



WHITE PAPER: THE VALUE OF CORPORATE TRAINING

Introduction

The rapid evolution of technology and the rise in global competition have substantially increased the importance of corporate training in achieving a skilled and innovative workforce. Throughout the years, history has shown that firms that have committed to training are far more likely to innovate, be profitable, and grow rapidly.

While the education system provides individuals with a strong basic knowledge, the ever-changing realities of today's market demands that employees find ways to renew and adapt their accumulated skills to present-day challenges. By making the investment in corporate training and ongoing development, organizations can gain a much-needed competitive advantage through increased performance, productivity, and employee retention.

A successful training program can take on many forms and is often based on an assessment of the organization. Establishing the proper framework, content and delivery methods can go a long way in creating a good return on investment.

Improves Performance

An organization is only as successful as the collective intelligence of its employees. In Canada and other advanced economies, ongoing development has been identified as a key component to competing successfully in today's global marketplace (Industry Canada, 2000; OECD, 2000; Reich 1991).

An article in the New York Times (2002, March 31), titled "Within Companies, Too, Education Proves Its Value," states:

"Nothing is new, of course, about the idea that in a so-called knowledge economy, a company's success depends greatly on the collective skills of its employees—its human capital. Companies that invest more in developing that capital should fare better."

The article goes on to reveal that, according to the study (Source: Knowledge Asset Management), companies in the top 20 per cent in spending on training and development outperformed the overall stock market by an average of 16.2 per cent between 1997 and 2001. Over those same five years, companies at the bottom of the training-expense rankings had significantly lower returns. In other words, there is a direct effect on a company's bottom line when it invests in education.

For an organization to fully benefit from training, employees must view themselves as learners, able to acquire the skills and knowledge that contribute to reaching individual and organizational goals.

Increases Productivity

Companies are increasingly looking for ways to boost employee performance and effectiveness as a means to improve gross margins and productivity. Skills development and training programs, often a target of budget cuts, can help organizations achieve key corporate objectives and enhance their overall corporate culture.

While many company leaders understand the value of a skilled workforce, they often fail to realize the benefits that minimal improvements in employee skills can make in an organization. Workers with updated knowledge and skills are more likely to experience:

- Increased productivity and performance improvement
- Stricter adherence to corporate policies
- Improved customer satisfaction
- Increased employee morale and retention
- Increased revenue

What's more, many corporate leaders underestimate the high cost of not training, and the expense that comes with supporting poorly or undertrained employees.

Builds Employee Retention

These days, the adage “people are the most important asset” has never been more accurate. Corporate training and development are crucial to the future growth, health and competitiveness of any business. In addition to providing a measurable return on investment through increased skill, training has a positive effect on employee retention and morale.

According to the American Society for Training and Development, 41 per cent of employees at companies with inadequate training programs plan to leave within a year versus 12 per cent of employees at companies who provide excellent training and professional development programs. It is estimated that

companies lose 10 to 30 per cent of its collective capabilities each year due to employee turnover. Once you add the cost of training new hires, the investment in retaining your current skilled workforce becomes quite clear.

Even the choice of training can have unintended benefits on employee success and satisfaction. While “just-in-time training” meets immediate business needs, offering employees the opportunity to build upon their education with accredited courses can motivate employees to stay with a single employer.

Developing a Framework

A successful corporate training program includes components for essential learning, future development and corporate mandates. First and foremost, employees should be provided with the training required to perform their day-to-day tasks with efficiency and focus. This may include learning new technologies, addressing knowledge gaps, or improving or updating compliance with safety and other market requirements.

Often overlooked, future learning is an essential component of a successful training program. Organizations need to provide clear paths to continuing education to help end users maintain and update their knowledge. Training dollars can and often do perform double duty as an investment in education. Accredited courses and ladder programs not only answer to an organization's short-term needs, but also increase the future benefits that are derived from having a college-educated (not just trained) workforce.

Without an established mandate for training, many programs fail or begin to wane shortly after implementation. To ensure success of any skills development program, organizations should incorporate training as an employee requirement, and map learning objectives to corporate goals to ensure alignment across the organization.

Adding Value

The time that employees spend on training is time that is spent away from their regular everyday tasks. To be of value and to produce a decent return on investment, training has to be relevant to the organization's unique needs and environment.

A well-designed training program begins with an assessment of organizational goals and learning content, and takes into account the accumulated knowledge and prior learning of its students. Program content should reflect current learning materials and match to appropriate training delivery methods.

Classroom training, historically the most popular, is ideal for complex content, as it offers a high level of parallel communication and feedback with the instructor. E-learning offers the advantages of self-paced learning and 24/7 accessibility, and is a good format for upgrading basic skills or learning new technologies. Blended learning is often the most cost-effective and practical, as it leverages the best of traditional instructor-led training with the benefits of self-paced development.

Although public training options are often the most affordable, they do not always deliver the value you expect from such a large investment. It is recommended that any training and development programs begin with proper planning and analysis to ensure the greatest value for your organization.

Conclusion

Despite that training and development are often victims to budgetary cuts, they have shown over the years to increase an organization's performance, productivity, and employee retention. To fully leverage the value training can provide, organizations need to make a long-term commitment to and investment in corporate training and development programs. Training plans should be based upon an assessment of corporate learning objectives, future considerations and organizational goals, and should match learning content and goals to training modalities and needs.