Costs and Benefits: Assessing the Business Case for Training

No matter what your business, to stay in business you have to attract and retain customers. How do you do that? One way is to deliver a quality product or service in a high-quality manner. In other words, it is a combination of what is offered and how it is offered that determines whether a buyer will become a loyal customer. Training is one way to make sure that employees' technical skills and customer-service skills meet customer expectations.

When making a business decision, two basic elements are typically considered: costs and benefits. In the case of training, the issues are: (1) how much does the training reduce costs? and (2) how much does the training increase revenues? If the training sufficiently reduces costs and/or increases revenues, then there is a strong business case to conduct the training. Your ability to identify the potential sources of revenue and costs and to estimate their levels can be an important business skill. It can be the basis by which you can successfully make the case for needed training for your employees.

Critical Thinking Questions

8-19. Given your answers to the previous questions, estimate the combined impact on the bottom line of direct and indirect savings generated by training. Extrapolate this number over a one- or two-year time period.

8-20. As you have read, training can increase revenue. The revenue could come from increased quality of the customer

experience due to the impact of training. Consider, as an example, the following table of customer survey responses before and after training.

Customer Satisfaction

	Very Dissatisfied— will never return	OK, but would return	Satisfied— would return
Before Training	15	15	70
After Training	5	15	80

The numbers are percentages of customers in each satisfaction category six months before and six months after employees received their training. A key change is a reduction in the "Very dissatisfied—will never return" category of customers, which fell from 15 to 5 percent.

a. What will this 10-percent change mean to the bottom line? Assume that the average revenue generated per month by a customer is $500.00. Also assume that you have 500 customers.