

## Research Consistently Shows that Training Employees Pays Off with Profits

### *Why invest in training for your staff?*

*“An investment in education always pays the highest returns.”*

—Ben Franklin

*“What’s worse than training your workers and losing them? Not training them and keeping them.”*

—Zig Ziglar, success speaker

Studies and corporate bottom lines show that companies reap many benefits from investing in training for employees.

In challenging economic times it's easy to say, "no" or "not now" to an investment in training. But is it prudent? Two studies provide hard evidence that link investments in workplace learning with a company's financial performance. The studies show what many trainers have been saying all along: training pays off.



### ***Study Results***

In 1998, the American Society for Training and Development (ASTD) concluded a national study of workplace learning practices and outcomes in 540 U.S. corporations. By creating two sub-samples in the study (one sample invested an average of \$900 per employee per year and the other invested an average of \$275 per employee per year) researchers found the top group outpaced the bottom by:

- 57% higher sales per employee; and
- 37% higher gross profit per employee.

Curtis Plott, president of ASTD at the time the study was undertaken, announced at an international conference that the study gave ASTD "the first concrete evidence showing that companies who invest more heavily in workplace training are more successful and profitable."

The study also provides firms -- some for the first time -- with reliable ways to measure tangible results from a training investment.

In a second phase of the study, ASTD identified leading edge companies for "Best Practices" ideas.

### **Here's what they learned from the best of the best. They:**

- Invest up to 6% of payroll on overall workplace learning;
- Train 86% of employees on average, and
- Utilize high-end technology (Internet, Webinar, computer-based training) to complement classroom sessions.

### *Nabisco- Fairleigh Dickinson University Study*

A graduate-level research project completed by Robert Klein, sales education manager for Nabisco, and aided by professor Dan Tanomery of Fairleigh Dickinson University, centered around what some U.S. companies are doing to train sales professionals.

Of the 142 surveys sent out, 68 were returned for a 48% response rate. The companies chosen represented a variety of industries from consumer products to construction; telecommunications to financial services.

The findings? There was a crystal clear correlation between sales training and seven key business results:

1. Sales increase;
2. Market share increases;
3. There is a tendency for more new product rollouts;
4. Productivity increases;
5. Higher employee morale (and better retention);
6. Customer satisfaction increases; and
7. Net Profits Increase.



The research also suggested that "stand-up" training may be the most effective, because it involves all of the interpersonal skills. Since sales involve interpersonal communications, the classroom will always be necessary. However, new tools (i.e., Web-based training, CD ROMs) can supplement the material and reinforce skills learned.

**Training improves employee performance....**in quality, quantity, speed, safety, problem solving, attitude, ethics, motivation, leadership, and communication. According to Ferdinand Fournies, performance problems occur because employees:

- (1) don't know what they're supposed to do,
- (2) don't know how to do it, and/or
- (3) don't know why they should do it. Targeted training is one solution to all three factors.

**Training Enhances Company Profits.** Training ups revenue in increased sales, increased referrals, new product ideas, and improved customer satisfaction and retention. According to the American Society for Training and Development, investment in employee training enhances a company's financial performance. An increase of \$680 in a company's training expenditures per employee generates, on average, a 6 percent improvement in total shareholder return.

Based on the training investments of 575 companies during a three-year period, researchers found that firms investing the most in training and development (measured by total investment per employee and percentage of total gross payroll) yielded a 36.9 percent total shareholder return as compared with a 25.5 percent weighted return for the S&P 500 index for the same period. That's a return 45 percent higher than the market average. These same firms also enjoyed higher profit margins, higher income per employee, and higher price-to-book ratios.



Firms that invest \$1,500 per employee in training compared with those that spend \$125 experience an average of 24 percent higher gross profit margins and 218 percent higher revenue per employee (source: Laurie J. Bassi et al., "Profiting From Learning: Do Firms' Investments in Education and Training Pay Off?" American Society for Training and Development, 2000).

The Cheesecake Factory, one of the most successful restaurant chains in the nation, spends about \$2,000 per employee for training each year and reaps sales of \$1,000 per square foot—more than twice the industry average.

**Training saves labor....**by reducing duplication of effort, time spent on problem solving, and time spent on correcting mistakes.

**Training saves money.** A better skilled workforce means fewer machine breakdowns, lower maintenance costs, lower staff turnover, lower recruitment costs, fewer bad debts, fewer customer support calls, fewer help desk calls, less need for supervision, reduced downtime, and increased worker productivity.

**Training improves a company's competitive edge.** According to Nobel Laureate Gary Becker, professor of economics and sociology at the University of Chicago, "Any company has to recognize that not only is the human capital of their employees a major asset, it is also a depreciating asset that needs continuing investment." Keeping worker skills up to date keeps a company in the running.

**Training increases worker productivity.** Just a 2-percent increase in productivity has been shown to net a 100 percent return on investment in training (source: "The 2001 Global Training and Certification Study," *CompTIA and Prometric*).

Motorola calculated that every dollar spent on training yields an approximate 30 percent gain in productivity within a three-year period. Motorola also used training to reduce costs by over \$3 billion and increase profits by 47 percent (source: Tim Lane et al., "Learning to Succeed in Business with Information Technology," Motorola).

According to a study published in *Personnel Public Management* it was revealed that training by itself increased productivity by 22.4%; while training combined with coaching increased productivity by 88%.

**Training saves supervisory and administrative time and costs.** The less time and money a manager has to spend on monitoring and guiding employees, the more time is freed up for more profitable activities.

**Training improves customer satisfaction.** Better-quality work means better-quality products and services . . . resulting in happier customers.

**Training improves employee satisfaction and retention.** Many people assume that once employees are trained, they are more likely to leave the company for greener pastures, but actually, the opposite is true: trained staff are happier and more likely to stay put. Their self-esteem improves, which in turn improves their morale in the workplace and their loyalty to their employer.



A Louis Harris and Associates poll reports that among employees with poor training opportunities, 41 percent planned to leave within a year, whereas of those who considered their company's training opportunities to be excellent, only 12 percent planned to leave. A Hackett Benchmarking and Research report shows that companies that spend \$218 per employee on training have more than a 16 percent voluntary turnover, while companies that spend over \$273 per employee have turnovers of 7 percent.

The Cheesecake Factory, which as mentioned above, spends an average of \$2,000 on training per hourly worker each year, has an employee retention rate of about 15 percent better than the national average.

In an **AON survey**, respondents ranked “opportunities for personal growth” as the main reason they took their current job and stayed in that job. Significantly, they ranked it ahead of salary.

According to a study by Louis Harris & Associates for Interim Services Inc., companies that fail to train their employees are more than three times as likely to lose them.

**Investment in professional development training is a win-win for company and employee alike.**

---

---

DIAD Consulting can develop and deliver customized training that fits your needs and desired focus. We effectively train in all the [Essential Disciplines](#) that every business must master to ensure sustained profitability and competitive strength. DIAD Consulting, Inc. can develop and deliver a program for you that will inform, encourage and energize your team.

**Hire a proven trainer and coach that consistently achieves desired results; hire [DIAD Consulting, Inc.](#), and start producing better results today!**

---

---