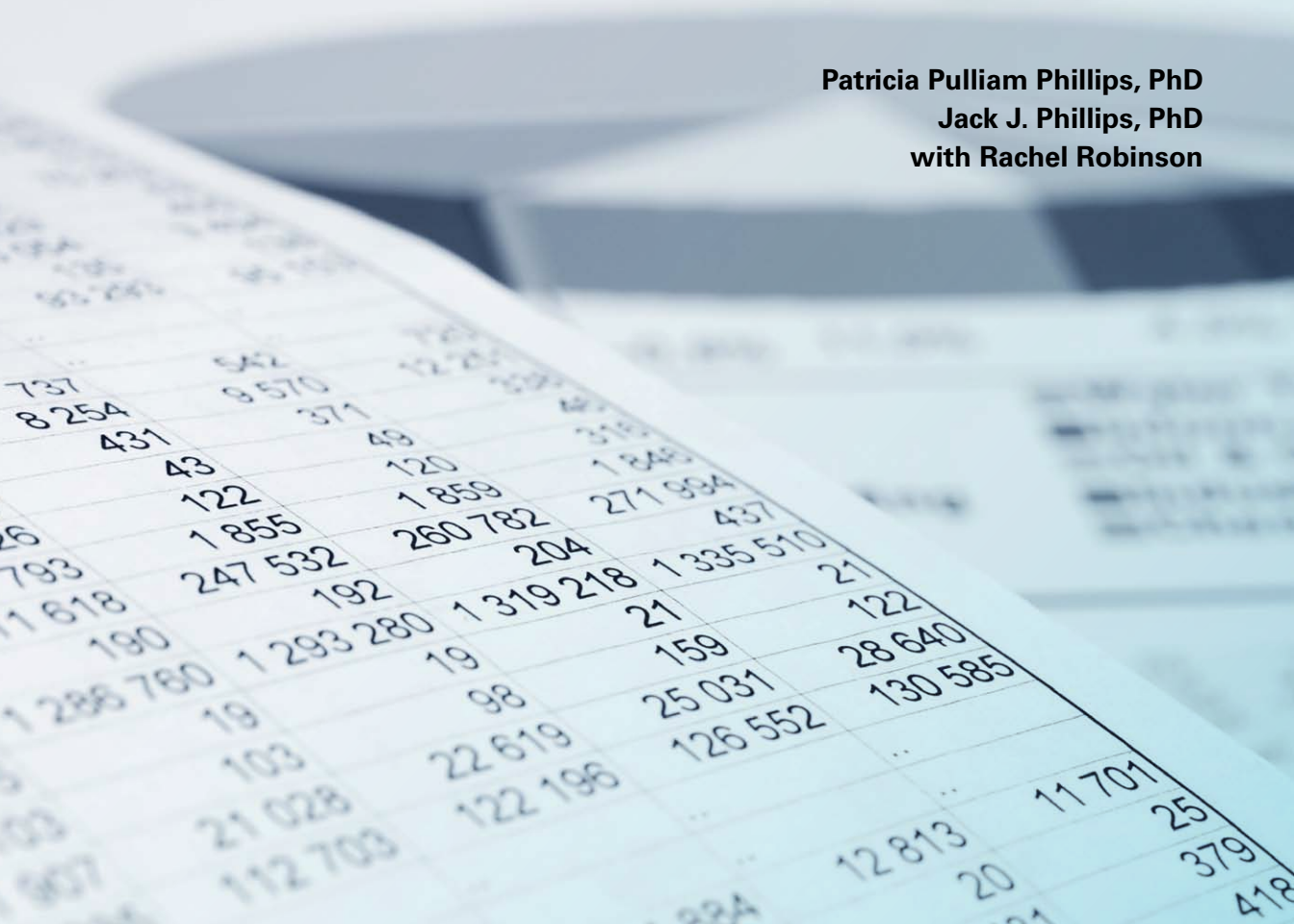


# Measuring the Success of Sales Training

**A Step-by-Step Guide for Measuring Impact and Calculating ROI**

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# 1

## The Opportunity

### **MEASURING ROI IN SALES TRAINING: THE BASICS**

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#### **What Are Sales Training and Sales Enablement?**

The term sales has a far-reaching scope that goes well beyond car salesmen, department store clerks, or bank tellers. Sales professions have become prominent in a vast number of industries, spanning both the private and public sectors. Almost everyone has a product or service to sell.

More and more, companies are recognizing that sales is a profession, and thus an increased emphasis on sales training is imperative. All true professions have competencies and competency models to identify key knowledge, skills, and abilities (KSA). When KSAs are identified, hiring profiles are created, sales training curriculums are created that teach and reinforce these behaviors, and gap assessments are performed. Determining the ROI for these efforts is key to gaining buy-in from sales leaders and corporate executives and securing long-term commitment to continuous sales training activities.

With all of that in mind, ASTD conducted a two-year research project that resulted in the World-Class Sales Competency Model. The model views sales as a system with sales representatives, sales managers, sales coaches, and sales trainers. From that, ASTD has developed educational courses and content to reinforce a competency-based approach to sales organization improvement.

The concept of sales training has been expanded to include enablement processes to assist in the sales scenario. The enablement processes include tools, guides, videos, events, meetings, brief modules, and other just-in-time processes to identify prospects, apply appropriate selling skills, close the sale, and support the customer while keeping the customer engaged and satisfied.

#### **What Is ROI?**

*Return on investment* (ROI) is the ultimate measure of accountability. Within the context of sales training, it answers the question: For every dollar invested in sales training or enablement, how many dollars were returned, above and beyond the investment? ROI is an economic indicator that compares earnings (or net benefits) to investment, and is represented as a percentage. The concept of ROI to measure the success of investment opportunities has been used in business for centuries to measure the return on capital expenditures such as buildings, equipment, or tools. As the needs for

greater accountability for training, demonstrated effectiveness, and value increase, ROI is becoming an accepted way to measure the impact and return on investment of all types of training programs, including sales training.

The counterpart to ROI, *benefit-cost ratio* (BCR), has also been used for centuries. Benefit-cost analysis became prominent in the United States in the early 1900s when it was used to justify projects initiated under the River and Harbor Act of 1902 and the Flood Control Act of 1936. ROI and the benefit-cost ratio provide similar indicators of investment success, though one (ROI) presents the earnings (net benefits) as compared to the cost, while the other (BCR) compares benefits to costs. Here are the basic equations used to calculate the benefit-cost ratio and the ROI:

$$\text{BCR} = \frac{\text{Program Benefits}}{\text{Program Costs}}$$

$$\text{ROI (\%)} = \frac{\text{Program Benefits} - \text{Program Costs}}{\text{Program Costs}} \times 100$$

What is the difference between these two equations? A benefit-cost ratio of 2:1 means that for every \$1 invested, \$2 in benefits are generated. This translates into an ROI of 100 percent, which says that for every \$1 invested, \$1 is returned after the costs are covered (the investment is recovered plus \$1 extra).

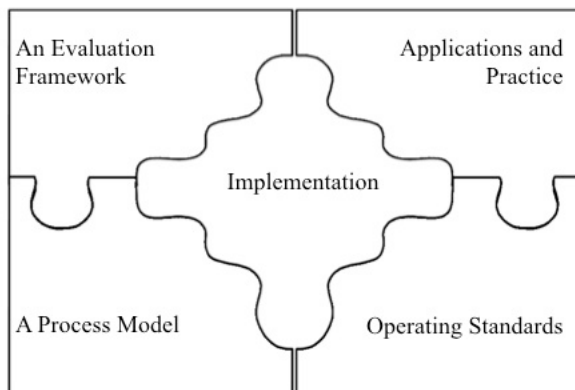
Benefit-cost ratios were used in the past, primarily in public sector settings, while ROI was used mainly by accountants managing capital expenditures in business and industry. While ROI and BCR calculations can be, and are, used in both settings, it is important to understand the difference. In many cases the benefit-cost ratio and the ROI are reported together.

While ROI is the ultimate measure of accountability, basic accounting practice suggests that reporting the ROI metric alone is insufficient. To be meaningful, ROI must be reported with other performance measures. This approach is taken with the ROI Methodology, the basis for the studies in this book.

## **THE ROI METHODOLOGY**

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The ROI Methodology is comprised of five key elements, which work together to complete the evaluation puzzle. Figure 1-1 illustrates how these elements are interconnected to create a comprehensive evaluation system.

**Figure 1-1. The Evaluation Puzzle**

### Evaluation Framework

The system begins with the five-level ROI framework, developed in the 1970s and becoming prominent in the 1980s (Phillips, 1983). Today, this framework is used to categorize results for all types of programs and projects.

- Level 1 *Reaction and Planned Action* data represent the reactions to the program and the planned actions from participants. Reactions may include views of the format, duration, facilitator effectiveness, and fit. This category must include data that reflect the value of the program, including measures of relevance, importance, amount of new information, and participants' willingness to recommend the program to others.
- Level 2 *Learning* data represent the extent to which participants have acquired new knowledge about their strengths, development areas, and the skills needed to be successful. The learning may include product knowledge, sales strategy, or marketing philosophy. This category of data also includes the level of confidence of sales professionals as they plan to apply their newly acquired knowledge and skills on the job.
- Level 3 *Application and Implementation* data determine the extent to which sales professionals apply their newly acquired knowledge and skills after the training program. This category of data also includes data that describe the barriers that prevent application as well as any supporting elements (enablers) in the knowledge transfer process.
- Level 4 *Business Impact* data are collected and analyzed to determine the extent to which applications of acquired knowledge and skills positively influenced key measures that were intended to improve as a result of the sales training experience. The measures include sales, new accounts, customer complaints, customer returns, customer satisfaction, market share, customer churn, and

customer loyalty. When reporting data at this level, a step to isolate the program’s effects on these measures from other influences is always taken.

- Level 5 *Return on Investment* compares the monetary benefits of the impact measures (as they are converted to monetary value) to the fully loaded program costs. Improvement can occur in sales, for example, but to calculate the ROI, the measure of improvement must be converted to monetary value (profit of the sale) and compared to the cost of the program. If the monetary value of sales improvement exceeds the cost, the calculation is a positive ROI.

Each level of evaluation answers basic questions regarding the success of the sales training or enablement program. Table 1-1 presents these questions.

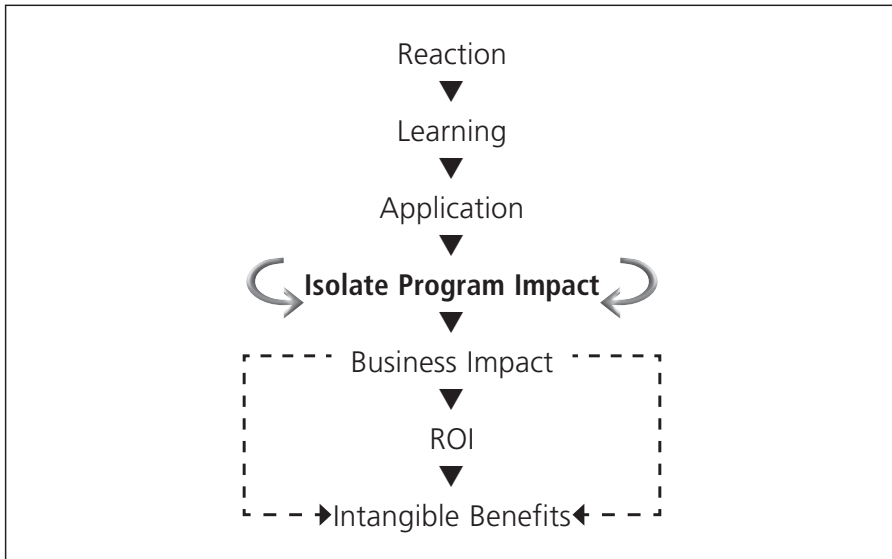
**TABLE 1-1. Evaluation Framework and Key Questions**

Level of Evaluation	Key Questions
Level 1: Reaction and Planned Action	<ul style="list-style-type: none"> <li>• Was the training relevant to the job and purpose of the participants’ roles?</li> <li>• Was the sales training important to the jobs and success of the participants?</li> <li>• Did the sales training provide the participants with new information?</li> <li>• Do participants intend to use what they learned?</li> <li>• Would participants recommend the program or process to others?</li> <li>• Is there room for improvement with facilitator selection and match, training session duration and frequency, and the setting for the sales training work?</li> </ul>
Level 2: Learning	<ul style="list-style-type: none"> <li>• Did the participants gain the knowledge and insights identified at the start of the sales training?</li> <li>• Do participants know how to apply what they learned?</li> <li>• Are participants confident they can apply what they learned?</li> </ul>
Level 3: Application and Implementation	<ul style="list-style-type: none"> <li>• How effectively are participants applying what they learned?</li> <li>• How frequently are participants applying what they learned?</li> <li>• If participants are applying what they learned, what is supporting them?</li> <li>• If participants are not applying what they learned, why not?</li> </ul>

Level 4: Business Impact	<ul style="list-style-type: none"> <li>• So what if the application is successful—what impact does it have on the business?</li> <li>• To what extent does application of knowledge and insights improve the business measures the sales training program was intended to improve?</li> <li>• How does the sales training program affect output, quality, cost, time, customer satisfaction, employee satisfaction, and other measures?</li> <li>• How do you know it was the sales training that improved these measures?</li> </ul>
Level 5: ROI	<ul style="list-style-type: none"> <li>• Do the monetary benefits of the improvement in business impact measures outweigh the cost of the sales training initiative?</li> </ul>

Categorizing evaluation data as levels provides a clear and understandable framework to manage the sales training programs' design and objectives and manage the data collection process. More importantly, these five levels present data in a way that makes it easy for the audience to understand the results reported for the program. While each level of evaluation provides important, stand-alone data, when reported together, the five-level ROI framework represents data that tell the complete story of program success or failure. Figure 1-2 presents the chain of impact that occurs as sales professionals react positively to a training initiative; acquire new knowledge, skills, and awareness; apply the new knowledge and skills; and, as a consequence, positively affect key business measures. When these measures are converted to monetary value and compared to the fully loaded costs, an ROI is calculated. Along with the ROI and the four other categories of data, intangible benefits are reported. These represent Level 4 measures that are not converted to monetary value.

**FIGURE 1-2. Chain of Impact**

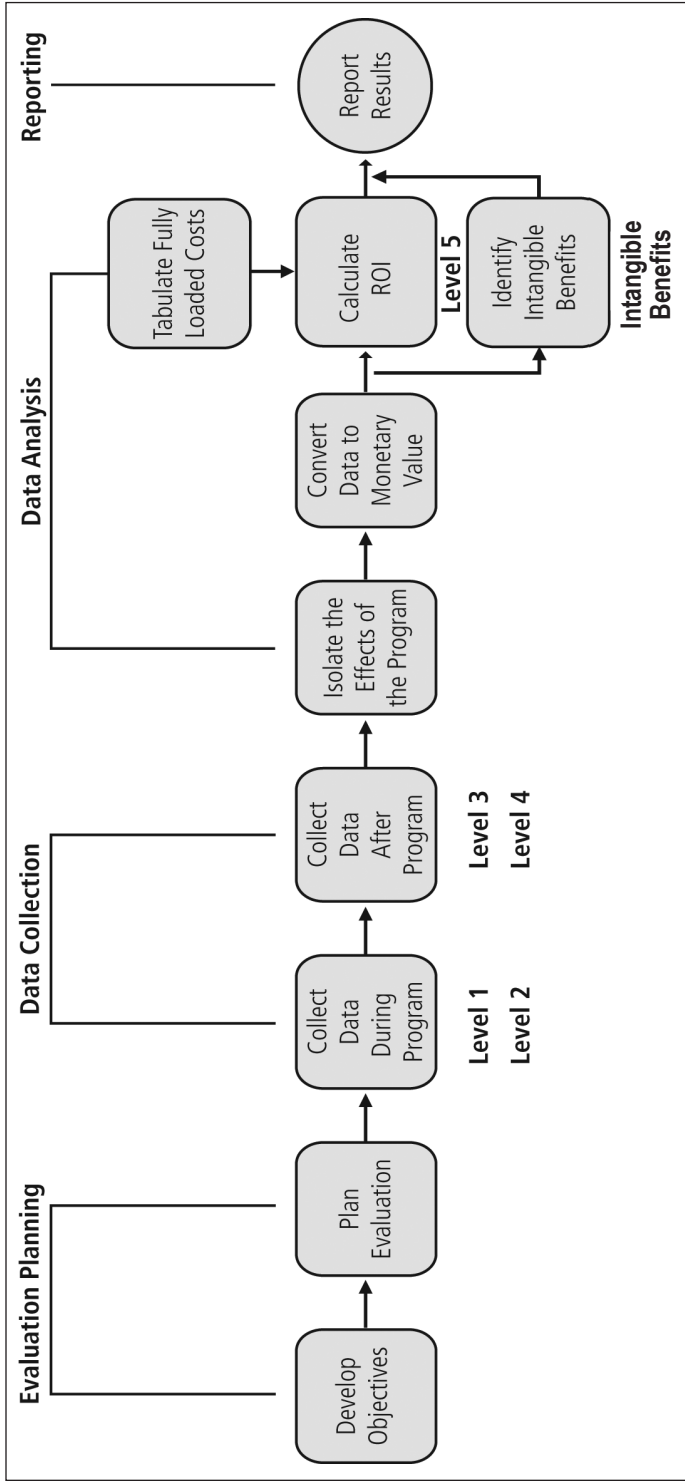


**Source:** Phillips, P.P., and J.J. Phillips. (2005). *Return on Investment Basics*. Alexandria, VA: ASTD Press.

### **ROI Process Model**

The second part of the evaluation puzzle is the process model. As presented in Figure 1-3, the process model is a step-by-step guide to ensure a systematic approach to evaluating a sales training or enablement project. Each phase of the four-phase process contains critical steps that must be taken to ensure the output of a credible sales training evaluation. The ROI process is described in more detail in the next section.

FIGURE 1-3. ROI Methodology Process Model



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### Operating Standards and Philosophy

This third part of the evaluation puzzle ensures consistent decision making around the application of the ROI Methodology. These standards provide clear guidance about the specific ways to implement the ROI Methodology to ensure consistent, reliable practice in evaluating sales training. When the 12 guiding principles shown in Table 1-2 are followed, consistent results can be achieved. Additionally, these guiding principles help maintain a conservative and credible approach to data collection and analysis. The 12 guiding principles serve as a decision-making tool and influence decisions on the best approach by which to collect data, the best source and timing for data collection, the most appropriate approach for isolation and data conversion, the costs to be included, and the stakeholders to whom results are reported. Adhering to the 12 guiding principles provides credibility when reporting results to executives.

**TABLE 1-2. 12 Guiding Principles of the ROI Methodology**

1.	When a higher level of evaluation is conducted, data must be collected at lower levels.
2.	When an evaluation is planned for a higher level, the previous level of evaluation does not have to be comprehensive.
3.	When collecting and analyzing data, use only the most credible sources.
4.	When analyzing data, choose the most conservative alternatives for calculations.
5.	At least one method must be used to isolate the effects of the solution/program.
6.	If no improvement data are available for a population or from a specific source, it is assumed that no improvement has occurred.
7.	Estimates of improvements should be adjusted for the potential error of the estimate.
8.	Extreme data items and unsupported claims should not be used in ROI calculations.
9.	Only the first year of benefits (annual) should be used in the ROI analysis for short-term solutions/programs.
10.	Costs of the solution/program should be fully loaded for ROI analysis.
11.	Intangible measures are defined as measures that are purposely not converted to monetary values.
12.	The results from the ROI Methodology must be communicated to all key stakeholders.

### Case Applications and Practice

The fourth part of the ROI Methodology evaluation puzzle includes case applications and practice, which allow for a deeper understanding of the ROI Methodology’s comprehensive evaluation process. Case application is a way to provide evidence of a sales training program’s success. Thousands of case studies across many industries including business and industry, healthcare, government, and even community and faith-based initiatives, have been developed, describing the application of the ROI Methodology.

The case studies in this book provide excellent examples of application of the ROI Methodology. While practitioners who are beginning their pursuit of the ROI Methodology can learn from these case studies, as well as those found in other publications, the best learning comes from actual application. Conducting your own sales training ROI study will allow you to see how the framework, process model, and operating standards come together. Your first ROI study serves as a starting line for your track record of sales training program success.

## **Implementation**

Finally, the last part of the ROI Methodology evaluation puzzle is implementation. While it is important to conduct a sales training ROI study, one study alone adds very little value to your efforts to continuously improve and account for your investments. The key to a successful sales training function is to sustain the use of ROI. Building the philosophy of the ROI Methodology into everyday decisions about your practice is imperative for attaining credibility and consistency in training effectiveness. Implementing the ROI Methodology requires assessing the organization's culture for accountability and its readiness for evaluating sales training programs at the ROI level. It also requires defining the purpose for pursuing this level of evaluation, building expertise and capability, and creating tools, templates, and standard processes.

## **ROI PROCESS MODEL**

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To evaluate a sales training program using the ROI Methodology, it is important to follow the step-by-step process to ensure consistent, reliable results. These 10 steps taken during the four phases of a sales training evaluation project make up the evaluation process model. Figure 1-3 presents the ROI Methodology process model.

## **Evaluation Planning**

The first phase of the ROI process is planning. Having a plan allows you to know where you are going, and helps you define how you will know when you have arrived at your destination. The plan begins with developing and reviewing the program objectives to ensure that the application and impact objectives have been defined. Next, the data collection plan is developed, which includes defining the measures for each level of evaluation, selecting the data collection instrument, identifying the sources of the data, and timing of data collection. The baseline data for the measures you are taking should be collected during this time. The next step is to develop the ROI analysis plan. Working from the impact data, the most appropriate technique to isolate the effects of the sales training initiative on impact data is selected. The most credible method for converting data to money is identified along with the cost categories for the program.

Intangible benefits are listed and the communication targets for the final report are identified.

## **Data Collection**

When the planning phase is completed, the data collection phase begins. Levels 1 and 2 data are collected as sales training takes place, using common instruments including end-of-course questionnaires, completion of exercises, demonstrations, and a variety of other techniques. Follow-up data at Levels 3 and 4 are collected after the training, when application of the newly acquired knowledge, skills, attitudes, and awareness becomes routine. After the application, the consequences are captured and the impact on key measures is observed.

## **Data Analysis**

When the data are collected, the data analysis begins. As described earlier, the various methods for data analysis are defined in the planning stage; so data analysis is just a matter of execution. The first step in data analysis is to isolate the effects of the sales training on impact data. Isolation is often overlooked in evaluating the success of training programs, yet this step answers the critical question, “How much of the improvement in business measures is due to this particular sales training initiative or sales enablement program?”

Moving from Level 4 to Level 5 begins with converting Level 4 impact measures to monetary value. This step is easy because most of the data in sales and marketing are already converted to money. If not, there are some easy techniques to use. The fully loaded costs are developed during the data analysis phase. These costs include needs assessment (when conducted), design, participants’ time, overhead, and evaluation costs.

Intangible benefits are also identified during the data analysis phase. Intangible benefits are the Level 4 measures that are not converted to monetary value. These measures can also represent any unplanned program benefits that were not identified during the planning phase.

The final step of the data analysis phase is the ROI calculation. Using simple addition, subtraction, multiplication, and division, the ROI and BCR are calculated.

## **Reporting**

The most important phase in the evaluation process is the final report and the communication of results. Evaluation without communication is a meaningless endeavor. If you tell no one how the sales training is progressing, how can you improve the process, secure additional funding, and market programs to other participants?

While there are a variety of ways to report data, a micro-level report of the complete ROI impact study is important. This is a record of the success of the sales training

program. A macro-level reporting process includes results for all programs, projects, and initiatives and serves as a scorecard of results for all initiatives. An important point to remember, however, is regardless of how detailed or brief the report may be, the information in it must be actionable. Otherwise, there is no ROI on conducting the ROI analysis.

## **BENEFITS OF ROI**

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The ultimate use of results generated through the ROI Methodology is to show value of programs, specifically the economic value. However, there are a variety of other uses for ROI data, including justification of spending, improvement of the sales training process, and gain of support for these types of programs.

### **Justify Spending**

Being able to justify spending on sales training programs is becoming more commonplace than it was in the past. Managers of sales training programs are often required to justify investments in existing and new programs, as well as investment in changes or enhancements to existing training processes.

For those who are serious about justifying investments in new sales training programs, the ROI Methodology described in this book is a valuable tool. For new programs where a pre-program justification is required, there are two approaches that can be used: pre-program forecasts and ROI calculated on pilot implementation.

Calculating ROI in existing programs is more common in practice than forecasting success for new programs. Typically, ROI is used to justify continued investments in existing sales training programs. These are sales training programs that have been routinely conducted, but there is concern that the value does not justify continuation of the program.

### **Improve the Sales Training Process**

The most important use of the ROI Methodology is to improve sales training programs and enablement processes. Often participants, as well as facilitators, believe that their performance is being evaluated in the program. Though they are sometimes asked to be accountable for applying their learning to improve business measures, the evaluation is improving the sales training and enablement process rather than evaluating the individual performance of the people involved in the program.

### **Set Priorities**

In almost all organizations, the need for sales training exceeds the available resources. A comprehensive evaluation process, such as the ROI Methodology, can help determine which programs rank as the highest priority. Sales training initiatives with the

greatest impact (or the potential for greatest impact) are often top priority. Of course, this approach has to be moderated by taking a long view, ensuring that developmental efforts are in place for a long-term payoff.

### **Eliminate Unsuccessful Programs**

You hate to think of eliminating a sales training initiative—to some people this translates into the elimination of responsibility and ultimately the elimination of jobs. This is not necessarily true. Sometimes, one program is no longer necessary, but a need for a different process emerges. The ROI Methodology can be a tool to help decide which approach is eliminated and which alternative is selected as a replacement.

### **Gain Support**

Another use for the ROI Methodology is to gain support for sales training and enablement. A successful sales training program needs support from key executives and administrators. Showing the ROI for programs can alter manager and executive perceptions and enhance the respect and credibility of all performance improvement processes.

Key executives and administrators are likely the most important group to influence with respect to the sales training program. They commit resources and show support for functions achieving results that positively affect the strategy of the organization. Executives and administrators are known for their support of development programs. To ensure that effective sales training programs are continued, it is necessary for the managers of sales training and enablement to think like the business—focusing programs on results and organizational strategy. ROI is one way this focus can occur. ROI evaluation provides the economic justification and value of investing in the sales training program selected to solve the problem.

Sales managers and supervisors can sometimes be antagonists of sales training programs because they often question the value of them. When this occurs, generally it is because the managers or supervisors have not seen success with a change in behavior in past sales training participants. Managers and supervisors aren't interested in what their participants learn; they are interested in what they do with what they learn. Sales training programs must take learning gained through the programs a step further by showing the effect on the job with outcomes in sales, new accounts, customer complaints, market share, and customer satisfaction. If the programs can show results linked to the business, managers and supervisors will provide increased support to sales training and enablement processes.

Participants and prospective participants should also support the program. Showing the value of sales training programs, including ROI, can enhance the credibility of the program. When the sales training process is achieving serious results, participants will view programs in a value-add way and may be willing to spend time away from

their pressing duties. Also, by making adjustments in the sales training process based on the evaluation findings, participants will see that the evaluation process is not just a superficial attempt to show value.

## **FINAL THOUGHTS**

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This chapter introduced the concept of the ROI Methodology, which is a systematic and logical process with conservative standards that is being used by over 4,000 organizations. The process collects and generates six types of data: reaction, learning, application, impact, ROI, and intangibles. It also includes techniques to isolate the effects of the sales training or enablement program on the impact data, such as sales, new accounts, and market share. The next two chapters explain this process in more detail and they form the basis for the case studies presented in later chapters. Chapter 2 introduces the important steps of evaluation planning and the first major challenge, collecting data.

