

How to Calculate Your Firm's Training ROI

Controlling costs will still be an important goal, even as the recovery continues. With growth on the horizon, your CPA firm will want to reconsider the training provided to CPAs and staff to make sure that you are not just updating "the usual" but also preparing staff for new services and to take on additional responsibilities to support your firm's growth initiatives.

Understanding the return on investment for your training expenditures will help your firm to make smart choices about training options. This also provides evidence in support of training and the money your firm puts toward training initiatives.

Begin with a cost-benefit analysis. A cost-benefit analysis can help your firm to pinpoint the true value of training as a benefit, and can help to answer these questions:

- Are our training programs worth what we are paying for them?
- Are there ways to cut costs and at the same time enhance the training we are providing to staff and partners?
- Are there long-term reasons for spending more now on training, such as our development of new niche services?

To conduct the cost-benefit analysis, you need to collect information about costs. Three areas are usually considered:

- **Personnel costs.** These include salaries for in-house trainers. If administration staff handle training, you should compute the proportion of their salaries to reflect training responsibilities. Divide the individual's salary by 260, the standard number of days worked per year, and then figure the number of days devoted to training work. This information can help you in considering whether in-house training is still an affordable option or if you need to outsource training.

Salaries for in-house expertise are another employee cost to consider. If a technology partner is spending his or her time to develop internal training in software and processes, the proportion of that partner's time for those activities should be computed and added to employee costs.

In addition to salaries, you may want to compute a proportion of benefits including vacations and holidays, or other benefits, depending on how your firm calculates finances.

Another personnel cost that is often overlooked is the time that staff spend both instructing and attending training sessions. These are lost revenue, which you can compute using your billable rates if your firm does most of its billing by the hour, or proportionally if your firm has a lot of work that is set fee or engagement based.

Travel costs, including transportation, hotels, meals, etc., should also be included in personnel costs.

Finally, any fees paid to an outside trainer that you hire to come to your firm for training are considered a personnel cost and should be included in this computation.

- **Training materials.** This cost includes anything that you need for a training program, or to develop one, including:

— Sources to develop the training. Be sure to include any content sources needed to create training programs.

— Instructor and participant guides. This can include seemingly small costs such as CDs or binders for paper materials; be sure to add in even these lower-cost items so that you can get an accurate picture of the expenditure. Include costs for preparing handouts or large charts.

— Equipment such as CDs, audiotapes, computer-based training materials, computers, data projectors, etc.

— Facilities, including food, beverages, and room and equipment rentals. Be sure to include sales tax and gratuities.

Training ROI. Figuring out what your firm gets back from its investment in training can be challenging. Consider these two areas:

1. Tangible benefits. Increased revenue or lower costs are the most tangible benefits, and can include:

- **Time savings.** Training can lead to efficiency, which means money saved by the firm that can be applied to additional engagements.
- **Materials.** Enhanced document management programs, online research, and more can fall under this category.
- **Controlling turnover.** Training that can be shown to slow turnover is a highly desirable plus. However, this can be a tough benefit to demonstrate since people leave CPA firms for varied and multiple reasons.

2. Intangible benefits. Some benefits from training may not be quantifiable, but they are important nonetheless: increased productivity, client satisfaction, and motivation of staff are among the possible intangible benefits from training. Staff retention may be the most important of the intangible benefits: staff want and appreciate the opportunity to learn and grow, so this may be the greatest payoff from your firm's training expenditures.

Tips for computing ROI. In a SHRM White Paper entitled "Four Steps to Computing Training ROI," author Frances Lilly lists the four steps:

- **Isolate the effects of training.** "To determine the ROI of training you must be able to measure the changes that occur as a result of training," Lilly noted. "Consequently, you must know what the performance or level of knowledge was before you began the training initiative."
- **Convert the effects of training into monetary values.** "The effects, or benefits, of a training program should always be identified, qualified and converted to dollars with input from management." This ties to the cost-benefit analysis described above.
- **Calculate the cost of training.** She urged consideration of all indirect costs in performing this calculation, including calculating costs, remember to carefully consider all indirect costs, such as staff time, use of existing materials, equipment, classrooms,

etc. "The term 'fully loaded costs' is sometimes used to designate that the costs of a program include both direct and indirect costs."

- **Compare the value of effects to the incurred costs.** The ROI formula or equation uses the effects (benefits) data and the incurred costs as follows:

ROI % = Net Program Benefits x 100

Total Incurred Costs

An example:

If Net Program Benefits are \$120,000 and Total Incurred Costs are \$100,000, then:

ROI = $\frac{\$120,000}{\$100,000} \times 100$ or ROI = 120%

\$100,000

Difficulties in calculating ROI. Lilly noted some common challenges in calculating ROI. A key one: determining the "shelf-life" of the training program. Multiple uses need to be considered, and it can be hard to predict how much and for how long you can use a training program. "Use a conservative approach because of the rapid changes occurring in the workplace."

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