

TRAINING PROGRAMS AND THE RETURN ON INVESTMENT (ROI)

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Employees' knowledge and skills are as important as the companies' financial and material resources. Even though it is now universally understood that the acquisition of knowledge is the foundation of the competitive advantage of individuals and organizations in today's economy, the question of how much to invest in workforce education and training has remained an issue for companies.

Although, Romanian training market has been in an obvious development for the past years, it is still far from similar markets in the region. In 2008, our national training market has been estimated at around 30 million euro, 30 percent up from 2007. Comparatively, Hungary, having half the population of Romania, has a training market four times bigger than the Romanian one, with a turnover of more than 100 million euro in 2007.

The object of this paper is to examine the Romanian training market under the pressure imposed by the present economic status. The paper will attempt to emphasize the need for a standardized system of measuring the training return on investment (ROI).

The Return On Investment (ROI) is a performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

To calculate the training ROI, the company must identify the total financial benefit it draws from a learning program and then subtract from that the total investment made to develop, produce, and deliver that program. Though it's difficult to measure all of the costs associated with the program and even harder to isolate the financial benefits from the program. The return on investment (ROI) formula:

$$(\text{total benefit} - \text{total costs}) / \text{total costs} \times 100 = \text{ROI (1)}$$

The fact is that companies do invest in training. But the current levels of investment are less than they would be if companies had more information about the effects of training on their outcome performance.

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