

**Sage HRMS**



# Maximizing the return on your talent investment

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The power of learning



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# Executive summary

Developing talent within the workforce is one of the most important ways that companies ensure future success and increase their Return on Employee Investment (ROEI). When two businesses are similar yet one thrives while the other is on the verge of failure, you can usually pinpoint the difference to how well (or poorly) each company manages talent. Wise investments in employee and leadership development tend to improve financial results.

Sage believes that employees are the most important component in the quest to improve your business results. Employee-related expenses are your company's investment in the workforce, and like any other investment, it should yield a healthy return—or ROEI.

The business environment is changing, and success is increasingly determined by how well firms manage and utilize data and knowledge rather than equipment or materials. Learning and skills acquisition will be life-long processes for the new generation of workers, and they'll want to work for companies that help them achieve career objectives.

This white paper examines the value of learning and some of the myths and facts associated with talent development. It also shares some key considerations for developing learning programs and how learning technology can maximize training results and efficiency.

## The value of learning

Talent development strategies use both planned and unplanned learning to increase the productivity and potential of the workforce and achieve (or maintain) a competitive advantage for the business. Employee training and development programs are essential for achieving a number of business objectives:

- Leveraging new and better skill sets
- Maintaining essential professional certifications
- Keeping employees engaged and productive
- Helping employees advance their careers—and retaining them longer
- Maintaining compliance with legal requirements
- Developing future managers and leaders

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### **Why train and provide learning programs for employees?**

Training leads to higher-quality work, increased productivity, and more engaged employees. This delivers value to both the organization and its employees. For employees, learning is fundamental to career advancement. For companies, the ones that skimp on training have higher turnover and end up having to hire replacement employees—which has a cost associated with it—as more talented staff leave for organizations that will develop their skills that provide opportunity. Companies that undervalue training tend to end up with lower performing employees, and that affects productivity, the quality of work, and ultimately the bottom line.

# Myths and statistics about talent development

When it comes to training and learning programs, there are a lot of mixed messages. On one hand, everyone can see that knowledge and advanced training are key to navigating the changing competitive landscape. But on the other hand, when budgets are slashed, training is often one of the first things to be cut. Just how important is training? And can we measure its impact on business results?

First, let's dispel a few myths associated with talent development.

### **Myth 1. Compensation is the most important factor in employee engagement.**

There's no doubt that compensation plays a key role in employee satisfaction and retention. But it's not the most important driver of engagement. One of the top drivers is career opportunity. Employees want their employer to invest in them, and training is a concrete demonstration of that investment. They know that in order to take advantage of career opportunities, they need to acquire the right sets of skills. Learning is fundamental to career advancement, and undertrained staffs tend to be less motivated and satisfied and are prone to looking for new employment opportunities that can sharpen their skills.

As industry observer David Hawkins notes, as the economy continues to grow and employees have more employment options, "How much you spend on training may be less important than what it will cost if you don't."<sup>1</sup>

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<sup>1</sup> Hawkins, D. (2014, September 19) The Cost of Training. Retrieved from <http://browningdudley.com/?p=507>

**Myth 2. It's hard to determine if talent development impacts company results.**

If you think that training programs are nice to have but not necessary when budgets are tight, think again. We've already seen that career opportunities are an important driver of engagement. Here's another interesting statistic: A joint study by APQC, Workforce Management, and IBM found that companies whose employees attend more training earn higher revenue per employee.<sup>2</sup>

When budgets are tight, don't cut training—instead, make learning more efficient and affordable. You'll see some technology that can help you do this at the end of this white paper.

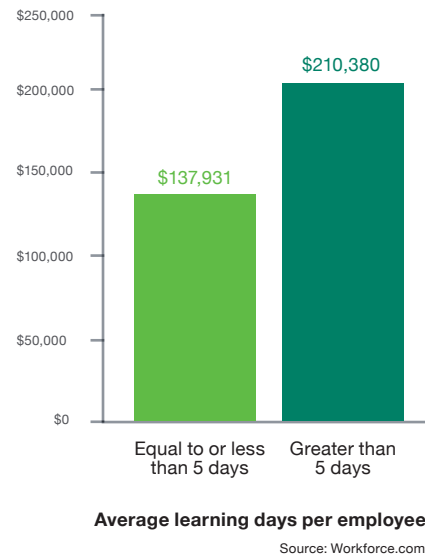
**Myth 3. Talent development is no more important than other HR responsibilities.**

Ensuring the current and future competitiveness of your organization's workforce can make the difference between success and failure for your company. According to Edward E. Lawler III, the main focus for most organizations should be on talent management and talent development. "Positioning the HR function and talent management to contribute to the overall effectiveness and financial performance of the organization is the best way the HR function can add value to corporations," says Lawler.<sup>3</sup> As organizations go on to do more complex and knowledge-based work, he states that "This has created a situation where the performance of talent has a major impact on the bottom line. The difference in many critical jobs between good talent performance and poor talent performance is 100 to 1."<sup>3</sup>

Now that we've eliminated some of the myths, let's review a few facts about the state of training programs today.

**Fact 1. Spending and budgeting for training are the most important factors in employee engagement.**<sup>4</sup>

- In 2013, U.S. spending on corporate training grew by 15% to over \$70 billion.
- The average training budget for midsized companies was \$1.2 million, and small companies dedicated an average of \$294,532 (2012).



Year-over-year change in training spending U.S.—2006 to 2013



2 Williams, R. and Lawson, Arnett, APQC, The ROI of Employee Training and Development: Why a Hearty Investment in Employee Training and Development Is So Important, Retrieved from <http://www.workforce.com/articles/the-roi-of-employee-training-and-development>  
 3 Lawler III, E. (2014, January 15) What Should HR Leaders Focus on in 2014? Retrieved from <http://www.forbes.com/sites/edwardlawler/2014/01/15/what-should-hr-leaders-focus-on-in-2014/>  
 4 Bersin, J. (2014, February 4) Spending on Corporate Training Soars: Employee Capabilities Now a Priority. Retrieved from <http://www.forbes.com/sites/joshbersin/2014/02/04/the-recovery-arrives-corporate-training-spend-skyrockets/>

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**Fact 2. The average amount of training per employee affects employee revenue.<sup>5</sup>**

- Average training expenditures per learner—**\$881**
- Average hours of training per employee—**37.5**

**Fact 3. Training can be delivered in an affordable and efficient way.<sup>5</sup>**

44% by classroom instructors  
28.3% using blended learning techniques  
25.9% through online or computer-based technology  
1.9% using mobile devices

**Fact 4. U.S. spending on corporate training is rising.<sup>6</sup>**

2011 10%  
2012 12%  
2013 15% (\$70 billion)

**Fact 5. Workers with training available to them report positive workplace attitude.<sup>7</sup>**

Committed (48%) versus uncommitted (39%)  
Happy (45%) versus unhappy (37%)  
Excited about work (30%) versus apathy towards work (14%)

## Key considerations for developing learning programs

Alan Chapman, founder of Businessballs, believes, “Training suggests putting stuff into people, when actually we should be developing people from the inside out—so they achieve their own individual potential . . . Training is about the organization. Learning is about the person.”<sup>8</sup>

In business, there is a need for both training and learning, but learning is more strategic. You’re more likely to achieve engagement when you help employees learn skills that increase their competitiveness in the marketplace than when you deliver how-to instructions.

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5 (2014) Training. 2013 Training Industry Report. <http://www.trainingmag.com/2013-training-industry-report7>  
6 Bersin, J. (2014, February 4) Spending on Corporate Training Soars: Employee Capabilities Now a Priority. Retrieved from <http://www.forbes.com/sites/joshbersin/2014/02/04/the-recovery-arrives-corporate-training-spend-skyrockets/>  
7 (2013) Root. New Study Reveals What U.S. Employees Really Think About Today's Workplace. Retrieve from [http://www.rootinc.com/press\\_releases/new-study-reveals-what-u-s-employees-really-think-about-todays-workplace/](http://www.rootinc.com/press_releases/new-study-reveals-what-u-s-employees-really-think-about-todays-workplace/)  
8 Alan Chapman, “Training or Learning?” Businessballs.com



**Never cut compliance training!**

Compliance training in the area of federal and state regulations is perhaps the most important training that can be provided to employees. This includes harassment and discrimination—two areas that have generated a rash of employee lawsuits in recent years. It's also important to provide compliance training for safety issues and company policies.

Compliance training ensures safe business practices and helps the company lower the risk of lawsuits. It's important to note, however, that avoiding risk is not the same as improving competitiveness.

**New ways of working require new ways of learning.**

Knowledge workers use information differently from how production workers traditionally have. In the industrial production world, a worker needed to memorize the exact procedures required to do his or her job over and over. A knowledge worker, by contrast, must know how to find information and then manipulate it and analyze it in order to solve a problem. It is not necessary for him to memorize it—only to locate it, use it, and process it.

The shift toward the knowledge industry requires new ways of learning and new technology to assist the learning process. To design effective learning programs for your future workforce, it is important to consider:

**1. Meta learning**—Learning how to learn is key to future success. Help your employees develop skills according to their learning style and take advantage of their strengths. Because information is constantly updated, it is only useful for a short time. That's why the skill of how we search has more strategic value over the long term than what we find. Learning is now a process—a life-long pursuit of newer and better skills for dealing with information.

**2. Informal learning**—With a greater focus on service work, employees need to learn not just information and theories, but how to make good judgments. Generally, that type of learning comes with experience and working together with others. Ways to encourage informal learning include creating good teams, documenting processes, and using technology (discussion boards, wikis, podcasts) to share experiences.

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# New ways of learning are enhanced by new technology.

The types of learning that are most important in the workplace are changing. So are the tools that we use to learn. When evaluating how you deliver training and learning, think about the technology preferences of different generations in your workforce and keep these technology considerations in mind:

## 1. Learning Management Systems (LMS)

Many HR departments are turning to learning management systems to help their organizations shift toward more strategic talent development. An LMS can help you work with your employees to map out career goals and opportunities, then identify the right learning objectives to accomplish objectives. It also helps HR departments keep an eye on critical skills and competencies from an organizational level and to deliver multiple forms of training and education. A good LMS empowers employees with skills they need and enables your organization to:

- Increase workforce productivity.
- Deliver targeted training to close skill gaps.
- Enable high-impact social learning.
- Reduce risk with better compliance.
- Increase employee retention.

### Relevant training is critical.<sup>9</sup>

Sixty-two percent of surveyed employees believe that available training isn't relevant

## 2. Training management solutions

Less robust than an LMS, training management solutions allow HR departments to keep track of training based on the job requirements and current employee skills in order to identify and address skill gaps and reduce noncompliance risks. A training management solution can allow you to easily identify needed classes and requirements and to track certification progress. Other possible capabilities include identifying high-potential employees and reducing administrative costs, among others.

## 3. Online learning platforms

From multiple shifts to multiple locations to flex schedules and telecommuters, it has gotten harder to gather all of your employees together in one place at one time for training. Online learning platforms allow employees to fit training into their schedules and to learn in the way that they prefer. If an employee learns best in a group with an instructor, a virtual classroom experience must be best suited. If an employee prefers to go at her own pace and be able to review the same material again, then self-paced online modules work better.

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#### **4. Mobility**

Increasing numbers of employees use mobile devices at work or as they travel for business. There is an expectation that workers should be able to connect with work at any time. When it comes to your training, can employees learn from anywhere? Using the device of their choice?

#### **5. Social learning platforms**

Some of the best learning happens in collaboration. Social media tools such as blogs, wikis, and Twitter can help your employees to share knowledge when deployed in a business environment. A social learning platform can help employees—especially younger workers who already use these tools—work together to establish best practices, share answers to questions, and improve productivity by not having to learn the same information twice.

## The bottom line

As experts gain confidence in the economy's growth, it is critical for your company to invest in its most valuable resource—your employees. Proper talent management can help improve employee engagement and productivity, lead to an optimized Return On Employee Investment, and help with employee retention. Identifying company and employee needs can help you to fine-tune training so both parties' needs are met. To that end, learning management systems and talent management solutions are excellent tools that allow you the flexibility to tailor training to your workforce based on individual and role-based needs; they also provide tracking capabilities to help ensure that compliance is maintained.

As new ways of providing instruction broaden the training horizon, they allow your company to conduct training in a flexible way that most suits your employees' needs and learning styles so they can achieve career goals while also maximizing your Return on Employee Investment, which in the end can pay great dividends.

## About Sage

Sage is committed to supporting small and medium-sized companies by developing solutions that create greater freedom for them to succeed. For more than 30 years, we have been a leader in the development of Human Resource Management Systems (HRMS) and payroll software.

For more information about our products and services, visit: [SageHRMS.com](http://SageHRMS.com)

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