



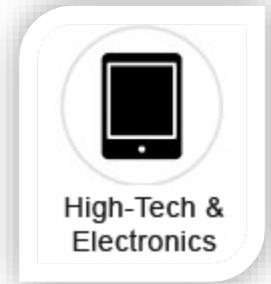
Leading Technology Company:

*Identifying the ROI of High-Level
Management Training*

CASE STUDY

Identifying the ROI of High-Level Management Training

A leading technology company with a global workforce of approximately 38,600 acquired by Oracle is a major developer of computer servers, software, and storage systems. The company is a leader in information technology services and remained successful after the dot-com bubble popped. The company has average annual revenue of \$13.8 billion, but it suffered various setbacks during the recent economic crisis. This led the business to lay off between 15% and 18% of its employees.



Despite the economic hardships (or perhaps as a result of them), the company decided to invest in corporate learning initiatives in hopes of gaining an industry advantage. It launched Sun Learning Services, a program aimed to educate employees and create a knowledge platform.

Balaji Consulting Group: Human Capital Management

Balaji Consulting Group specializes in working with businesses in a variety of industries, using data analytics and industry experience to identify and align company goals and strategies. These plans aim to improve retention rates, performance, and business success.

Key Components of the Training Program

Taking Charge for New Sun Leaders program, also known as New Directors Training (NDT), is one component of the learning initiative. The NDT program is a four-day classroom-based learning resource designed to boost productivity and teach or improve leadership skills. The program has a solid history of high attendance, and many participants claim it is one of the most valuable training programs they ever attended.

The NDT program outlined several specific goals for its participants. In general, it was intended to onboard new directors and equip them with the skills to be successful leaders. More specifically, the objectives were to:

- Give new hires the strategies to accelerate the 90-day new hire window.
- Instill employees with an understanding of their positions and the tools to be successful.
- Identify expected employee leadership skills.
- Educate new directors about how to contribute to the company's success.
- Help participants identify personal strengths and weaknesses as they pertain to leadership.

The program has gone through multiple revisions. Participants are asked to enroll when hired as a director or upon promotion.

Analyzing Program Design and How It Impacts the Corporation

The company wanted to expand upon preliminary findings and receive tangible evidence of the program's efficacy.

The following questions were asked:

- Did the NDT program have a tangible effect on business objectives?
- If so, what is the financial and economic value of these changes?

Based on the answers to these questions, the company could determine if the NDT program was worthwhile. It would eventually return concrete valuations of the efficacy of the program and its influence on retention rates and average pay.

Methodology

The research was used to determine the effect of the NDT on several key performance indicators (KPIs). The KPIs measured were:

- Average salary increase.
- Merit pay during the observation period.
- Retention rates.
- Promotion rates.

A series of independently developed metrics measured the program's impact. The company intended to track changes in performance, promotions, pay, employee retention, and safety ratings. As a result of the NDT program, directors were consistently seeing an increase in productivity and obtaining better performance reviews. This led to pay increases and higher employee retention. Concrete evidence of these hypotheses was collected.

Researchers gathered employee data for 65 months. Program costs averaged \$1,924 per student, with a range of \$1,166 to \$3,455. There were a total of 797 students enrolled, which cost the company roughly \$1.5 million. The expenses included travel, accommodations, materials, instructors, and other factors.

Being a multinational company, the program saw students from around the globe; 693 were from the Americas, 72 were from the European Marketing Academy (EMAC), and 32 were from the Asia-Pacific region. The evaluation looked at various factors for each employee record, including performance ratings, salary, geography, and NDT enrollment. The data was divided into three categories:

- The control group, which was not eligible to participate in NDT.
- The select group, which was eligible but did not enroll in NDT.
- The trained group – those who had enrolled in the program.

Findings: Salary Increases, Merit Pay, Retention, and Promotion Rates

It was found that directors who participated in the NDT program received a salary 28.5% higher than those who chose not to enroll, and 7.8% higher than those who were not eligible to participate. The average salary for NDT graduates was \$194,315, as compared to \$151,181 for the select group and \$180,222 for those who were ineligible.

Participants in the NDT program also received merit pay 27% more often than the untrained group. The average pay increase for attending the program was \$6,946.

Furthermore, the results showed an increase in employee retention rates for those who participated in the program. Participants had a higher average retention rate of 67%. This is 21.8% higher than the retention rates for the ineligible group. To calculate the value of retaining this percentage of directors, the following figures were used:

- Cost of replacing an employee (1.5 years' of salary).
- Average salary of a director who had participated in training (\$194,315).
- The difference between retention rates of the two groups (12%).
- The number of additional directors who stayed with the company (95).

By multiplying these figures, the value of the total retained employees was \$27,689,887. Compared to the \$1.5 million the company invested in the program, that is a significant ROI. Unfortunately, promotion rates could not be determined, as acquisitions and restructuring made it difficult to calculate.

Identifying Future Investments

The research helped the company determine the financial benefits of the NDT program. Judging by the results, the initiative adds significant value to the organization at a minimal investment. As such, the company can be confident that investments in the program can continue to be made, even during economically challenging times. Overall, the program was found to provide financial value to the company and irreplaceable skills to its employees.

The data can also be used as an example of just how important employee education can be. During economic downturns, many companies question how funds are allocated to training, if they are allocated at all. Leading management often has trouble building a case to invest in these initiatives during these times.

According to Balaji Consulting Group, despite financial hardships, capitalizing in your employee's knowledge is a valuable option. Increasing retention rates and worker skills greatly strengthens the foundation of a company and results in significant ROI.

