



SMART ROI Saves Airlines Millions in Avoided Events and Improved Efficiencies

MAY 30, 2017

Typical ROI ranges for human capital processes

Process	ROI Range	Period to produce ROI	Process cost	Risk of failure (negative ROI)
Training	500%-20,000%	3-6 months	Low	Low
Innovation & incentive programs	300%-10,000%	3-6 months	Low	Low
Executive development	300%-8,000%	1-2 years	High	High
Investor relations	5000%-20,000%	1 day to 1 year	High	High
Environmental	8%-1,000%	1-8 years	High	Medium
Marketing	10% - 500%	1-12 months	High	Medium

Source: Management & Excellence, SA, ROI ranges are from typical client projects

SMART ROI, a method for measuring the return on investment (ROI) of human capital processes such as engine maintenance training, can add millions to airlines’ net incomes each year, according to research and consulting firm Management & Excellence (M&E), which says studies it has carried out on major airlines around the world showed that three to six months of engine maintenance training can produce several thousand percent in returns.

The main sources of financial returns are avoided off-wing engine maintenance, fewer delays and cancellations due to higher engine reliability, and higher efficiency in engine maintenance processes. “Some airlines we analyzed cut costs by \$3 – 4 million per trained maintenance specialist in only three to six months after receiving line & base and Borescope training,” Dr. William Cox, CEO of M&E said at the 2017 World Aviation Training Conference and Tradeshow (WATS) in early May.

While companies are often content with returns on equity of 10 – 20 percent and earnings before interest, tax, depreciation and amortization (EBITDA) of 15 – 30 percent, human capital processes can generate a multiple of these returns in a fraction of the time – “If you operate expensive equipment such as airplanes, a little training will easily save you millions,” Cox explained.

SMART ROI is a proprietary method M&E developed and has applied to over 110 client projects valued at \$5 billion. The company says measuring and raising the ROI of human capital processes, such as training, marketing, corporate social responsibility, human resources and even research & development has developed into a major trend – and it estimates that between 80 and 99 percent of a company’s financial results stem from human capital. SMART ROI raises profits where they originate.