



Professional Development

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Employee Training in Difficult Economic Times

In tough economic times like these, companies are often tempted to cut employee training and professional development programs. But a closer look at its value reveals that training might be more worthwhile than you think.

The obvious argument for continuing to invest in training is that well-trained, skilled employees are important to an organization's long-term success. This is because training results in more productive, quality focused, and committed employees who will remain with the company once the economy rebounds and the competition starts recruiting again.

Furthermore, evidence suggests that the connection between a company's actual market value and its continued commitment to training during difficult economic times is even stronger in companies focused on product innovation, such as those in the technology, defense or manufacturing industries.

Evidence of this phenomenon comes from a recent study licensed by Deloitte & Touche that examined the correlation between training and the market-to-book ratio of a company. The study found that companies focused on product innovation that "agreed" or "strongly agreed" that investment in training programs is one of the first things to be reduced when expenses need to be managed, had a 13 percent lower market-to-book ratio than companies that were "neutral," "disagreed," or "strongly disagreed" with the statement. The study data supports the continuance of training even in a cost-cutting environment.

Equally important is the impact training can have on employee morale. A company that makes indiscriminate cuts to its training budget sends the message to its employees that it considers their professional development to be unimportant. This action is likely to decrease job satisfaction among employees who value on-the-job training and development. Accordingly, dissatisfied employees are more apt to have low productivity.

Conversely, a company that maintains a commitment to training and development benefits by keeping employee skills up to date and sustaining employee morale.

Besides improving productivity, training also helps to reduce expenses associated with employee retention. In fact, employees without access to learning are 300 percent more likely

to leave their employer within one year, according to "The Financial Impact of Education and Training" study.

Employees also ranked "learning new skills" third (after opportunities for advancement and job redesign) when they were asked what non-compensation-related factors were most important in keeping them at their organization.

Although today's stagnant job market makes it less likely that employees will be job shopping, the cyclical nature of the economy means that more favorable job conditions will enable employees to leave, if they wish, at some time in the not-too-distant future.

Experts estimate the average cost of replacing an employee approximates 150 percent of his or her annual salary. So, a company may find that the money it saves from employee retention justifies the cost of its training initiatives.

Organizations should continuously evaluate their training programs just as they evaluate other organizational functions for ways to introduce efficiencies and reduce costs. By taking advantage of alternative training methods, such as e-learning and webinars, establishing an ongoing feedback and evaluation mechanism to verify the effectiveness of training, and ensuring all training programs support the organization's business strategy and goals, a company can realize significant return on their investment. Maximizing the benefit of training means that a company must deliver the right kind of training to the right people at the right time.

Companies cannot afford to abandon their employees' professional development for short-term cost savings. Rather, a training program structured for efficiency and specificity is an asset to a company's bottom line and helps to prepare its workers to drive the organization to long-term success.

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