

FACTORS INFLUENCING TRAINING

It is increasingly understood that human capital is critical for a company's long-term financial health. This shift has caused companies to take a closer look at how they provide learning and growth opportunities to their employees. Data submitted to American Society for Training and Development during the last five years makes it possible to track trends in training.

This shift has caused companies to take a closer look at how they provide learning and growth opportunities to their employees. Questions about money spent on training have come to the forefront. Do companies spend enough on training? Do they spend training dollars wisely and in the right places? Until recently, these were tough questions to answer. Most companies haven't even been able to figure out whether training creates value for them.

Trends Shaping Training

To better understand which trends had the greatest significance for training, ASTD brought together representatives from major groups with a stake in the future of training. Included in the discussion were 65 managers, trainers, human-resource personnel, educators, and researchers from both the public and private sector. What came out of these discussions was an agreement on factors that are having the most influence on training today. The top 10, in order of importance, were:

- Money:** Increasing pressure for short-term profit means greater pressure on employees to produce results and on training to show a quick return on investment.
- Diversity:** Growing cultural diversity within organizations means people with different backgrounds must work together and find better ways of balancing the "local" with the "global."
- Time:** The demand for just-in time products and services is shortening time frames for training, with help from technology.
- Work:** With the rise of virtual work and virtual workplaces, people are becoming physically disconnected and must learn to work in new ways.
- World:** Changes in how the world's population is distributed - in geography, economic standing, age, and race - challenge organizations as they seek the right employees to succeed.
- Meaning:** In a world where things seem to be constantly changing, people seek work that has meaning and nurtures them spiritually.
- Change:** People resist change as its pace appears to quicken and question whether technology has advanced too quickly.
- Knowledge:** As knowledge workers make up larger percentages of the world economy, what people know and do is growing in importance.
- Technology:** Automation is changing the skills people need and transforming how they learn.
- Careers:** The changing relationship between employees and employers and the rise of the free agent worker challenge the traditional notions of a career.

There are, of course, other trends that influence training. Researchers, for instance, say the move from hierarchical, authoritarian organizations to simpler, team based organizations is particularly influential.

Reducing the Uncertainty

These trends and their implications create a picture of a rapidly changing context for training. This fast-moving scene only adds to the level of uncertainty firms have about the value of training. The solution to situations with substantial ambiguity and uncertainty lies in getting enough information to make sound decisions. The creation of standard metrics that measure training costs and returns goes a long way in this regard. These standards help the companies that pay for the training and the people getting trained to fully understand the value of it.

Training's Significance

Data submitted to ASTD during the last five years makes it possible to track trends in training. Through 1998, companies indicated that their investments in training grew at between five and 10% per year. Then in 1999, total-training expenditures dropped slightly from an average of 2.0% of payroll in 1998 to 1.8%. The drop came with a dramatic decline in the share of spending on out sourced-training services. And, despite significant technological innovations in e-learning, companies did not increase their use of new training technologies in 1999.

Among the key findings emerging in 2000 and 2001 were: spending on training grew. Total training expenses as a percent of annual payroll grew from 1.8 to 2.0%. Preliminary estimates at the end of 2001 were that training expenses grew 10% at best. It was clear that many organizations did not cut training with the economic recession. More companies expected to increase training expenses in 2002 than to cut them.

E-learning picked up new momentum. Training delivered via learning technologies stalled at around 8.5% in 1998 and 1999. It has grown slightly since then, but cutbacks on travel and the need for security have led many surveyed companies to increase their e-learning since September 11, 2001.

Training creates value. Year after year, organizations reporting data to ASTD show a strong relationship between investments in training and performance. Companies experiencing improvements in performance between 1999 and 2000, for instance, reported training on average a higher percentage of employees in 1999. They were also more likely to give train-the-trainer courses to their trainers. In addition, improving companies made greater use of line-on-loan or rotational training staff. And companies that out-performed their peers in 2000 trained substantially higher percentages of their employees. These organizations tend to use innovative training and compensation practices. Elsewhere, in a seminal report called "Profiting from Learning," ASTD researchers examined how training related to the financial bottom line for publicly traded firms in its database. This research uncovered extremely powerful connections between training investments and financial measures such as total-shareholder return.

Training as a business strategy. Increasing pressure for profits, more diverse workplaces, shorter business cycles, and other trends are not likely to dissipate anytime soon. Organizations are clearly adjusting what type and how much training they provide. US companies are training more of their employees than ever before, boosting spending despite tight financial times, and adding new tools and approaches to their arsenals. A growing body of evidence on the value of training is persuading companies that, even in the worst of times, training investments are wise, not a cost to be trimmed from the budget.

The good news, though, is that there is now a standard system for capturing training information. Second, there is hard evidence that such information is relevant - that training actually boosts the performance and profitability of organizations. This evidence should give companies the background to make informed decisions about investing in training, and should also prompt investors to seek out and invest in more training-intensive firms.

Training through good times and bad
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