

# The True Cost of a Training Program

Budgeting for a session involves more than adding up the price of coffee, doughnuts, and folding chairs. Here's a simple method for determining your return-on-investment.

By COLEMAN LEE FINKEL

The human resource profession was amazed to learn that companies in this country spend at least \$100 billion each year for training. This startling figure was computed by Thomas F. Gilbert back in 1976! (The American Society for Training and Development estimates that corporations spend a total of \$210 billion per year on formal and informal training.) Whatever inflation figure you want to add, the sum should give you pause. It is astounding.

Of the total dollars figured by Dr. Gilbert, 90 percent can be charged not to direct expenses of meetings, but to costs related to the attendees: that is, to salaries, benefits, and other overhead dollars. These participant costs, though real, are generally not included in calculating the cost of training. Costs generally are figured only for "out-of-pocket" expenses. We have to consider, too, that the attendee at any scheduled training program usually is non-productive, whether the program is held at the company training facility or at an off-site training center.

To discuss costs, we shall use as an example meetings that involve overnight stays. Any organization, however, is entitled to know the true costs of an off-site meeting and to determine for itself how it can increase its return from the meeting-dollar investment.

In making this assessment, the realization will grow that every aspect of a meeting should be evaluated to determine how each can be made more cost- and learning-effective. The importance and contribution of using a modern learning environment will take on added significance. Its contribution to getting a greater return on the real investment in a meeting becomes even more critical.

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## You can determine true costs

Fortunately for training directors or others who plan meetings and those who approve their budgets, it is possible to approximate true costs of a meeting. In fact, such costs must be determined. The message is clear. When attendee costs are added to the training budget, the responsibility for mounting a successful program is proportionately higher.

To obtain a return from the total investment, the quality of training obviously must rise to produce an offsetting level of improved job performance. This offers a new opportunity for the training staff.

To capitalize on this opportunity, and to provide a tool for meeting planners to analyze their actual meeting costs, we have devised a practical methodology. It calls for calculating the realistic sums invested in a meeting rather than simply the direct and obvious expenses. The method we advocate should enable the planner of an off-site meeting to achieve two advantages: first, to identify and, secondly, to evaluate the amount of money invested in each type of activity included in his or her program. We believe that this approach supplies a new realistic basis for not only measuring the costs of a meeting, but ensuring the effective use of meeting time.

To illustrate this method, we are assuming an organization with the following characteristics:

- 500 employees;
- 100 management people, including first-line supervision;
- the equivalent of 10 days of off-site meetings per year, either training sessions or various types of meetings for managers;
- a training department consisting of a manager and one secretary.

Further, for purposes of our illustration, we presume these additional facts:

- the training department manager engages outside consultants and speakers to develop and conduct the meetings;

- 20 management people, on average, attend each meeting;
- the typical meeting lasts two full days.

## Model for purpose of comparison

These are the characteristics we used in arriving at the illustrative costs shown in Table 1. Our estimates are broad averages and are intended only to create a model for purposes of comparison. We make no attempt to place a money value on the loss of productive time from the job, although the cost is realistic and could be figured into your calculations. Training managers, once they have reviewed the costs in the first two columns of Table 1, will want to enter the costs for their own companies in the last two columns. They may very well think of other costs that experience tells them should be included.

Table 1 shows that the per-day, per-person cost for a meeting turns out to be \$462. Although we have tried to make our illustration as true to life as possible, you should concern yourself more with the *methodology* than the *numbers*.

## Effective use of time

There is another aspect of getting a return on meeting dollars that we should now consider: the effective use of time. We should weigh all the activities that attendees engage in while they are attending an off-site meeting. In this way we can determine how much each activity contributes to the learning goals to be achieved.

The concept of time use in the participant's training day is based on the principle that to enhance the return on the large investment in a program, emphasis must be placed on the most efficient use of the total time planned for the training. The greater the number of hours—both in the informal times as well as in the structured parts of the program—that can be used to generate opportunities for learning, the more the participant will learn. Thus, there will be a better return on the investment in the training.

If a company is to maximize its investment in a meeting, the training people responsible for its success must look at all the hours in which learning can take place. They must consider how to use to the fullest both the formal and informal activities associated with a meeting. This way, they can hope to achieve greater interaction and, thereby, enhanced skills and knowledge.

The training professional should con-

sider whether these hours are indeed being invested profitably. Are they resulting in increased discussion and interaction relevant to the program? If they are not, you are still spending money—but with no learning-return on your investment. Here again, the properly designed learning facility will play a major role in making all hours of a meeting more productive.

A reasonable approach calls for weighing every one of the 24 hours that participants spend each day at the meeting site. This approach takes a different direction from that of results measured. Yet its goals are the same: to determine whether learning truly is taking place, and to determine whether there is a better way to organize meeting programs to enhance learning opportunities. Provided each meeting hour can be made to work constructively toward the achievement of learning goals—and not just the formal part of the program—then opportunities for educational impact are bound to increase along with the hoped-for higher dollar return on investment.

As a springboard for developing a concept of time-use management and improved time-use effectiveness, there are several questions to be answered:

- What principal activities make up a participant's 24-hour day in an off-site management meeting or training program?
- What percentage weight does each of these activities—or all that are appropriate for your meeting—deserve in terms of contribution toward achieving the learning goals?
- In what ways can each of the environments in which the various activities occur contribute to the learning goals?
- Should the hours devoted to each activity be adjusted to promote better pacing of learning and leisure times?
- Should the various learning modes—classroom learning, individual study, team projects—be better balanced?

### Activity time and importance

As a guide to determining the answers to the above five questions, use the form in Table 2 to evaluate the time that participants spend, on the average, at each of the activities listed. Then in the right-hand column, for each of the 10 activities, place a percentage number—10, 15, 25 percent—that you believe represents the contribution of that activity in reaching the educational goals for your meeting. This exercise will help you focus on the relative importance of each of the environments in which these 10 activities occur.

**Table 1—Costs for an off-site management meeting**  
(two full days, 20 persons attending)

Elements of cost	Illustrative Company		Your Company	
	Total costs	Cost per person per day	Total costs	Cost per person per day
<b>Development of programs (on annual basis)</b>				
This element includes the following costs:				
1. Training dept. overhead				
2. Training staff salaries				
3. Use of outside consultants				
4. Equipment and materials for meetings (films, supplies, workbooks)				
Total: <sup>1</sup>	\$100,000	\$100		
(1) To determine per-day cost, divide \$100,000 by the number of meeting days held per year (10). Then divide answer (\$10,000) by total number of management people (100) attending all programs = \$100 per day of meeting.				
<b>Participant cost (on annual basis)</b>				
1. Salaries and benefits of participants (figures for average participant)	25,000			
2. Capital investment in participant (based on an average of various industries)	30,000			
Total: <sup>2</sup>	55,000	233		
(2) To determine per-day cost, divide total of \$55,000 by 236 (average number of working days in a year) = \$233 perday.				
<b>Delivery of one meeting (for 20 persons in the meeting)</b>				
1. Facility Costs:				
• Sleeping room	1,400			
• Three meals daily	800			
• Refreshment breaks	60			
• Misc., tips, telephone	200			
• Reception	200			
Total: <sup>3</sup>	2,600	66.50		
(3) To determine per-day, per-person cost, divide group total (\$2,660) by number of participants (20) and then divide resulting figure (\$133) by number of meeting days (2) = \$66.60 per day.				
2. Meeting charges:				
• Room rental				
• Audiovisual rental				
• Secretarial services				
Total: <sup>4</sup>	\$2,500	\$62.50		
(4) To determine per-day, per-person cost, divide group total (\$2,500) by number of persons (20) and then divide resulting figure (\$125) by the number of meeting days (2) = \$62.50 per day.				
<b>Summary: Total per-day per-person cost</b>				
	Illustrative Company		Your Company	
Development of Programs	\$100			
Participant Cost	233			
Delivery of Meeting (Hotel, transportation)	129			
Total	\$464			

**Table 2—Evaluating time spent on and importance of activities**

Approx. Hrs. Devoted to Activity	Activity	Importance to Educational Goal
1. _____ hrs.	Participation in principal meeting room	_____ %
2. _____ hrs.	Participation in smaller group discussions in break-out rooms	_____ %
3. _____ hrs.	At breaks	_____ %
4. _____ hrs.	At three meals	_____ %
5. _____ hrs.	Washing, dressing, relaxing	_____ %
6. _____ hrs.	Sleeping	_____ %
7. _____ hrs.	Reading or performing work related to program	_____ %
8. _____ hrs.	Informal socializing and discussions with participants	_____ %
9. _____ hrs.	Participating in outdoor or indoor activities	_____ %
10. _____ hrs.	Misc. activities such as walking, telephoning, writing, waiting	_____ %
<b>Total: 24 Hours</b>		<b>Total: 100%</b>

### Potential opportunities for learning

There are two premises on which this approach to maximum time-use effectiveness is based. First, most of the waking hours of a participant's day are potential opportunities for learning, whether in formal or informal ways. Second, the various environments in which the day's activities occur are critical in determining the nature, quality, and effectiveness of the individual activity itself.

That is to say, there are certain environments—call them places or settings—that are more conducive than others to learning and an interchange of ideas.

As an extension of the above two premises, to the degree that one can expose an individual to more hours of learning opportunities, learning will increase. The type of exposure may be classroom instruction, individual assignment, team project, or informal socializing—provided the exposure takes place in the properly designed environment.

The same principle is used in selling. Once salespeople can increase the number of hours they effectively spend talking face-to-face with customers, it is inevitable that more sales will result.

### Basic questions to answer

As you go through this process for yourself, using the form outlined in Table 2, you will obtain the information you need

to develop answers to such basic questions as:

- Are you getting the greatest possible return from the money that the meeting is costing your organization?
- Are you spending the hours in your meeting day—and the dollars that they cost—to produce optimum benefits for your meeting participants and your company?
- How can you schedule, design, and pace your meeting day to maximize the impact of your learning hours?

Considering the environments in which your activities occur, what can you do to design every environment appropriately so it enhances learning—whether the activities are formal or informal?

You are correctly concerned about the costs of meetings. Training managers increasingly must ask themselves just what they get back from each training dollar invested. The emphasis is justified. Think again of Dr. Gilbert's \$100 billion overall training bill—now probably closer to \$150 billion. Much of this bill you cannot control: the ongoing cost of wages, benefits, overhead, capital investment per employee. What you *can* hope to control is subject matter, methods, and—by receiving greater attention—the environment or environments in which your meeting takes place.

### Lowest-cost site may be most expensive

The role of environment in training is a

key factor contributing to a greater return on investment. Not only will a professionally designed and operated meeting facility make a meeting more productive, it also will make the meeting more enjoyable. It is your job to consider whether facility costs as a percentage of the total—that is, the total of the true meeting costs you have identified—will or will not be offset by a corresponding increase in learning effectiveness. If you look for the least expensive place to hold a meeting, you may indeed find it the most expensive investment you will make—judging from a learning effectiveness standpoint.

In the example that follows, take the cost per person, per day (\$462) and add an additional \$10, \$20 or even \$30 to hold the meeting in a superior facility. The extra cost would be 3 to 7 percent. However, if learning effectiveness were increased by a factor greater than 10 percent—and over 20 percent is a realistic possibility—the desirability of the trade-off is obvious.

### “Make do” reduces learning activity

Think about the possibilities that the costs in Table 1 imply for making sure that your meeting will be worth the money, time, and effort it costs. One obvious step is to restructure your meeting day. Another is to select a site with environments that have been designed to enhance all of the learning opportunity hours—both at the formal sessions and the informal discussions. To settle for environments that are not specifically designed for meetings—in which you “make do”—you reduce learning activity and cut your return on investment.

There can be no compromise with meeting effectiveness. All organizations are besieged increasingly with problems of inflation, employee motivation, lagging productivity, foreign competition, recurring economic crises, and chronic shortage of able, experienced leadership on all fronts. Every factor that has an impact on greater learning must be examined: program design, trainer effectiveness, program administration, and—growingly recognized—the selection of the facility that answers best the total environmental needs of your meeting. It is only by considering all of these factors that time and dollars spent on training can be put where they will do the most good.

*This article is excerpted, with the author's permission, from Finkel's recently published text The Total Learning Environment: Its Critical Impact on Meeting Success.*