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Why is it Difficult to Measure the ROI of a Training Program?

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Instructional Design

Many organizations spend a lot of money to provide training programs to improve their performance in today's competitive environment. Since investment in training programs has been increasing, upper management want to justify the actual costs and benefits of training programs for their various stakeholders.

Return-on-Investment (ROI) becomes a key factor in measuring financial benefits, illustrating the economic gain or loss as a result of implementing a training program as well as the potential benefits of marketing the program to new clients. Using the results of ROI, the leaders can make decisions about continuing, revising, or stopping the implemented intervention and develop a strategic business plan for the growth of organizational performance.

However, many organizations do not actually measure the ROI of their training programs due to the following reasons:

- **Lack of Reliable ROI Methods and Tools for Training Programs.** There are few comprehensive, tested, common ROI frameworks available for measuring the financial benefits of training programs. Existing methods for calculating ROI are inadequate to meet the needs of training practices (Kong, 2010).
 - The first problem is related to cost (i.e., monetary value). For most organizational activities, the detailed data required to calculate a realistic and accurate ROI either do not exist or are unavailable and would be expensive to generate (Kong & Jacobs, 2012). There are also many disagreements about what costs should be included and how the costs should be calculated. It is especially difficult to measure the costs of online learning programs due to the wide variation in costs of online courses and services to trainees. For example, the costs of an online learning program are influenced by many factors such as the number of courses offered, frequency of course revision, type of media used, type and amount of student support, flexibility of learning times, and completion rate.
 - The second problem is related the worth of human behavior (i.e., non-monetary value). The use of ROI in the training and development field is still in its infancy. In many cases, ROI estimates may be based on economic and industrial-organizational (I/O) psychology models that rely on assumptions about the worth of human behavior. There has been much criticism about using judgment-based dollar value estimations to measure the worth of human behavior (Kong & Jacobs, 2012). In addition, since intangible measures such as customer or employee satisfaction are not necessarily measured in dollar value, the current ROI approach can be sometimes inapplicable.
 - Finally, estimating the impact of a training intervention on business results can be difficult because it is affected by many intervening factors such as organizational culture, market condition, and political issues. For example, a company measured the ROI of their training program after the training was implemented. The ROI results showed that their product sales have been increased after the training. If so, can we say that the sales increase is only because of the training? During the training, the organization's structure might be changed in a better way or its employee compensation system has been improved. Perhaps the economy was so strong that year that consumers bought more products than in other years, which had an impact on the sales increase. Considering these intervening factors, it is difficult to isolate and calculate the benefits of the training intervention from the organization's results.
- **Lacks of Professional Knowledge and Organizational Support in ROI measurement:** The other challenge in measuring ROI for training programs are due to the lacks of professional knowledge and skills in training evaluation

and organizational support (Kong & Jacobs, 2012). Many performance professionals do not know how to measure ROI of their training programs. Of course, it is not necessary to measure ROI for every single training program. The purposes of evaluation can vary depending on the purposes of training as well as organizational goals. However, most organizations do not provide performance professionals with formal training to perform higher levels of training evaluation (e.g., evaluating trainees' performance and organizational results). Most professionals informally learn from their co-workers how to conduct an evaluation using pre-existing evaluation tools. These existing evaluation tools are typically limited to surveys for the purpose of evaluating trainees' satisfaction with training. Sometimes, it is also difficult for the professionals to collect sufficient information related to the training costs due to organizational confidentiality or their limited time and budgets for the evaluation.

In summary, since investment in training programs has been rapidly increasing, many senior managers demand measurements of ROI or financial benefits for such programs. However, existing evaluation methods are not adequate to measure ROI. In addition, most performance professionals do not know how to measure ROI. How about your organization? Do your senior managers ask you to measure ROI or financial benefits of training interventions? Have you done this before? If so, could you share your ROI knowledge and experience with us?

References

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