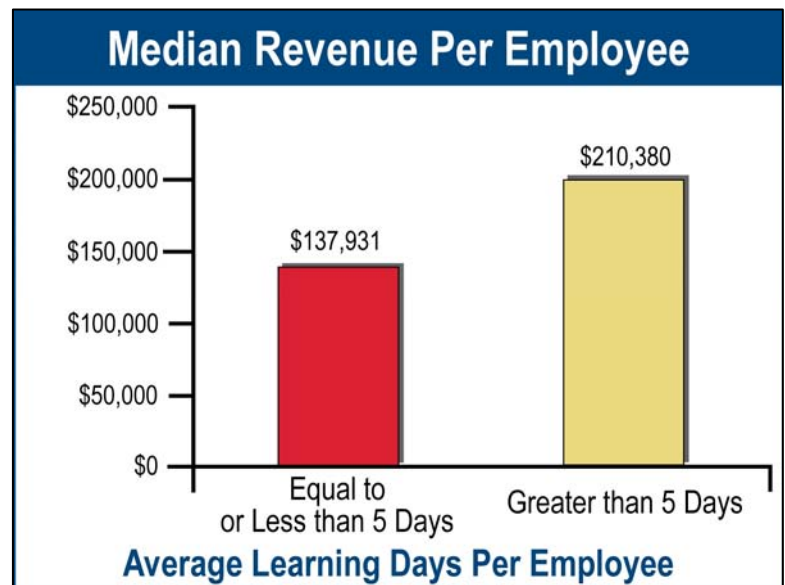


The ROI of Employee Training and Development: Why a Hearty Investment in Employee Training and Development Is So Important

A joint APQC, IBM and *Workforce Management* data collection initiative with more than 200 participants shows how investing in your employees through training and development can really pay off.

—By Rachele Williams and Lawson Arnett, APQC

Most organizations understand inherently that a significant investment in employee training and development processes is crucial—not only to make sure that employees are competent and comfortable (and safe) in the performance of their specific job tasks, but also as key employee attraction and retention mechanisms. However, many organizations might be surprised to learn that a strong investment in employee training and development may also have quantifiable value to the organization’s bottom line. Data from APQC’s Open Standards Benchmarking Collaborative research effort, the “develop, train and counsel employees” survey, provides evidence to suggest that organizations that invest in more training days and dollars per employee may produce greater revenue per employee than those that invest less in this important human capital process.¹



While we cannot statistically say that these results would be replicated if applied to a different population², this observation is compelling enough to warrant a conversation about whether, during this slowing economy, cost cutting within learning and development might possibly hurt the bottom line more than help it.

Linking the Employee Experience With Organizational Profitability

This observation is consistent with APQC’s past consortium benchmarking research on elements of the service-profit chain: linking the employee experience to the customer experience and ultimately to the overall organizational bottom line. APQC’s consortium study, *Managing the Total Customer Experience*, observed through both quantitative and qualitative data collection that investing in improving the employee experience to improve the customer experience results in greater employee and customer loyalty and lower costs to serve customers. Best-practice organizations that participated in this study were heavy investors in

“Motivate employees, train them, care about them and make winners of them. At Marriott we know that if we treat our employees correctly, they’ll treat the customers right. And if the customers are treated right, they’ll come back.”

—Bill Marriott Jr., chairman, Marriott Hotels, APQC study best-practice partner 2004

¹ Source: OSBC “develop, train and counsel employees” benchmarking data, retrieved June 2008, cross-tabulation n = 20

² Due to the relatively small sample size of the of the cross-tabulation

employee training as an important part of the overall employee experience. For example, study best-practice partner Lands' End recognizes the pivotal role that employees play in delivering on the total customer experience. To support that role, it has made a significant investment in training, created an open-door environment with leadership and has an open communication policy with employees, all of which have resulted in high tenure and low employee turnover.³

What Do the External Experts Say?

This OSBC data observation is also consistent with external research done over the years by other human capital management experts who have found a strong statistical correlation between an organization's investment in its employees and overall organizational financial performance. For example, one of the most well-known researchers in this area, Lauri Bassi, Ph.D., has found that a firm's investment in employee training is the single most powerful predictor of stock price.⁴ Dr. Bassi's work provided some of the first quantifiable evidence that investing in training caused better financial results at organizations.

Other Benchmarking Survey Observations

The Open Standards Benchmarking Collaborative's "develop, train and counsel employees" research evaluates process performance holistically. It includes measures of process cost, productivity, cycle time and efficiency and information on people, process and technology practices. Other highlights from most recent survey findings follow.

People

- Survey responses indicate that less than half of senior and middle managers have attended management-development programs at their organizations.⁵ The importance of senior leadership involvement in management and leadership development programs, as both beneficiaries and executive sponsors, has been emphasized repeatedly in APQC's benchmarking studies. Senior leaders at some of the best-practice organizations that APQC has studied spend up to 30 percent of their time on people development.⁶

Process

- Almost half of learning and development services are delivered to the organization via a centralized (e.g., corporate or shared services) delivery model.⁷ Overall for the human resources function, Open Standards Benchmarking Collaborative data has shown that organizations that use centralized or shared services business models demonstrate higher productivity, lower cost and lower turnover than those that use local human resources functions.⁸
- About two-thirds of organizations report that their learning strategies strongly align with their overall business objectives.⁹ This is a positive observation, since the OSBC data suggests that organizations with strongly aligned learning strategies have a greater average number of learning days per employee and also higher process efficiency (e.g., more employees serviced per full-time equivalent employee

³ Source: *Managing the Total Customer Experience*, APQC, 2004

⁴ Source: Media Communications Association International, "Finally, Proof That Training Works!", May 2005

⁵ Source: OSBC "develop, train and counsel employees" benchmarking data, retrieved June 2008, n = 177

⁶ Source: *Talent Management: From Competencies to Organizational Performance*, April 2004

⁷ Source: OSBC "develop, train and counsel employees" benchmarking data, retrieved June 2008, n = 22

⁸ Source: *By The Numbers: HR*, APQC, June 2008

⁹ Source: OSBC "develop, train and counsel employees" benchmarking data, retrieved June 2008, n = 216

working in the “develop and counsel” function).¹⁰

Technology

- There is still an opportunity for organizations to leverage self-service for the employee development process: OSBC data indicates that slightly over half of survey participants do not currently use self-service.¹¹
- Only 35 percent of participating organizations use e-learning¹², yet organizations that leverage e-learning incur significantly lower process cost than organizations that do not.¹³

Critical Success Factors

A comprehensive evaluation of the employee training and development process should include an evaluation of not only the metrics and benchmarks that constitute top performance but also the practices that allow top performers to achieve high-impact results. The table below summarizes the critical success factors cited by survey participants in the database of the “develop, train and counsel employees” research.

Critical Success Factors: Developing, Training and Counseling Employees

<ul style="list-style-type: none">• A strong focus on employee development• Flexibility in assignments/projects• Using technology to track training• Using employee training programs as catalysts for cultural change (e.g., to reinforce the organizational vision, mission, values and corporate strategies)• Leveraging hands-on, on-the-job training	<ul style="list-style-type: none">• Tying training and development interventions to assessments, performance and individual development plans• A focus on leadership development through succession planning and managerial development programs• Tying the succession planning program to business areas and organization leadership• Leveraging in-house technical resources for employee training and development
---	---

Study Background, Scope and Methodology

This data collection effort is part of APQC’s Open Standards Benchmarking Collaborative, or OSBC. The premise of the OSBC is very similar to open source software in the world of information technology: The idea is to create an open platform of metrics and benchmarks that any organization can participate in to obtain aggregated, normalized data. This research makes traditionally hard-to-obtain benchmarking data available en masse.

¹⁰ Source: OSBC “develop, train and counsel employees” benchmarking data, retrieved June 2008, n = 25 and 15, respectively

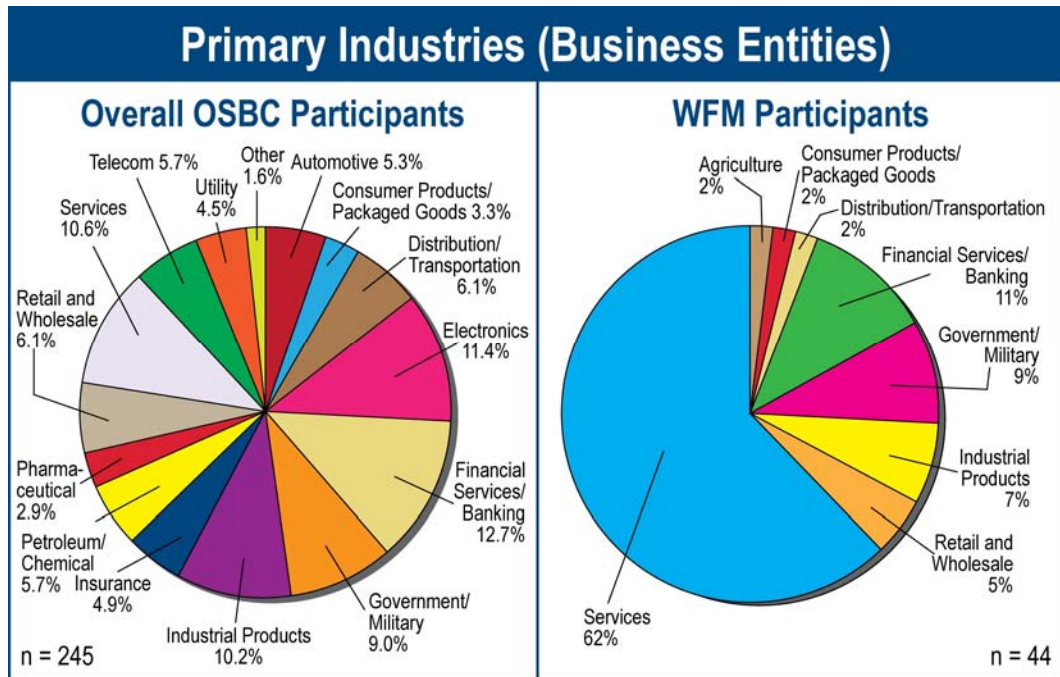
¹¹ Source: OSBC “develop, train and counsel employees” benchmarking data, retrieved June 2008, n = 271

¹² Source: OSBC “develop, train and counsel employees” benchmarking data, retrieved June 2008, n = 46

¹³ Source: OSBC “develop, train and counsel employees” benchmarking data, retrieved March 2008, n = 29

The OSBC “develop, train and counsel employees” benchmarking survey is one of eight data collection modules supported by APQC, a nonprofit benchmarking and best practices research organization, IBM and *Workforce Management*.

They have teamed to collect data spanning the entire life cycle of human capital management. The survey takes a process-group-level viewpoint of the employee development (including training) and performance management processes, with standard definitions and normalized data, thus allowing comparisons across industries and organizational sizes. To date, more than 200 organizations have participated in this survey, 44 of which are *Workforce Management* online subscribers.



The scope of this survey includes an organization’s cost, full-time equivalents, cycle times and processes for developing, training and counseling employees, including the areas of managing employee orientation and deployment, managing employee performance, managing employee relations, managing employee development, developing and training employees and managing employee talent. Participants submit data online; APQC then validates the data with participants and each participant receives a complimentary, personalized benchmarking report. All data is kept confidential by APQC per its Benchmarking Code of Conduct.

Organizations that want to see how they stack up against the OSBC database in terms of average number of learning days per employee and other key measures of employee training and development process performance have an opportunity to do so. Data collection for this benchmarking survey is still ongoing and open to *Workforce Management* users. Visit www.apqc.org/hcm/dc to preview survey questions online, download the list of measures, view a sample benchmarking results report and submit the survey online.

This is the second in a series of articles designed to report to the *Workforce Management* audience the aggregated results of the joint benchmarking data collection efforts in 2007 through 2008. The series will review the implications of the data so that readers can adapt the best practices to increase the organizational performance of their own HR processes.

Next Up: Rewarding and Retaining Employees

Employee training and development is just one key retention mechanism employed by organizations to keep their employees challenged and engaged. In the next article, APQC will explore findings and best practices from our *reward and retain employees* benchmarking survey, which includes data on topics such as the following:

- Performance-related pay
- Compensation/benefits strategy
- Employee benefits packages
- Reasons for unwanted turnover
- Work/life balance options
- Recognition programs