

The Return on Investment of Training: A Complete Guide

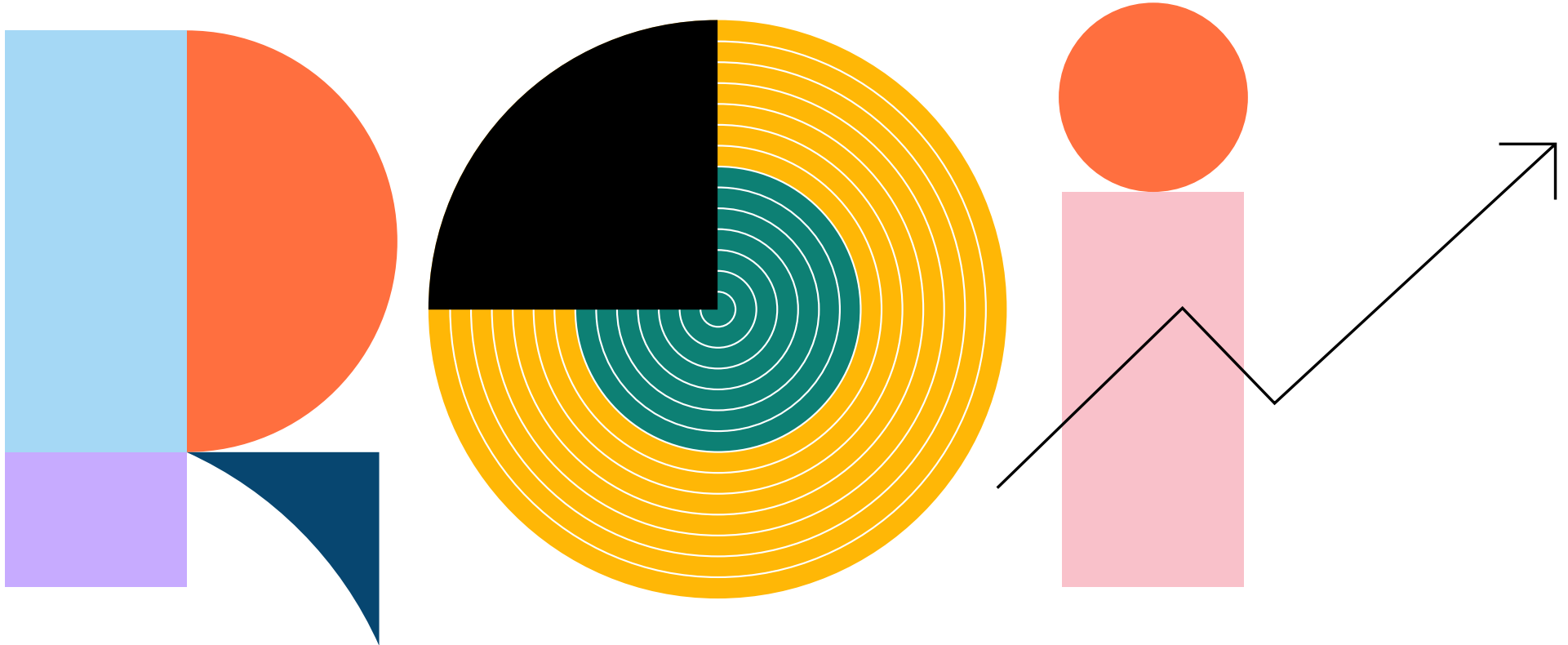


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Introduction

We asked 80+ training professionals across 22 industries one important question: Does your organization measure the return on investment (ROI) of its training?

The answer: An overwhelming 61% of respondents said no, they didn't measure training ROI.

Although a high percentage, it's not a shocking statistic. It appears that no matter the industry, no matter the company size, no matter the experience, no matter the tools, ROI is a widespread sticking point. It's seen as a complex and unapproachable subject, intimidatingly so for many businesses.

61% of training leaders say they don't measure the ROI of their training





However, in today's climate, knowing the return on investment of your training programs is a necessity. With tightening budgets and a need to focus on sustainability and growth, the C-suite wants justification and assurance for every single project being delivered. And, by having an in-depth understanding of an influential metric like ROI, you have a secret weapon; you can demonstrate how impactful your team's training efforts really are.

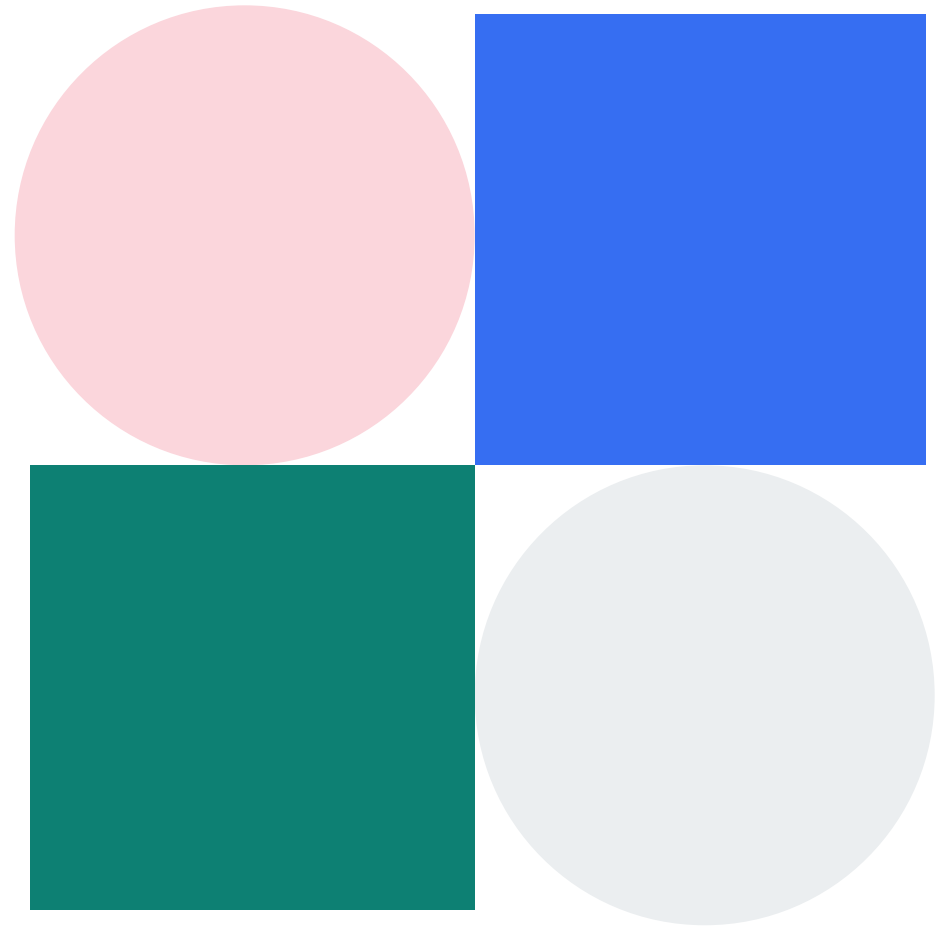
At LearnUpon, we want to help you, as a training leader, to unlock ROI. We want to demystify the process and eliminate the disconnect between the training being done, and its actual success. Most importantly, we want to alter the perception of training so it's seen for what it really is - a core part of the business's growth engine.

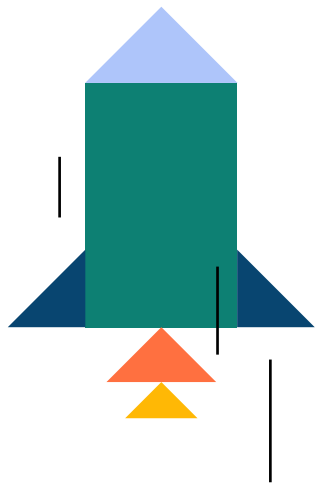
Part report, part guide, in this holistic eBook, we will share insights from over 80 training professionals on why they believe their businesses struggle to analyze training success. We're also providing you with the tools you need to start accurately measuring the most powerful metric in your arsenal - return on investment.

The Basics

“ROI measures the amount of return relative to an investment. It indicates if an organization is using its resources efficiently.”

[Dr. Jack J. Phillips](#), Chairman of the ROI Institute





The Power of Measuring ROI

So, why measure the return on investment of your training programs? Many teams are unaware of the tangible benefits that come with this key metric. When done right, knowing your training ROI is an ace up your sleeve; it allows you to demonstrate your training's worth and capitalize on opportunities that drive long-term success.

Financial buy-in

Empowers you to become a strong, persuasive salesperson for training as you can justify your strategy's worth.

Showing the figures eases the C-suite's fears and helps you get the financial investment your team needs.

Psychological buy-in

Proving ROI can also gain something equally important; psychological buy-in.

Knowing training is a worthy investment, means your organization's leaders are more likely to become learning advocates across the business.

Strategic alignment

Only [40 percent of businesses](#) say that their learning strategy is aligned with the business's overall goals.

Measuring ROI, with input from the C-suite, ensures training goals and company goals line up.

Better insight, better budgeting

Don't waste your training budget on irrelevant, redundant, or unused activities.

Knowing the ROI means you can trim the fat and double down on training methods that have a higher impact.

Deliver, measure, improve

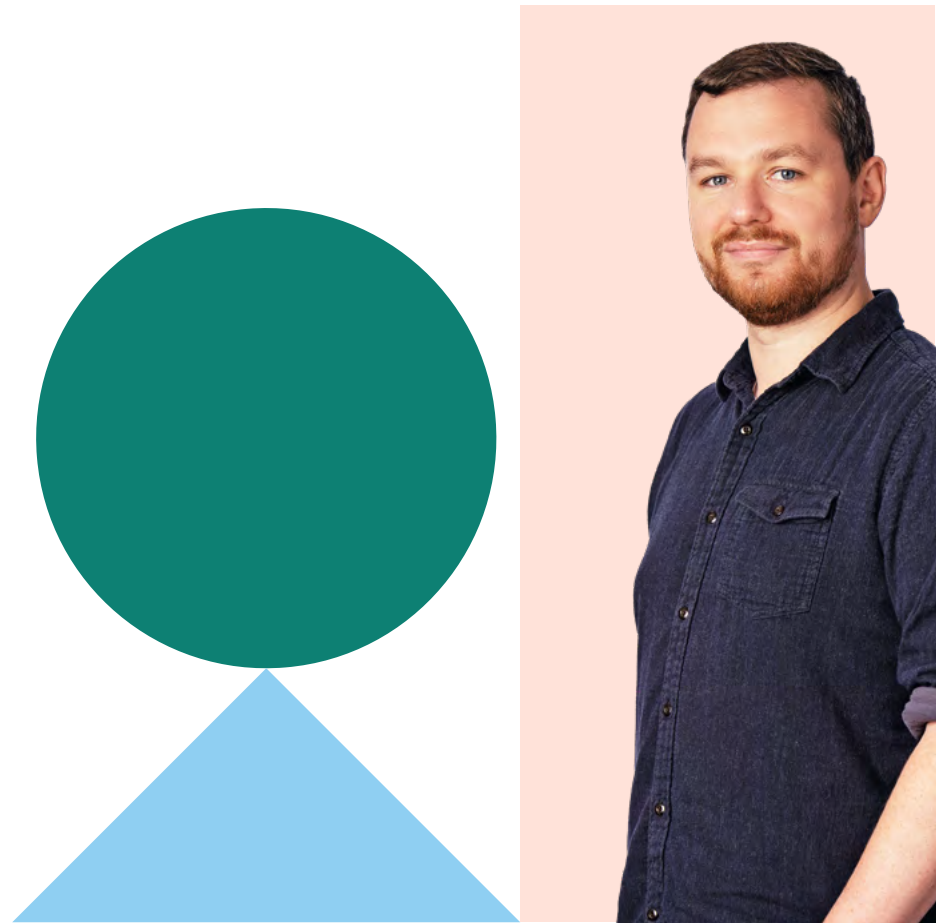
Assessing ROI isn't just a short-term tool, it's a guiding light to show how to better your strategy.

The facts and figures are helpful as they demonstrate glaring training gaps and areas for strategic improvement.

The Obstacles

With return on investment being such a powerful metric, but with so few measuring it, we needed to know *why*; why are so many training leaders limited in their knowledge of ROI?

In our research, we asked our respondents about their unique struggles and what they believe is the ROI Achilles' heel. After analyzing these answers, we found some patterns. There were consistencies across the board, with businesses being impeded by similar issues.



The challenges of ROI

The data opens our eyes to what's missing on teams and within organizations, that is hindering training measurability and success. Overall, there are two areas of disconnect - knowing what to measure and how to measure it.

First, there is a distinct lack of communication between training leaders and other leaders within the organization. This leads to a lack of goals set within the business, and in turn, an uncertainty of what to measure.

Even if that vital communication is there, training teams are then stymied by the how. Couple this with knowledge-gaps in how to measure ROI, as well as a lack of resources and meaningful data, and you're on the backfoot before you've even started.

With both hands tied behind your back, there's no way to confidently know if your training strategy is delivering what's needed and if it's impactful on the organization.

ANSWERS

Lack of data
Unsure of what to measure
Unsure of how to measure
Lack of goals set within the organization
Lack of resources
Other

RESPONSES



WHAT ARE TRAINING LEADERS SAYING?

We don't have clear measurements of success or clear metrics that tie to business objectives.



With many simultaneous campaigns, it is difficult to attribute revenue or profit gains exclusively to training initiatives.

We've never had any way of tracking our learners or didn't have a system to track this.

We just don't have the resources to accomplish this task.

ROI in learning and development is not easy to measure.

Learning is not considered a priority.

No one is really sure how to do this.

There was no focus on data-driven decisions. Learning was supported regardless of any measured benefit.



The Answers

Knowing the challenges you face, we wanted to provide you with practical solutions. As the training leader in your business, we want to help you tackle the unknown of ROI, and overcome the issues to track this holy grail metric.

In this chapter, we've broken down each of the obstacles and we're giving you the tools you need to counteract them.

To get you and your team started on the path to success, here is a complete breakdown of what you need to do to analyze your training ROI.



Lead from the top down

In the past, training teams have been the boss of their training goals. Siloed away from the business, the focal point has been training-focused goals – engagement rates, completion rates, course ratings. Although these are critical figures, they aren't enough.

With 54% of our respondents saying lack of goals set within the organization and 41% saying they are unsure of what to measure, the goals need to come from further afield – your organization's leadership.

As a training leader you need to make the training

strategy a team sport, and get leaders across all teams involved in setting goals. You can do this by simply opening up communication.

By meeting with leaders across Sales, Success, Support, Human Resources, Operations, Marketing, and so on, you can question them on who the audience is, why you are training them, and what metrics should be measured.

To make this as implementable as possible, the following graphic outlines some suggested training goals for businesses.

Training Audience

EMPLOYEES

CUSTOMERS

PARTNERS

Reduction in employee onboarding time

Revenue generation (Increased sales/upgrades)

Revenue generation (Increased sales/upgrades)

Increased employee engagement

Increased customer engagement

Increased partner retention

Increased employee retention

Increased customer retention

Reduction in support tickets

Increased employee satisfaction

Reduction in support tickets

Reduction in partner onboarding time

Reduction in customer onboarding time

Higher NPS

Training Goals

Remember to be as specific as possible with your goals. Is there a percentage tied to the goal? What is the timeline of the goal? For example, if you are training customers the Sales team could have a goal of increasing sales revenue by 25% over the next year. Or if you are training employees, the HR team could be focused on reducing employee turnover by 15% over the next 6 months.

Every tidbit of knowledge is powerful. It will enable you to build a clear picture of what your team should be measuring, ensuring strategic alignment across the organization.

Prioritize what to measure

After chatting to fellow leaders, it's likely you'll uncover a laundry list of goals. However, not all goals are created equally. Each one will need to be divided into "primary metrics" and "secondary metrics".

Primary metrics are revenue-based metrics. They directly tie back to the financial impact your training is having on the business. Whereas, secondary metrics are signals that show that your training is having an influence. Although valuable, they aren't focused on the financial figures.

PRIMARY METRICS

- Increased retention
- Reduction in churn
- Increased sales/upgrades

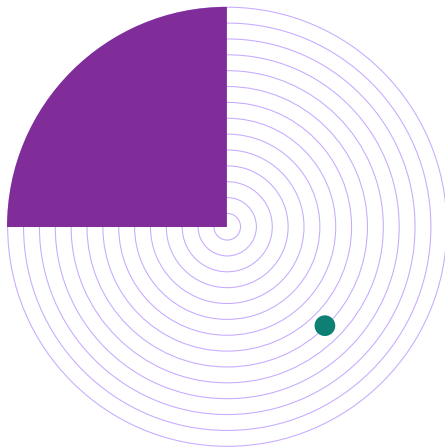
SECONDARY METRICS

- Higher NPS
- Reduction in support tickets
- Reduction in onboarding time
- Increased employee satisfaction
- Increased employee engagement

Finding the data

Knowing what your team is measuring is only half the battle, now it's time to figure out how to measure it.

With 44% of our respondents citing lack of data and 43% citing lack of resources as the reason they don't measure



ROI, you will have to hunt for both the figures you need and the help in getting them. However, this isn't as arduous as you think.

Dr. Jack J. Phillips, Chairman of the ROI Institute [states](#): "If it's a measure that matters to the organization, then it's there already." So, let's help you find it.

Again, at this stage you should connect with other leaders and tap into their resources. They are the ones who are likely to be tracking the key metrics already. They are monitoring their goals through their HR system, CRM, or customer service software, and you should use this to your advantage.

From new business acquired, to customer engagement, to onboarding time, to turnover, get your eyes on these invaluable metrics.

Vitaly, you should not only collect what is happening now, but also what's been recorded in the past. Pre-training program, post-training implementation, non-trained audiences vs. training audiences - all this data can be used and should be mined.

It's important to recognize that getting data shouldn't be a one time thing. Meet with team leaders to get input and insight about these figures regularly. This will ensure you are not alone in tracking the figures and are assured that you are always up-to-date on the numbers you need.

Don't forget the strength of the resources and data you can get as a training leader too. If you are using tools to deliver training, like a learning management system, the reporting will contain a mountain of insights that will feed into your data collection. Additionally talk to your LMS vendor; they should act as your guide, sharing insights that will make the ROI measuring process more achievable.

The ROI Formula

With goals and data in hand, it's time to get into the meat and potatoes of ROI; the formula to calculate it.

There are dozens of formulas for return on investment, ranging from quick tip calculators to sophisticated, mathematical equations. For this guide, we want it to keep things as simple and actionable as possible,

therefore, [we've created an ROI template](#).

It features all the data points you need to include, and that we are positive you can get, as well as an equation for calculating ROI. We've included two working examples to show how you can get the most value from this resource.

EXAMPLE 1: CUSTOMER TRAINING

Our first example outlines the ROI of a SaaS-based software company with 5,000+ customers.

After communicating with the Sales and Customer Success teams, the training team discovered that although there is a strong acquisition rate, there is a high

customer churn rate due to a lack of product engagement. This is impacting NPS, product upgrades, and most critically, revenue. Therefore, the focus for the next year is to increase customer retention.

With no process to encourage current

customers to engage, it is decided to implement continuous product training for current and new customers to help increase customer retention. The goal is set for the training team to improve retention by 5% within the first year of delivering the training program.

HOW TO USE THE ROI FORMULA

- **TRAINING AUDIENCE - NOTE:** Who are you training? If you're responsible for training different audiences with different goals, outline what training audience's program you're measuring from the get-go.
- **TRAINING TYPE - NOTE:** What training are you providing that is helping your team reach its goals?
- **PRIMARY GOAL - NOTE:** Record your primary goal. To make it as tangible as possible record it in monetary value when possible.
- **METRIC TO MEASURE - NOTE:** Now is the time to start measuring.
- **PRE-TRAINING PROGRAM LAUNCH - NOTE:** If possible, take the results from your pre-training program launch or the last results before you started measuring. This can be used as your comparison number to calculate ROI.
- **POST-TRAINING LAUNCH - NOTE:** What are your current results? What is the impact of your training? Put this figure here.
- **CONVERT % TO REVENUE NUMBER - NOTE:** Time to convert % to a number by analysing the cost saved or revenue generated from the post-training launch.
- **TRAINING PROGRAM COST - NOTE:** Collect all your training costs - content, trainers, resources, LMS - and add them together to calculate the cost of your training program.
- **ROI CALCULATION - NOTE:** Use this simple equation! Take your cost-saved/revenue generated number and subtract the cost of your training program.
- **REVENUE FROM TRAINING PROGRAM - NOTE:** That's it! That's the return on investment of your training programs.

SOFTWARE COMPANY'S TRAINING OUTLINE		
● Training audience	Customers	
● Training type	Product training	
SOFTWARE COMPANY'S TRAINING GOALS		
● Primary goal	5% increase in yearly customer retention	\$480,000 in estimated annual revenue
SOFTWARE COMPANY'S TRAINING RESULTS		
● Metric to measure	● Pre-training program launch	● Post-training launch
Customer retention	82%	87.5%
SOFTWARE COMPANY'S TRAINING ROI		
● Convert % to revenue number	5.5%	\$490,000
● Training program cost	\$156,000	
● ROI calculation	\$490,000 - \$156,000	
● Revenue from training program	\$334,000	

EXAMPLE 2: EMPLOYEE TRAINING

For our second example, we're looking at a retail company with 200 employees.

After discussing the pain points with the CEO, HR, and store managers across the organization, the training team discovers that annual turnover is high. This is leading to low employee and manager morale and increasing recruitment costs. Therefore, the focus for the next year is to reduce employee turnover.

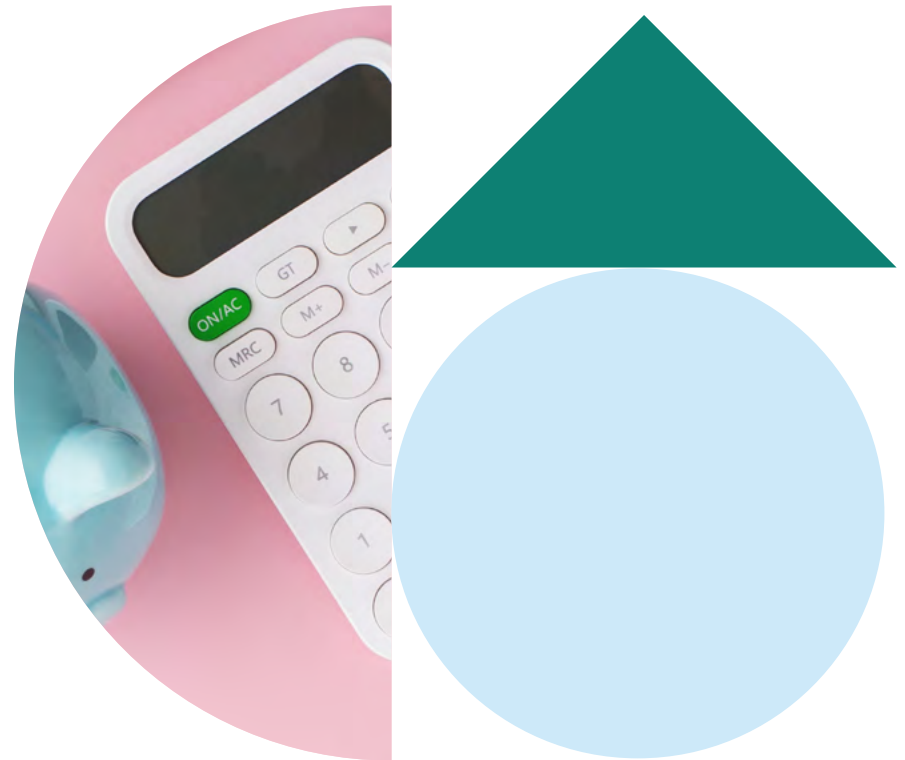
With no formal onboarding process, this is identified as the area where training can help. The goal set for the training team is to reduce employee turnover by 8% within 6 months of delivering the training program.

RETAIL COMPANY'S TRAINING OUTLINE		
Training audience	Employees	
Training type	Onboarding training	
RETAIL COMPANY'S TRAINING GOALS		
Primary goal	8% reduction in employee turnover	\$125,000 in savings
RETAIL COMPANY'S TRAINING RESULTS		
Metric to measure	Pre-training program launch	Post-training launch
Employee turnover	76%	68%
RETAIL COMPANY'S TRAINING RESULTS		
Convert % to revenue number	8%	\$125,000
Training program cost	\$73,000	
ROI calculation	\$125,000 - \$73,000	
Revenue from training program	\$52,000	

Conclusion

Whether you are embracing a complete ROI led training strategy, or just beginning to bridge the gulf between the training and the data, know that you are on the right path.

Every metric, every piece of insight, every data point is knowledge. And with that knowledge, you can direct your training team, and refine your strategy, to produce an effectual, goal-driven, and business-impacting training strategy. Good luck.





At LearnUpon, we power better training experiences. From Fortune 100 companies to rising SMBs, our user-focused LMS and industry-leading expertise enables businesses to deliver impactful training that fuels employee, partner, and customer success.

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