

*Module IV: EMPLOYEE AND MANAGEMENT DEVELOPMENT*

***EMPLOYEE AND***

***MANAGEMENT***

***DEVELOPMENT***

***Session 31***

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# Topics

## ***Module IV: EMPLOYEE AND MANAGEMENT DEVELOPMENT Cont...***

***Training***

***Evaluation***

***Methods***

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# Objectives

Following this presentation you should be able to complete the following objectives:

- ***DESCRIBE TRAINING EVALUATION METHODS***

The logo of Galgotias University is a stylized 'G' composed of three overlapping, curved shapes in shades of yellow, blue, and red. Below the logo, the text 'GALGOTIAS UNIVERSITY' is displayed in a large, light grey, serif font, with 'GALGOTIAS' on the top line and 'UNIVERSITY' on the bottom line.

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# Approaches to Training Evaluation

contd...

- However, for more complex jobs like managerial and supervisory, it is necessary to choose from the following approaches.
- Activity Sampling
- Self-diary
- Observation of Specific Incidents
- Self-recording of Specific Incidents
- Appraisal by Superiors

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## Determining Return on Investment (ROI)

- Known as ROI, published by Jack Philips to quantify the monetary value of training investments. It answers the question : “for every single currency invested, what does the employer get back?”
- ROI is only a financial measure of training’s value, it does not provide information to improve training.
- $ROI\% = \frac{\text{Benefits}-\text{Cost of Training}}{\text{Costs of Training}} \times 100$

Costs of Training

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# Why should ROI be used?

- The concern for accountability in all functions is increasing; thus, the training and development function becomes one of the many support efforts under scrutiny.

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# Calculate ROI

## Formulas:

$$\text{ROI} = \frac{\text{Total Cost of Training}}{\text{No. of Students}}$$

$$\text{ROI}\% = \frac{(\text{Benefits} - \text{Training Costs})}{\text{Training Cost}} \times 100$$



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# Determining Return on Investment (ROI)

- **Cost-benefit analysis** - process of determining the economic benefits of a training program using accounting methods that look at training costs and benefits.
- ROI should be limited only to certain training programs, because it can be costly.

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## (cont.)

- Determining costs
  - Methods for comparing costs of alternative training programs include the resource requirements model and accounting.
- Determining benefits – methods include:
  - technical, academic, and practitioner literature.
  - pilot training programs and observance of successful job performers.
  - Estimates by trainees and their managers.

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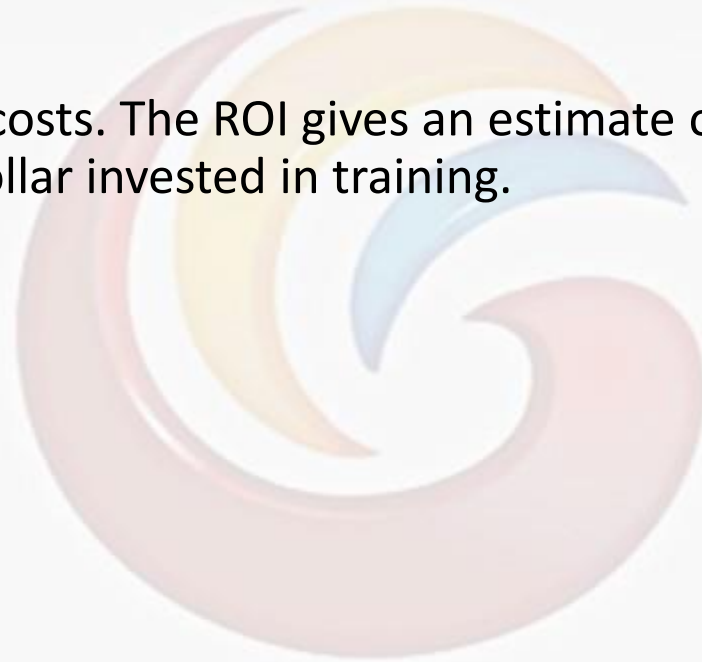
# Determining Return on Investment

Course Code : BBHR3008

Course Name: Training and Development

## (ROI) (cont.)

- To calculate ROI, divide benefits by costs. The ROI gives an estimate of the dollar return expected from each dollar invested in training.



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**Direct Costs**

Instructor	\$ 0
In-house instructor (12 days @ \$125 per day)	1,500
Fringe benefits (25% of salary)	375
Travel expenses	0
Materials ( $\$60 \times 56$ trainees)	3,360
Classroom space and audiovisual equipment (12 days @ \$50 per day)	600
Refreshments ( $\$4$ per day $\times$ 3 days $\times$ 56 trainees)	672
Total direct costs	<u>\$ 6,507</u>

**Indirect Costs**

Training management	\$ 0
Clerical and administrative salaries	750
Fringe benefits (25% of salary)	187
Postage, shipping, and telephone	0
Pre- and posttraining learning materials ( $\$4 \times 56$ trainees)	224
Total indirect costs	<u>\$ 1,161</u>

**Development Costs**

Fee for program purchase	\$ 3,600
Instructor training	
Registration fee	1,400
Travel and lodging	975
Salary	625
Benefits (25% of salary)	156
Total development costs	<u>\$ 6,756</u>

**Overhead Costs**

General organizational support, top management time (10% of direct, indirect, and development costs)	\$ 1,443
Total overhead costs	<u>\$ 1,443</u>

**Compensation for Trainees**

Trainees' salaries and benefits (based on time away from job)	\$ 16,969
Total training costs	<u>\$ 32,836</u>
Cost per trainee	<u>\$ 587</u>

# Determining Return on Investment (ROI) (cont.)

- **Utility analysis** - a cost-benefit analysis method that involves assessing the dollar value of training based on:
  - estimates of the difference in job performance between trained and untrained employees.
  - the number of individuals trained.
  - the length of time a training program is expected to influence performance.
  - the variability in job performance in the untrained group of employees.

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# Training Metrics

Expenditure per employee

Learning hours received per employee

Expenditure as a percentage of payroll

Expenditure as a percentage of revenue

Cost per learning hour received

Percentage of expenditures for external services

Learning hours received per training and development staff member

Average percentage of learning activities outsourced

Average percentage of learning content by content area (e.g., basic skills, customer service, executive development)

Average percentage of learning hours provided via different delivery methods (instructor-led, technology-based)

## References

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