

MAXIMISING RETURN ON INVESTMENT

When economic pressure increases, training is often viewed as a luxury that the organisation can no longer afford. This is hardly surprising, since studies show that 85 percent of the potential value of training is left at the training room door and never applied on the job - a major systemic failure that CEOs and CFOs wouldn't tolerate for long with other investments.

Business leaders globally are now demanding a return on their training investments. They want to know that the vast resources committed to learning and development are reaping rewards. In the US more than US\$109 billion is invested annually in corporate training; however, most companies neither take the steps necessary to ensure success, nor measure the results. Those that do are awakening to the sobering fact that substantial value is being left on the table in the form of "learning scrap" - training and development that is never transferred to the work of an organisation in a way that produces results.

Not investing, however, is not the solution, as this does not address the need to grow leadership and talent within our organisations. To not invest is a short-sighted strategy that fails to fund the future.

Leading businesses understand this. They realise that over the past 20 years, growth in real productivity and in the value of companies has been driven primarily by investments in human - rather than physical - capital. They know that in the knowledge-economy people are the company's greatest asset and are taking this concept from cliché to commitment.

Furthermore, recent surveys indicate that CEOs are very concerned about their leadership pipeline, and do not feel they have the talent needed to drive their businesses forward in the future.

So rather than cuts in training budgets, New Zealand business needs smart

investment that pays measurable dividends and can address our productivity challenge. A proven way to maximise a company's return on investment in learning and development has been identified by the authors of *The Six Disciplines of Breakthrough Learning*. Drawing on years of research into why some corporate education programmes are truly transformational, the authors, from the United States-based Fort Hill

Company, present an innovative approach that accelerates the transfer and application of corporate learning. They have identified which elements of training and development must be in place in order to propel companies to a higher level of performance and productivity that delivers results of significant value.

They show how to bridge the 'learning-doing' gap with six disciplines:

- define outcomes in business terms
- design the complete experience
- deliver for application
- drive follow-through
- deploy active support
- document results.

The evidence is that when they are done well - and within the right transfer climate - learning programmes can significantly improve outcomes. In an example of the six disciplines at work, a Motorola Inc



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study found that plants where quality improvement training was reinforced by senior management got a US\$33 return on every dollar invested. In contrast, plants that provided the same training but without management follow-up produced a negative return on investment.

The financial returns on training and development come in many forms - not

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only directly, through improved performance, but indirectly, through improved retention, employee commitment and engagement, better customer service, and much more. The bottom line is that a strong financial case can be made for investing in leadership and management education. To realise the benefits, however, requires a healthy transfer environment that encourages people to use what they learn and holds them accountable for doing so.

Leaders are looking to make smart investments in their own people through education and training that incorporates follow through and measures results. Wise leaders view this as an investment rather than a cost.

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