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BY DR VICTOR S.L. TAN

Having been in the consulting and training field for the last 25 years, I have discovered one great waste in organisations – most of their training are ineffective. They do not get the return of investment (RoI) they deserve. Many organisations spend thousands and some millions of dollars in training each year which neither address their real business needs, nor increase their performance. The reasons for this dismal state of affairs are many. They include:

- Training that are not aligned to the changing business needs
- Leaders do not send the right people to the right training
- No proper training needs analysis
- Lack of follow up on the effective utilisation of skills, knowledge and behaviour in the workplace
- No systematic way of measuring and capturing the benefits of training with RoI

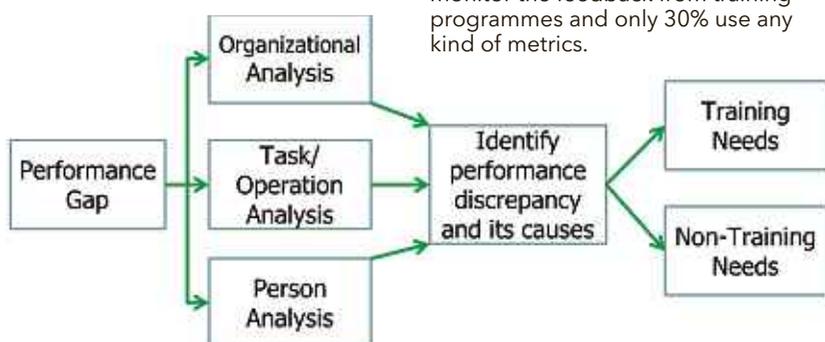
The good news is that companies can achieve a higher return on their investments in training if they undertake a proper Training Needs Analysis (TNA) and follow up with effective training evaluation.

What Is Training Needs Analysis (TNA)?

TNA is a systematic approach to identify the skills, knowledge, attitude and behaviour of the workforce required to perform at the required level. Often a gap arise between the actual and the required level of performance due to changing environment. The analysis of training needs should be done at three levels: organisational, task/operational and person. A good TNA will address the gap with a sound training evaluation which leads to a relevant training plan.

Training needs analysis can be effective if it is done professionally using a sound and proven approach – the TNA framework as shown below.

THE TNA FRAMEWORK



ACHIEVING A HIGHER ROI FROM YOUR TRAINING

The TNA framework is a very good way to diagnose the root causes of non-performance. Not all non-performances are attributed to skills, knowledge, attitude or behaviour. Some of the non-performances maybe due to bad policies, poor systems, wrong recruitment or unfair compensation system – all of which needs to be addressed separately.

There are various ways to ascertain training needs using various assessment tools including observation, survey questionnaire, interview, critical incident analysis, document reviews, job descriptions, focus groups and other performance management tools. The TNA analysis for the three levels should cover the following:

Organisation: mission and strategies, resources and internal environment

Task/Operation: knowledge, skills, information, equipment and materials needed to perform the job and its steps

Person: individual training needs through performance appraisals, test and self-ratings

Training Evaluation

Training evaluation is an important part of TNA to assess the effectiveness of training. Ironically according to McKinsey research only about 50% of companies monitor the feedback from training programmes and only 30% use any kind of metrics.

Traditionally training evaluation is done on four levels according to the Kirkpatrick model:

1 Reaction - The immediate response of the participants regarding the training

2 Learning - The knowledge, skills, behavior, etc the participants have learnt

3 Behaviours - What the participants have learnt that are applied in the job

4 Results or effectiveness - The results achieved arising from the application of what participants have learnt from training

The RoI of training assesses the effectiveness of training at level four in terms of the benefits in dollars arising from the programme the company invested. It seeks to quantify the results of training such as lower cost, increased productivity, improved quality and efficiency, staff retention, increased sales and higher morale.

RoI in training actually measures the benefits of a programme designed in relation to the costs involved:

$$ROI = \frac{\text{Value of Benefits} - \text{Cost of Training}}{\text{Cost of Training}}$$

Essentially the RoI of training = Net programme benefits/programme cost x 100%

As an illustration:

The cost per programme of 25 participants attending a 3-day TNA training = RM80,000

(the cost here: course fees, materials, venue, staff salary, food, travel, accommodation, venue, facilities, both direct and indirect costs during the 3 days programme.)

Benefits arising from this program per year = RM500,000

(The benefits captured include cost savings, improved staff morale, increased in productivity, improved staff retention etc For a complete illustration, please visit www.klsc.com)

RoI = RM500,000 - RM80,000 / RM80,000 x 100%

RoI = 525.0%

Of critical importance in calculating RoI in training is to collect accurate data on cost and benefits arising from training and converting them into monetary values. It is also reckoned that not all benefits are tangible and there are some intangible benefits as well. For accurate reflection of the actual RoI arising from training, there is a need to isolate the benefits or value solely due to training from other contributing factors. The meticulous part is to focus on the specific outcomes that are truly attributed to training.

One cannot overemphasise the importance of training. Allow me to quote, the executive chairman of Starbucks, Howard Schultz, whose company was ranked as the top three most admired companies in the world in 2017. He said: "Starbucks is not an advertiser; people think we are a great marketing company, but in fact, we spend very little money on marketing and more money on training our people than advertising".

But for your company to get the return of your training dollars, training must be effective. A poor training needs analysis or the lack of it can lead to training the wrong competencies and using the wrong methods which do not bring about improve performance or results. On the other hand, an effective TNA ensures that training is directed at the right competencies, the right employees and the real business needs which can lead to lower cost, higher productivity and increased profits and hence a high return on investment from your training programmes.



DR VICTOR S.L. TAN is the CEO of KL Strategic Change Consulting Group. He has conducted extensively on TNA. For more information contact him at victorstlan@klsc.com or WhatsApp him at 012 3903168.

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