

## Investment Strategies for HR

Mark Young

Most HR managers would agree training can be effective and valuable to companies and their employees, but they'd also agree it's a tough sell to convince the chief financial officer, who needs to see a return on investment (ROI).

HR managers often run into trouble when they try to speak the CFO's language of numbers, figures and ROI because, when it comes to determining the value of company training efforts, the traditional financial models simply do not apply.

This is not to say numbers are inconsequential — training can be shown to improve productivity, especially in the manufacturing industry, and those productivity improvements, in turn, can be shown to have a direct positive benefit on the bottom line.

But in many industries, especially the service industry, it's hard to prove training enhances productivity. As a result, trying to show a CFO that a dollar spent on training yields a specific, quantifiable return ultimately might be a futile effort.

After all, not all training programs are good investments. In some cases, they will have minimal, if any, effect on the bottom line, at least in the near term.

One way to determine whether a training program might be worth the investment is to answer two questions in advance:

- Where is your pivotal talent? When constrained, where does your organization feel the most pain?
- What would be the impact of a particular behavior change in this area?

Take the example of the air transport industry. If you wanted to improve the bottom line by setting up a training program, would you focus on pilots or ramp workers and customer service agents?

Pilots, of course, require years of training and experience

before they can captain a commercial airplane. But once they take charge of the plane, it's unlikely that improving their skills will have much economic benefit — they already know how to take off, fly and land.

Although honing those skills with additional pilot training might, in some cases, lead to improved safety and might be required by governmental agencies, it is not likely to result in a process that is faster or cheaper. When it comes to pilots, more efficiency typically does not lead to more effectiveness.

On the other hand, although ramp workers and customer service agents have only a fraction of the training requirements as pilots, a little training can have a big impact.

As they become more efficient, they become more effective. For instance, improving their skills likely will lead to real, measurable increases in on-time performance. Better on-time performance, in turn, has a direct and positive impact on earnings.

Once the HR manager has identified the areas that seem to have the most potential to benefit from training, the case to the CFO should be made with simple illustrations.

In the above case, it would be a difficult task for the HR manager to promise a specific ROI for training ramp workers or customer service agents. Instead, the HR manager could project the training program will shave five to 10 minutes off the time it takes to turn around an airplane.

That would be enough to convince even the toughest airline CFO that training is worth the investment. **TM**

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