

TABLE 6.13
Determining
Costs for a
Cost-Benefit
Analysis

Direct Costs	\$ 0
Instructor	1,500
In-house instructor (12 days @ \$125 per day)	375
Fringe benefits (25% of salary)	0
Travel expenses	3,360
Materials (\$60 × 56 trainees)	
Classroom space and audiovisual equipment (12 days @ \$50 per day)	600
Refreshments (\$4 per day × 3 days × 56 trainees)	672
Total direct costs	\$ 6,507
Indirect Costs	\$ 0
Training management	750
Clerical and administrative salaries	187
Fringe benefits (25% of salary)	0
Postage, shipping, and telephone	224
Pre- and posttraining learning materials (\$4 × 56 trainees)	224
Total indirect costs	\$ 1,161
Development Costs	\$ 3,600
Fee for program purchase	
Instructor training	1,400
Registration fee	975
Travel and lodging	625
Salary	156
Benefits (25% of salary)	156
Total development costs	\$ 6,756
Overhead Costs	
General organizational support, top management time (10% of direct, indirect, and development costs)	\$ 1,443
Total overhead costs	\$ 1,443
Compensation for Trainees	
Trainees' salaries and benefits (based on time away from job)	\$ 16,969
Total training costs	\$ 32,836
Cost per trainee	\$ 587

the new savings amount is \$484,000. These numbers are based on estimates, but even if the net savings figure were cut in half, the ROI is still over 100 percent. By being able to quantify the benefits delivered by the program, Mayo's human resource department achieved greater credibility within the company.

Other Methods for Cost-Benefit Analysis

Other more sophisticated methods are available for determining the dollar value of training. For example, **utility analysis** is a cost-benefit analysis method that involves assessing the dollar value of training based on estimates of the difference in job performance between trained and untrained employees, the number of individuals trained, the length of time a training program is expected to influence performance, and the variability in job performance in the untrained group of employees.⁵⁰ Utility analysis requires the use of a

TABLE 6.14 Determining

Operational Results Area	H
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Source: Adapted from D. G. Rob

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TABLE 6.15
Examples of
Return on
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Source: Based on
J. J. Philips, "ROI: The
Search for Best Prac-
tices," *Training and
Development* (Febru-
ary 1996): 45.

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