

How to Calculate Return on Investment for a Training Program

Return on Investment

- **Cost-Benefit Analysis:** is the process of determining the economic benefits of a training program using accounting methods that look at training costs and benefits.
- **ROI Formula =**
- $[(\text{Benefits} - \text{Costs}) / \text{Costs}] * 100$

Steps Required

1. Calculate Costs
2. Calculate Benefits
3. Calculate ROI

Calculating Costs

Seven categories of cost sources are:

- Program Development
- Instructional Material
- Equipment
- Travel and Lodging
- Trainers' Salary
- Lost Productivity due to Training
- Temporary Employees

One-time costs:

- Needs Assessment
- Costs per Trainee

Direct Costs	
Instructor	\$ -
In-House Instructor	\$ 1,500.00
Fringe Benefits	\$ 375.00
Travel Expenses	\$ -
Materials	\$ 3,360.00
Equipment/Classroom Space	\$ 600.00
Refreshments	\$ 672.00
Total Direct Costs	\$ 6,507.00
Indirect Costs	
Training Management	\$ -
Administrative Salaries	\$ 750.00
Fringe Benefits	\$ 187.00
Postage, Shipping, and Telephone	\$ -
Learning Materials	\$ 224.00
Total Indirect Costs	\$ 1,161.00
Development Costs	
Fee for Program Purchase	\$ 3,600.00
Instructor Training	\$ -
Registration Fee	\$ 1,400.00
Travel and Lodging	\$ 975.00
Salary	\$ 625.00
Benefits	\$ 156.00
Total Development Costs	\$ 6,756.00
Overhead Costs	
Organizational Support/Management	\$ 1,443.00
Total Overhead Costs	\$ 1,443.00
Compensation for Trainees	
Trainees' Salaries and Benefits	\$ 16,969.00
Total Training Costs	\$ 32,836.00

Costs must be added up in total. Total training costs are \$32,836.00

Calculating Benefits

Types of benefits:

- Reduce Overtime Costs
- Reduce Production Costs
- Reduce Accidents
- Increase Repeat Business

- Increase Revenue

Operational Results Area	How Measured	Results Before Training	Results After Training	Differences	Costs
Quality of Panels	Percentage Rejected	2% rejected	1.5% rejected	0.5% rejected	172800 per year
Housekeeping	Visual Inspection	10 defects	2 defects	8 defects	Not Measurable
Preventable Accidents	Number of Accidents	24 per year	16 per year	8 per year	48000 per year

Benefits must be added in total. Total benefits are $172,800 + 48,000 = \$220,800.00$

Calculating ROI

Cost and benefits must be plugged into the following formula:

- $[(\text{Benefits} - \text{Costs})/\text{Costs}] * 100$
- $[(220,800 - 32,836)/32,836] * 100 = 572.43\%$
- The return on investment for the training program is 572.43%
- If the ROI is over 100% then the program is beneficial, if the ROI is under 100% then the program is not beneficial.
- $572.43\% > 100\%$
- This shows that the training program for this example is successful.