measuring the ROI. Although, there might be difficulty in measuring the ROI as some data are not easy to be quantified, it ultimately helps an organisations to evaluate the effectiveness of their training programs, to see any gaps between the expected outcome and actual outcome and make future plans accordingly.

III. REFERENCES

1. NIIT. (n.d.). *Training ROI*.
<https://www.niit.com/en/learning-outsourcing/training-roi/>
2. Harvard Business Review. (2023, October). *Evaluating ROI on your company's learning and development initiatives*.
<https://hbr.org/2023/10/evaluating-roi-on-your-companys-learning-and-development-initiatives>
3. Rao, N. S., Goud, R. G., & Kumar, B. R. (2018). Employee Training and Development: A Study with Reference to IT Companies. *International Journal of Advanced and Innovative Research*, 6(2), 1–6.
<https://www.ijfans.org/uploads/paper/5529b41abe4015b3caca4646bf6b57db.pdf>
4. AIHR. (n.d.). *Training ROI*.
<https://www.aihr.com/blog/training-roi/>
5. ROI Institute. (n.d.). *ROI Institute*.
<https://roiinstitute.net/>
6. Kirkpatrick Partners. (n.d.). *Kirkpatrick Partners*.
<https://www.kirkpatrickpartners.com/>
7. Stratbeans. (n.d.). *Phillips ROI Model*.
<https://stratbeans.com/phillips-roi-model/>
8. peopleHum. (n.d.). *How to calculate ROI of employee training and development*.
<https://www.peoplehum.com/blog/how-to-calculate-roi-of-employee-training-and-development>
9. Arthur, W., Jr., Bennett, W., Jr., Edens, P. S., & Bell, S. T. (2003). Effectiveness of Training in Organizations: A Meta-Analysis of Design and Evaluation Features. *Journal of Applied Psychology*, 88(2), 234–245.

- <https://files.eric.ed.gov/fulltext/EJ909874.pdf>
10. Brandon Hall Group. (n.d.). *Learning Investment ROI: How to measure the impact of your training programs*.
<https://brandonhall.com/learning-investment-roi-how-to-measure-the-impact-of-your-training-programs/>
 11. SHRM. (n.d.). *Measuring the ROI of your training initiatives*.
<https://www.shrm.org/labs/resources/measuring-the-roi-of-your-training-initiatives>
 12. Patra, S. K., & Dash, S. (2015). A Study on Return on Investment of Training Programme in a Government Enterprise in India. *ResearchGate*.
https://www.researchgate.net/publication/280058880_A_Study_on_Return_on_Investment_of_Training_Programme_in_a_Government_Enterprise_in_India
 13. goFLUENT. (n.d.). *The ROI of training: Strategies and evaluation methods*.
<https://page.gofluent.com/rs/gofluenttechnologiessa/images/goFLUENT%20-%20The%20ROI%20of%20training%20Strategies%20and%20evaluation%20methods.pdf>
 14. Phillips, J. J. (2003, March 4). Case Studies in the ROI of Training. *Chief Learning Officer*.
<https://www.chieflearningofficer.com/2003/03/04/case-studies-in-the-roi-of-training/>
 15. Curado, C. (2015). Training evaluation levels and ROI: the case of a small logistics company. *ResearchGate*.
https://www.researchgate.net/profile/Carla-Curado/publication/280180990_Training_evaluation_levels_and_ROI_The_case_of_a_small_logistics_company/links/58ed5335aca2724f0a26d16e/Training-evaluation-levels-and-ROI-The-case-of-a-small-logistics-company.pdf