

- b. What is the increased revenue due to the training for the past six months?
- c. What would be the revenue generated if you had 1,000 customers?

Training can also impact the bottom line by reducing a number of direct costs. For example, employee costs may be reduced because fewer overtime hours will be needed due to improved performance. Another cost reduction can be seen in reduced returns, because training may reduce errors or damage that can occur when the product or service is provided.

- 8-21. Make assumptions about the costs in each of these direct cost categories and any other direct costs you can think of. Also assume that you can expect a 10-percent reduction in each of these categories. Generate the direct cost savings estimate due to the training.

Training can also impact the bottom line by reducing indirect costs. These are costs that may not be obvious, but that are still important. For example, the safety of work processes or equipment can be improved due to training if workers handle materials or equipment more safely. Employee turnover can also be reduced, because of improved job satisfaction due to the training.

- 8-22. Assume that training results in a 10-percent reduction in your turnover rate. Also, assume that the cost of a turnover is 1.5 times the departing employee's salary. For a given average employee salary of your choosing, estimate the reduced costs due to the reduction in turnover.

Team Exercise

- 8-23. With your teammates, choose a business and a type of training. Estimate the revenue and cost reductions that you could expect due to the training. Estimate the cost of the training. Consider alternative ways to offer the training that

could reduce its cost. Share your estimates with the rest of the class. Which approach to offering the training would your team recommend? Explain.

Experiential Exercise: Team

- 8-24. Join your teammates and consider the impact of training in technical and soft skills. For example, consider training in a production-related process and training in interpersonal skills.
- a. Using the revenue and cost criteria discussed in this case, how do the two types of training stack up?
 - b. Does one training approach appear better in terms of increasing revenue?
 - c. Is another approach better at reducing costs? Share your team's findings and conclusions with the rest of the class.

Experiential Exercise: Individual

- 8-25. Create a spreadsheet, either electronically or on paper, that includes the revenue and cost criteria discussed in this case. Include in the matrix a comparison of training a technical skill (such as a production technique) and training a soft skill (such as interpersonal communication). Use the spreadsheet to assess the two approaches. How do the two approaches compare? Share your spreadsheet estimates and conclusions with the rest of the class.

Sources: Based on Howe, S. (2008). Training ROI revisited. *Fleet Maintenance*, 12, 32–33. Carman, M. (2013). Hitting the mark: Using training needs analysis to improve customer satisfaction. *Training and Development*, 40, 10–11; Mattox, J. (2011). ROI: The report of my death is an exaggeration. *Training and Development*, 65, 30–31, 33; Rogers, S. S. (2013). Great expectations: Making ROI successfully work for you. *Training and Development*, 40, 8–9.