

Employee training linked to corporate profitability

Nanci Valcke Contributing Writer

Employee training and education are the most reliable tools companies can use to keep an edge on the competition, according to data collected by the American Society for Training & Development.

In fact, there is evidence that investments in work force training can predict a company's future financial performance, including stockholder return.

The training society found that of 575 publicly traded firms reviewed between 1996 and 1998, those that invested \$680 more in training per employee than the average company in the study improved their total stockholder return by 6 percentage points — even after other factors were considered.

Not only is a firm's commitment to workplace learning directly linked to its bottom line, researchers found a link to the gross profit margin and income per employee.

Firms in the top quarter of the study group that invested an average of \$1,595 an employee in training had 24 percent higher gross profit margins and 218 percent higher income per employee than firms in the bottom quarter that invested \$128 an employee.

Offering higher education and training is not just for large public companies. Any business can keep its competitive edge and retain talented employees by offering them programs that develop their skills, according to the society.

"The first thing a company should do is to identify what their training needs are," says Jennifer Homer, spokeswoman for the group in Alexandria, Va.

Once the need has been identified, there are resources available to help companies figure out how to set up a program.

"We have a huge online Yellow Pages directory for finding resources," she says.

By simply going to the group's Web site, clicking on Yellow Pages and typing in a key word, employers can get a list of companies in their area that specialize in topics ranging from sexual harassment and diversity to learning a new computer software.

But in this era with a shortage of skilled workers, talented employees are a key factor in the new economy. Therefore, setting up a training program should be more than offering a course now and then, Homer says.

"(Training) doesn't begin and end with a course," she says. "A company ought to be looking at developing a long-term plan. It doesn't have to be complex."

Nor should it be limited to large corporations. Small and medium-size companies should be thinking long-term when implementing a program.

"A learning plan is as important as a financial plan or marketing plan," she says.

Once a company has decided to initiate a plan, there are several steps that need to be taken. And, fortunately, organizations such as ASTD or the American Association for Adult and Continuing Education in Washington, D.C., are there to help companies find the right type of program for their needs.

More companies are investing in education programs, whether it be continuing education, on-the-job training or cross-training employees so each can perform another worker's job. Companies often need to teach key employees how to comply with changes in state or federal industry regulations.

Virtual learning also is becoming more common as companies take advantage of the Internet to make training available to nearly all their employees. Advanced technology also allows hospitals to televise operations live to medical students in other parts of the world.

But with all the tools available, the Business-Higher Education Forum, a coalition of top corporate CEOs and university presidents, warns that U.S. business is headed for a skills and knowledge crisis unless it improves the education of the growing minority population. BHEF is a partnership between the American Council on Education and the National Alliance of Business.

"Diversity is an invaluable competitive asset that America cannot afford to ignore," says Stephen G. Butler, chairman and CEO of KPMG.