

Are Training Costs Justified?

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One of the first casualties in many companies in a time of "rolling readjustment" or decline in business is employee or supervisory training. The reverse side of the coin is that when business is booming and profits are high, training inevitably gets a boost.

Basic Misconception

While there may be some fiscal or financial reasons behind this practice, more often than not it grows out of a basic misconception on the part of management about the value of training programs. The Training fraternity itself is riddled with uncertainty on this score.

A training director recently told the writer: "I've been pulled off training and put back into production. Guess I'll just have to wait until times get better and we can pay our way once more." This philosophical remark was a commentary not only upon his knowledge of the effectiveness of training as a cost reduction tool, but probably reflected the quality of the training which he had been offering.

Where a company is insolvent or on the verge of bankruptcy the training budget is impossible, but this is not the general case. Most good training men know that the purpose of their job is to make or save money for their em-

ployer. They know that good training doesn't cost anything.

In toting up the costs of training, many personnel and training men flinch at including all of the true expense. In addition to the budgeted salaries of the training director and his staff, if any, he should include the costs of taking men from their jobs during working hours, of time spent on their regular jobs devoted to training others, and other hidden costs such as lost production, increased spoilage, and other imputed costs which are directly chargeable to education or training.

The reason for not thrusting one's head into the sand on these cost is that they represent a challenge to the training man. They are an investment which the company is making in order to bring in a greater return in the more or less immediate future.

Difficult To Measure

To a very large degree the company's return on its training outlay can never be accurately measured. For example, if production increases ten percent in the year following a foreman training program, if accident rate falls and compensation claims wither away, if there is lower turnover, fewer grievances going to arbitration, fewer customer com-

plaints, less spoilage, and greater life to machines and tools, the training man can only assign himself some estimated credit for the savings. Countless other factors enter the picture which might have affected improvements in these areas.

If the company has a smoother work-ing team, and a more secure accession to management as a result of an Execu-tive Development Program he cannot assay these gains in cash terms and bal-ance them off accounting-wise against the measureable costs of training. This doesn't mean that the gains aren't real, by a long shot.

Can Claim Full Credit

There are instances in which the training department can claim full credit for a savings. For example, if in the course of a training program in work simplification a worker brings a project into the class which proves to be a direct labor savings of \$10,000 when put into use, the training man might claim that this was a result of his efforts. Even here someone could say that the individ-ual might have discovered the idea with-out the course. The burden of proof is on the critic in this case however, not on the trainer.

Other areas such as morale and atti-tude building are more difficult to meas-ure, and the training man who tries to justify his programs through resort to statistics is apt to find himself left high and dry. The most genuine measure-ment of training programs and their value is in the mind of management.

If management finds that a number of the harassing problems which beset

it last year are now solved automatically and without difficulty at the foreman level, they won't require statistics to prove the value of training. If figures are required at this point management itself will provide them.

This leaves us with the conclusion that evaluation of training at present is something that might best be left as a management appraisal, with the saving qualification that some information and records will serve to provide a basis for their attitude.

For the training man who has not achieved this conversion of manage-ment, certain rudimentary techniques of selling training programs on the basis of cost can be helpful. The initial step here is to find a genuine training need which is based on a dollar loss to the company. This dollar loss should further be demonstrably chargeable to some per-son or group of persons not knowing their job or failing to do it properly.

Get Out Into Plant

Such training needs are seldom found in the office and especially in the per-sonnel office. It means getting out into the plant and talking to supervisors and staff men who can cite plenty of gen-uine headaches involving people.

One such instance is the case of the New Jersey company in which the qual-ity control manager was attempting to install statistical quality control. For many years the plant had operated on the basis of an archaic inspection sys-tem. The quality control manager, at-tending evening school and professional meetings had steeped himself in this new technique.

When he tried to install it on top of the old system he ran into numerous blank walls. His inspectors didn't have enough mathematical background. The production crowd weren't buying any sampling results which were different from the old method. The management itself was somewhat suspicious of this new-fangled method, mainly because they didn't understand it.

One day at lunch the training director listened to the quality control manager pour out his gripes and saw this as a training need. With professional ease he outlined a broad scale training program. A brief orientation meeting for management on the economics of statistical quality control was held. This course pointed up the dollar and cents savings in the new method.

The next step was technical training for inspectors in mathematics, statistics, and fundamentals of control charts and methods. At the same time the foremen were to be given a somewhat more detailed appreciation course in this new plan.

Well On The Road

After a year, this plant is well on the road to revamping its quality control methods. The old inspection plan is systematically being revised to accommodate the new scientific method of statistical quality control. Foremen who might have silently sabotaged the program if they were unacquainted with what it was all about are demanding more progress in installing it in their department. Management is keenly in-

terested in it and is dropping the cat on the back of everyone down the line to get the plan installed. The quality control manager now finds that he has more than adequate support for his plan.

Chalk up one good job for this training director.

An informal survey of seventy companies in the northeast reveals that the majority of training directors report to personnel managers. This means they are part of the personnel or industrial relations department. While there is nothing objectionable about this organizationally, it can lead to a situation where the training man becomes provincial in his orientation to training.

The content of a typical training program for foremen would read something as follows:

- Labor Law
- Human Relations
- Grievance Handling
- Interviewing
- Merit Rating
- Morale
- Suggestion Plans

While all of these subjects are valuable and are undoubtedly cost reducing in result they have the weakness of being overly personnel department oriented. When repeated again and again, as they are in many firms, a point of diminishing returns is reached, and it is small wonder that management begins to ask if training costs are justified.

The foregoing survey revealed that extremely few companies offer training to foremen or employees in the following areas:

(Continued on page 36)

ARE TRAINING COSTS JUSTIFIED?

(Continued from page 11)

Cost Control
 Production Planning
 Quality Control
 Waste Reduction
 Housekeeping
 Maintenance Principles

The most common reason given for such oversight is that "you can't teach those subjects."

The experience of a few outstanding training directors would indicate that this is not the case. More truthfully, the training director too often doesn't venture to plunge into areas in which he personally lacks knowledge or skill. He is faced with the problems of laborious drawing out of such fellows as accountants, engineers, planners, inspectors, or production managers, many of whom are good specialists, but who are inept at organizing their speciality into materials for a training course.

Cost control is a typical example of the untouched frontier. Foremen especially are confronted with a mass of cost figures, which supposedly report his effectiveness. These reports are meant to be a basis for his managerial decisions. Yet the average foreman knows little of the basic accounting tools or procedures which go into the preparation of these reports.

He sees such terms as "Direct Labor" and "Burden" without understanding their significance, and their relationship to the success or failure of the business. He is a man working with a blindfold, who recognizes the few familiar terms

which pass through his hands frequently but not knowing the composition or importance of the objects he handles.

Production planning is another area where great benefits can be attained through training. There are basic techniques of planning just as there are basic techniques of handling grievances, yet the training man seldom includes these in his curriculum. If he does, it is not always done with care and skill which it merits.

"I wish people would demand more services of the training department," a training director declared at a recent conference of training directors. "I'm not worried about needs as much as I am about demand."

As a staff man, this training director was expressing the views of every bureaucrat in history. It is impossible to perform a valuable function unless somebody is willing to make use of his talents. Where does the training director go when he finds that there is little call for his services?

The first step, despite the views of the training director cited above, is for the seeking out of genuine needs for training. The obvious place from the cost justification is to go where the problems are biggest. If this be in the personnel department, then by all means stay right at home and train in human relations, grievance handling, communications, speed reading, and public speaking.

If the foremen or managers are unskilled in these areas you certainly have a ripe field, and plenty of training needs. The old reliables of conference leadership, report writing, and leader-

ship are sure-fire to bring about some improvements which will be apparent to the boss.

Once this field is exhausted or even before, cast a weather eye into the plant for some of the towering headaches there, and tackle the person responsible with the proposition that training may help solve those problems. Chopping down the tallest weed as far as problems go will inevitably keep the training department as the center of fruitful activity, make it an indispensable part of the team, and prevent the situation arising where it must go on the carpet to justify its existence in a dollar and cents basis.

Probably the most convincing case which could be made for training as a cost reduction technique was the case of an unscrupulous company doing government work on a cost plus basis. In order to fatten the expense budget management established a large training department and hired a top-flight training director. This was admittedly a boondoggle by management but it backfired.

The training director, not realizing his was a fat-cat operation tackled the training problems of the company with zest and intelligence. Every aspect of the business was surveyed, and wherever problems appeared which seemed to be centered about people not doing their job, he arranged, sold, and taught a training program.

The result was an amazing reduction in costs. Foremen were skilled in methods improvement, production planning, and cost reduction, as well as human relations and safety. Costs of operation dropped markedly. Under cost-plus, this

is not a desirable end product, and the management was forced to conclude that training, in this case, had been the wrong spot to invest cash if they wanted to increase the costs of operations for purposes of adding a fixed percentage of markup.

The lesson is obvious for any company. Good training is worth every cent which is spent on it. Training which is done in the wrong subjects, or ineffectively carried out can be a severe drain.

POSITION WANTED

Director of Training: Six years' experience in industrial training, four as supervisory coordinator, two as Director of Training in large industrial organization which had no training upon my arrival. Developed entire program consisting of executive, supervisory, apprentice and maintenance programs including an every employee, fifteen week—thirty hour economic training program. Ten years' experience in high school teaching. BS in EE, MA in Education. 43 years of age—married—two children. **Box 154, The Journal of the American Society of Training Directors, 330 West 42nd Street, New York 36, N. Y.**

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POSITION WANTED

Training & Industrial Relations: 8 years experience—4 years, Assistant Director Industrial Relations, administering labor contracts & handling grievances in company of 1200; 4 years, Training Director, now in company of 3500. Diversified experience in personnel work. Prefer Midwest. Age 48, married, M.A. Degree. Resume upon request. **Box 155, The Journal of the American Society of Training Directors, 330 West 42nd Street, New York 36, N. Y.**
