

The Training Value Gap (Oct 07)

Written exclusively for Training Industry, Inc. by Barbara Edwards and Kaliym Islam of the Depository Trust & Clearing Corporation (DTCC), October 2007

"Training is...learning that is provided in order to improve performance on the present job" - Nadler, Leonard (1984). The Handbook of Human Resource Development



Barbara Edwards

For the past several years, companies have placed increased pressure on their training departments to quantify the impact that the programs they deliver have on the larger organization. As a result of this pressure, training managers have spent more and more time attempting to prove value that their training brings. This effort has tended to focus on return on investment or ROI, and essentially argues that, "when we have training, the organization is better because..."

An equally important factor to consider when assessing the impact (or the lack thereof) that training has on an organization is to look at the implications to the organization when training is not provided, not available, doesn't work, or takes too long to reach learners. This approach to quantifying the effect of training essentially argues, "If we don't deliver effective training quickly, the cost to the organization will be..."

Lack of training, ineffective training, and training that is delayed also have a financial impact. These events result in what we call a **training value gap (TVG)**, and while the impact of training value gaps tend to be overlooked; they can have substantial financial implications on all organizations.

What is a training value gap?

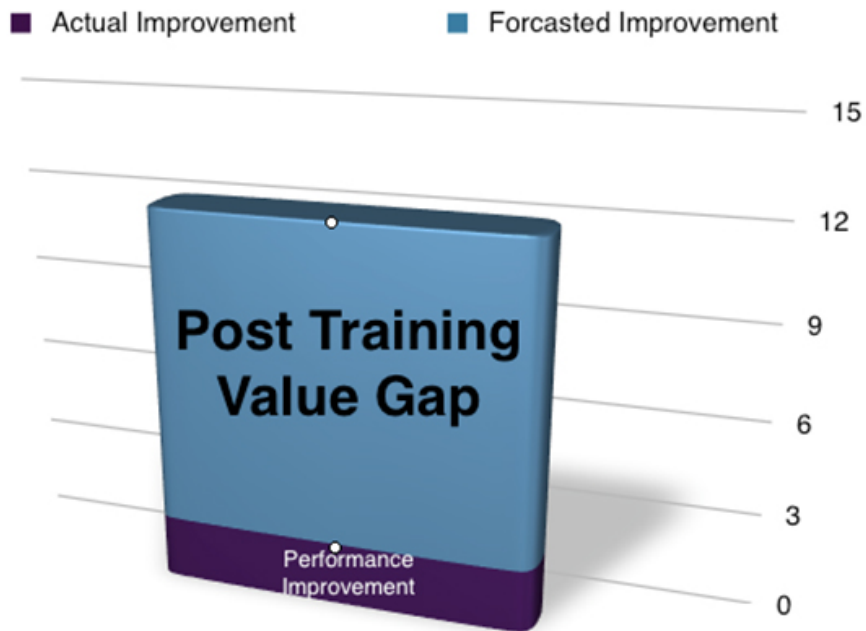
Anytime a training program fails to deliver the improvement in performance required by the organization, a TVG occurs. In the simplest terms, TVG is the opposite of ROI. All training programs must have one or the other. There are two basic forms of training value gaps; a **Post-Training TVG**, and a **Pre-Training TVG**.

The Post-Training TVG



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Post-training TVG occurs when training has been completed but the anticipated results have not been achieved. Take for example a secretary who only types twenty words a minute. She is sent to a training class with the expectation that her speed will improve to thirty words per minute. After the training class, she can type twenty-two words per minute. While the secretary's performance did improve by two words per minute, the expectation of the organization was that the improvement would be ten words per minute. Thus, the difference between the expected or desired results and the actual outcome of the training is eight words per minute or a TVG of eight. The blue area in the graphic below illustrates the Post-Training Value Gap in this example.

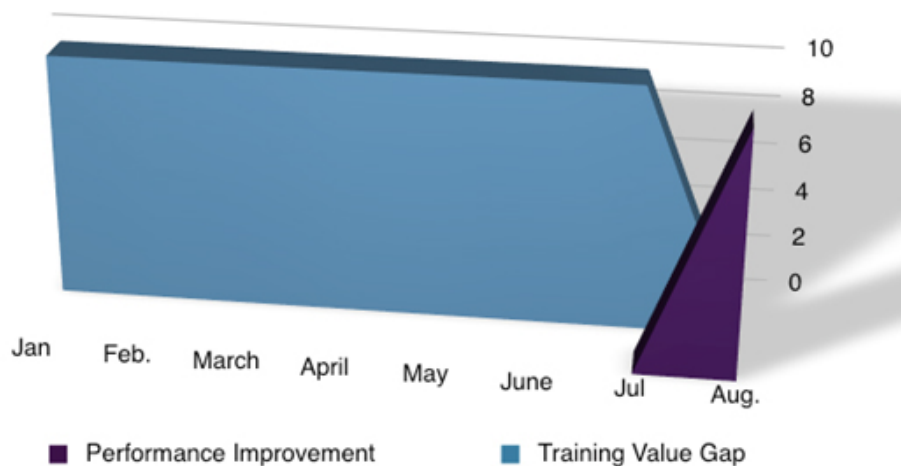


The Pre-Training TVG

Pre-training TVGs occurs when there is a delay in the availability of the training, if no training exists, or if for some other reason the learner cannot take advantage of it. If the training program is not available, it is impossible for learners to receive value from it, thus and the organization is negatively effected. The longer the delay continues, the less value the organization receives and the larger the TVG.

Let's continue with the same example of the secretary. The organization has identified the performance gap of ten words per minute. In this scenario the organization is unable to enroll her in a training program for eight months. After taking the program however she does achieve the required ten word per minute improvement. This example produces TVG of eight months (corresponding to the time that this secretary is not able to gain value from the training). The impact to the business is that it must endure an additional eight months of less than optimal performance by the secretary.

Figure 1.1 Training value gap for the secretary who must wait eight months before attending a typing course.



The financial impact of TVGs

Simple mathematics quickly uncovers the financial impact that TVGs can have on an organization. Let's start by looking at the financial implications that the post-training TVG example of the secretary might have. In that example, the secretary improved her typing speed by two. The expected improvement however was ten, thus a TVG of eight. If we were to assume that each point of performance improvement represents \$100 per week value to the company, this gap in performance will cost the company \$800 per week, \$3,200 a month, \$38,400 a year, and \$192,000 over five years. Multiply this amount by every secretary in the company who does not achieve the projected performance improvement (as a result of the training) and the financial impact to the company can quickly become quite significant, and will continue to grow until the performance target is met.

The financial impact is less dramatic with the pre-training TVG. Although the secretary could not attend the training for eight months, the result of the training was the expected ten words per minute improvement. Applying the same \$100 value to each point of performance improvement creates a TVG cost \$800 a week for eight months or a total cost to the organization of \$25,600. The TVG is closed after the eighth month because the required performance improvement occurred.

Summary

The financial impact of TVG is real. Each year companies literally throw money out the window because their training programs are ineffective and do not result in the required performance improvements or because there are delays in getting employees access to the appropriate programs. Inadequate performance improvement and delays in performance improvement both affect the organization's competitive advantage and ultimately its bottom line.

Obviously, it's important for training professionals to continue to measure ROI. Equally important however, is the need to understand the negative impact as well (TVG). Only by understanding your TVG can you begin to manage it, control it, and, ultimately reduce it. Even a slight reduction in the TVG will result in a positive financial benefit to an organization. Look for subsequent articles for tips on how to measure and reduce the training value gap in your organization.