How Top Companies Make The ROI Case For Employee Training

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No matter what their product or service, companies need people. Investing in the continued professional development of people is beneficial, for both employee morale and for the corporation's bottom line.

Employee training is, according to Jessica Rohman of Great Places to Work, becoming more of a priority, especially in certain industries. The firm provides leadership coaching and culture consulting services to businesses in 45 countries.

Rohman, senior content producer, says, "Companies can position themselves well by showcasing their opportunities." Training is also beneficial to the organization, as it can teach them how to attract higher quality employees.

In essence, learning and development is at the core of what high impact performing organizations do, according to Todd Tauber, vice president, Learning & Development Research, Bersin by Deloitte. It leads to higher customer satisfaction, more innovation, lower costs and faster growth.

Lorri Freifeld, editor-in-chief of Training Magazine, explains different kinds of training lead to different positive outcomes for organizations, some more obvious than others. Sales and product knowledge training lead to increased revenue and market share. Service training can lead to better customer experiences and brand loyalty. Innovation training encourages new ways of thinking, potentially leading to new products and services. And leadership training can help employees grow more qualified for internal promotions, saving the organization the time and money of bringing in outside candidates when such opportunities arise.

Making the case

The success of training can be argued via its return on investment. The companies identified in Great Places to Work had 65 percent less voluntary turnover than industry peers. Many factors play into those numbers, but learning and development is one.

Training needs to be a strategic priority for it to be effective. Rohman explains that employees need to feel comfortable taking the time to attend training.

And for many companies, training is an integral part of their strategy. In 2013, according to the presentation, "Redefining Measurement for Continuous Learning" given by Tauber at Bersin's IMPACT 2014 conference, the average investment was $1,200 per learner — a 15 percent leap over the previous year.

For the past four years, learning and development budgets have been growing. That same presentation by Tauber, for example, estimates total spending on employee training at $150 billion in the U.S. Tech firms lead the way, with an average of $1,847 spent each year per employee.

Take the leap

There should be a firm investment on part of leaders to prioritize training as a place to spend money. Rohman says, “If your organization values its employees, it’s not too much of a leap to see how investing in your employees will make the organization stronger.”

If you look at the organizations who are industry leaders, explains Tracey Maurer, director of new business development at the University of Vermont Center for Leadership and Innovation, it’s not a coincidence that they invest highly in training. Some companies throw more money at marketing, but if they have a well-trained and engaged workforce, they will have more to promote.

The aim of the Center for Learning and Innovation is to help companies bring their people to the next level, through project management, human resources management, and leadership training. The on-campus center works with Vermont-based businesses, like Dealer.com, Green Mountain Coffee, and Fletcher Allen Health Care, as well as Fortune 1000 companies with a strong regional presence — namely IBM — all which have high growth and invest heavily in their workers.

Learning and development programs need to keep pace with shifting corporate goals. The top topic areas for learning and development are supervisory, compliance, and processes and procedures, reports the American Society of Training and Development.

Each year Training Magazine ranks the top 125 organizations for employee development. The mean training budget is almost 6 percent of payroll, while 69 percent link managers’ pay directly to the development of their direct reports.

Increased revenue is another standard goal across many organizations. Investing in employee training to support that goal has paid off for these companies:

The Cheesecake Factory invests an average of $2000 annually per employee on training. The chain enjoy sales of $1000 per square foot, almost double the restaurant industry average.

ADP coaches some sales associates on managing virtual teams and time management. Those that participate had an average of 7 percent growth in sales.

Yet corporations realize they are not doing enough. In each region surveyed in Deloitte’s Human Capital Trends index, learning and development was named a top five trend for 2014. Interestingly, in the Nordic countries, it was given the highest priority, ranking as the second most-important capital trend of the year.

A competitive edge

There is more competition for top talent, who are looking for opportunities to grow and gain more responsibilities and not just get a paycheck. Employees feel more valued when corporations spend the time and the money to invest in them, leading to a positive relationship between company and worker.

In other words, if an employee feels like they are being invested in, they will invest in their work. Such synergy effects retainment, notes Rohman, as supporting professional growth is one way to make sure employees do not jump ship.

Discover Financial, a Fortune 1000 company, was honored by Training Magazine for having one of the most innovative training programs. It switched 70 percent of its training to e-learning, videos and self-study. Of the people who took those new models, compared to standard instructor-lead models, there was 6 percent higher employee satisfaction scores and 42 percent less attrition.

Maurer claims the number one cost to employers is rehiring. She says, “It’s very expensive to find the right person and be satisfied long-term with that relationship.”

Freifeld explains that turnover leads to lowered productivity, overworked remaining staff, lost knowledge, training costs, interviewing costs, etc. She claims estimates run as high as 150 percent of annual salary for each employee that needs to be replaced.

Tauber says, “Anything you can do to improve people is worthy.” According to him, 70 percent of operating costs are people-related. While it can be an extensive upfront cost, in the long run training prepares workers to achieve corporate goals faster and with less expense. Tauber adds that the purpose of learning and development is driving business performance by way of individual performance.

“The best training programs start with business agendas,” Tauber explains. Those business agendas can be both financial capital goals, like selling more, or human capital goals, like improving processes.

Get invested

Effective learning and development begins with involving the right stakeholders. Basically, the three tiers of involvement are the individual employees, the managers and the executives.

Tauber says, “If the whole organization does not buy into it, it will not be sustainable.”

Freifeld says, “It really starts from the top. If senior leaders set the example by taking training courses, teaching training courses, appearing in videos and other marketing materials talking about the value of the training, it will start to permeate the organization.”

Freifeld suggests making sure the learners’ direct managers are invested from the beginning. What do they want employees to learn? How will they support their efforts to take time away from daily work to view or attend training? What are their expectations for how workers will apply the training to their job responsibilities? What effort will managers put in to reinforce learning after classes and presentations end?

David Vance, executive director of the Center for Talent Reporting offers a more nuanced take. Each learning and development project should be linked to a specific goal and each goal should have a sponsor — the senior person in the company responsible for the outcome. Vance says learning and development has no benefit unless the employee applies it. After class, it is out of the hands of trainers and up to the sponsors to run with it.

If training’s purpose is to increase sales, then the course designer and the head of sales need to have a conversation so there is clarity up front. Putting their minds together will determine whether training will even help reach the stated goal.

Successful training needs to be linked to the organization’s overall strategy. Companies should ask themselves, what is our growth plan? Do we have the right people in the right positions? Only 15 percent of respondents to the Deloitte Human Capital Trends Survey answer that question in the affirmative, says Tauber’s IMPACT presentation.

Roham explains, “Learning and development is a tool used to equip employees to meet strategic goals.”

Talent management needs to part of that overarching strategy. Just concentrating on products and services is not enough. Successful learning and development programs begin by explaining to companies how to align their services and products with their mission and values. What do they offer and why is it unique are baseline questions.

Making it a Priority

The Great Places to Work Guide to Greatness, an annual report that analyzes the FORTUNE 100 Best Companies to Work For states, “The 100 Best Companies are committed to employee development as a top strategic priority.” That priority falls into three categories:

Designing Development Programs to Engage and Retain Top Talent; Aligning Development Programs with Company Goals; and Building a Robust Leadership Pipeline

Among the 100 Best Companies to Work For, they devote on average 73 hours and 58 hours each year to salaried workers’ and hourly workers’ development, respectively. Here are some examples from top companies:

Rohman says that the priority for Intuit — which is both a Fortune 1000 Company and a 100 Best Company — was to be more globalized, so training centered on teaching employees best practices for managing workers on a global scale.

Another example is Deloitte — a significant corporation with over 45,000 workers in the U.S. — which is focusing on identifying employee strengths as part of its development program. Developing leaders by finding skills-building opportunities across all projects is a priority. All workers are then expected to uncover and play up their strengths.

At Hyatt — another dual member of Fortune’s 100 Best Places to Work and top 1000 — empathic listening is at the heart of the learning culture. They created the “Changing the Conversation” training initiative to offer more every day opportunities for professional growth. And it is paying off, as the average tenure of Hyatt hotels housekeepers is more than 12 years. The national average for all workers in the accommodations industry is 3.8 years.

Whole Foods, which also makes an appearances on both lists, puts its development dollars into building its leadership pipeline. Its Academy for Conscious Leadership is a four-day immersion course offering interactive presentations by both internal and external thought leaders. The aim is to challenge leaders’ perspectives, creating a new breed of intentional leaders. By 2015, the goal is to have had all members of leadership — both at the store level and the corporate level — attend the sessions.

And another company that has realized the value of leadership training is Grant Thornton — an international audit, tax and advisory firm. Its partners go through a leadership program that focuses on soft skills of problem-solving, relationship-building and strategic communications, among others. As Grant Thornton’s Chief Learning Officer Mark Stutman explained in an interview with CGMA Magazine, “Developing and learning doesn’t stop simply because you’ve gotten to the partner level.”

Measure it

As with any expenditure, measuring the impact of learning and development involves several variables. The Center for Talent Reporting is a non-profit membership organization founded to standardize and improve the reporting and measurement of human capital. They offer a series of guidelines on talent development reporting principles, so employers can determine what data needs to be collected in regards to learning and development outcomes.

Training for training’s sake is not a good use of resources. Companies need to consider if people learning what they intended, and is training helping employees do their job better.

Outcomes, effectiveness and efficiency form the triangle of evaluating training. All three are needed for balance. Outcome — what will the company get from the training — should be the most obvious. Effectiveness measures the quality of said training. There needs to be a feedback mechanism, explains Rohman, to assess from the workers’ standpoint, if training is effective.

Vance cites one Center for Talent Reporting client who said, “We learned something we can do differently in the future to be better” from assessing learning and development.

Efficiency takes into account the cost, the length of time and the manpower. Vance reminds us to remember that when an employee is in training, they are not producing a product or service. The benefit the company gets needs to offset not only the cost of training but people’s time away from the job. Vance suggests companies estimate the impact of training and convert it to money.

Measurement is not a one time-thing, Freifeld tells us. Follow-ups should be conducted on a regular basis, to determine if the programs need adjustments.

Stretch your dollars

Getting the most bang for their buck from training dollars is a priority of any company. How can training be done as cheaply as possible while still being effective? Online learning and development could be one way to meet goals effectively and efficiently.

Before launching an online program, one critical stakeholder to get on board is the IT department. They need to be consulted as they are aware of the network’s potential limitations and can help with troubleshooting.

The American Society for Training and Development reports in 2013, 39.2 percent of employers from it’s annual survey delivered employee training electronically, with workers spending 30 hours on average each year engaged with online learning and development programs.

Caterpillar University, which was founded by David Vance, provides online training modules to the Fortune 1000 company’s employees and customers alike.

Another company that excels at online training is Training Magazine’s top honoree for 2014, Jiffy Lube. Jiffy Lube University offers 120 online, self-paced courses that over 20,000 employees engage with each year. The cost per course was less than 15 cents.

CLI also offers online training to businesses nationwide. They specialize in working with companies in growth phases, especially in supervisor training and customer experience, which Maurer claims as strong points.

However, Josh Bersin, the founder of Bersin by Deloitte, warns that companies may fall into the trap that e-learning is a cure-all. Although online learning is significant, he suggests 30 to 50 percent of training should still be offered in the traditional, face-to-face manner.

Home grown vs. out-of-the-box

If it is feasible, Freifeld suggests asking employees how they prefer training to be delivered. Options can include live presentations in classrooms, live or on-demand webinars, mobile learning or a blended style. Another consideration is do they want learning to be offered on a continual basis or just once per year?

When choosing between off-site and on-site training, the choice depends mainly on the target audience. A large corporation with satellite offices may benefit from having decentralized training closer to the employees. As Vance says, “There’s nothing magic about where it’s done.”

In 2013, according to the American Society for Training and Development, companies spent on average 62 percent of their learning and development budget on internally-produced training; 27 percent on externally-produced training; and 11 percent on tuition reimbursement.

Tauber agrees there are pros and cons to in-house versus outside training, with variables being the content and the instruction. Internal course developers can be more flexible with time and format, and have greater access to company subject matter experts, those aforementioned sponsors.

External course developers can bring a sometimes needed outside perspective. It can also be more cost-effective and quicker to use an off-the-shelf training versus building one from scratch.

Bersin cautions against too much outsourcing of training, despite the availability of high-quality third-party content. The most valuable training incorporates the company's own culture and values.

Improved Communication

Learning and development can still sometimes be seen as a budget item that can be cut. Vance says senior leaders need to " move away from thinking training is a cost to be minimized, to thinking it is an expense that can help achieve company goals."

A challenge with proving the return on investment of training is the lack of interaction between learning and development staff and business leaders, which should be remedied on both sides. Tauber urges executives to make the effort to get to know the training professionals.

Vance encourages learning and development staff to have business conversations with the CEO. He recommends not pushing training, but listening openly about executive's challenges. Specific plans can then be created and everyone's responsibilities hashed out.

Learning and development has no benefit unless employee can apply it to have an impact. After class, it is out of the hands of trainers and up to the company's in-house sponsors to run with it. And that is the only way to make sure what is learned online or in training classrooms can truly benefit the company.