The Value of Training

Companies today need to drive performance from every aspect of their IT investments. Find out how skills drive performance results and how IBM is building skills for a smarter planet in partnership with IBM Global Training Providers.
Introduction

Top performing companies not only recognize the importance of their people but also the need to provide the right skills to enable their people. 71% of CEOs cited human capital, ahead of products, customer relationships and brands as the leading source of sustained economic value. In addition CEOs ranked “People Skills” in top 4 “External forces impacting the enterprise”. 84% of employees in Best Performing Organizations are receiving the training they need compared with 16% in the worst performing companies.

Today more than ever, companies need to maximize their human capital by providing the right skills at the right time for the right people. Embracing the right level of IT training, enablement and engagement can dramatically reduce attrition and safeguard the investment made in hiring.

Employees who do not feel they can achieve their career goals at their current organization are 12 times more likely to consider leaving than employees who do feel they can achieve their career goals. Even worse, this number skyrockets to about 30 times more likely for new employees. Considering the amount companies invest in the recruitment process and the time lost to filling the same role again, the impact to performance and margin can be significant.

This paper outlines the gains your organization can achieve in client success, project success and adoption, product development, sales, risk management and retention and how you can measure the return on investment from a well designed skills building program that links your solution to your business needs.

In this document, we will point to market drivers and perform a reality check in the skills some organizations have and the market readiness to fill the current and future skills gaps. We show research where more than 65% of global leaders cite “talent and leadership shortages” as their #1 business challenge and with some skill areas, a full 90% of organizations do not have all the skills they need to be successful. We will look at the recommended action that companies can take to drive the right skills and look at how to link training to the business goals.

We will review the benefits of a skilled workforce and techniques to help you measure the ROI of training.
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People and Skills: What Organizations Senior Management Think

Today, companies need to do everything possible to drive performance; people and skills are a strategic part of this performance. The IBM C-suite Study is a result of analyzing our conversations with 4,183 leaders in 70 countries. We spoke with a cross-section of C-suite executives in more than 20 industries: This study offers insight into how these leaders view the world, their priorities and how they are preparing for the future. In the study, CEOs rank People Skills in the Top 4 external factors that will impact their business in the next 3 to 4 years.

71% Of CEOs identified human capital as a key source of sustained economic value

Source: “Leading through Connections” IBM CEO Study, 2012

In fact from 2004 through 2013 across all of the C-Level, people skills rank high on the list of external factors that will impact performance. The senior management inside organizations has a clear idea that skills matter. In the next section we look at the Return On Investment (ROI) for Training.

Perceptions of new employee training by job level

It is clear senior management teams at successful clients recognize the need for skills and training. There is a disconnect however between what the senior management believe is being delivered and what is actually being delivered.

People Skills Top 4 Focus

CEOs Rank People Skills in top 4 “External forces impacting the enterprise”

Source: IBM C-Suite Survey 2013

In the prior year, 71% of CEOs cited human capital, ahead of products, customer relationships and brands as the leading source of sustained economic value.

Source: Question E8–What are the most important external forces that will impact the enterprise over the next 3 to 5 years?, n=4,009
Decision-makers—senior leaders and HR professionals—seem to be a little more optimistic. Seven out of 10 HR professionals believe employees are getting the training they need and that figure rises to eight out of 10 among senior leaders. Clearly a disconnect exists between decision-makers and training recipients, perhaps resulting in under-investment in training in many organizations.

One solution for this disconnect may be a lack of objective training performance metrics. According to Dr. Donald Kirkpatrick, Professor Emeritus at University of Wisconsin and Honorary Chairman of Kirkpatrick Partners, there are four ways to evaluate training: reaction, learning, behavior and results.

For example, an introductory sales course could be evaluated by giving students a survey about the training quality (reaction), by testing students on the content taught in the sales course (learning), by observing whether students actually end up using the sales tactics they learned (behavior), or by measuring changes in sales volume before and after training (results). By evaluating training effectiveness and sharing those results across the company, organizations can close the gap between perceptions of managers, HR professionals and the rank-and-file.

### Working with the management team to bridge the gap

The Authorized IBM Global Training Providers have the ability to work with IBM Clients to address all the needs of the senior management team and client HR teams.

- Linking training to business needs
- One stop shop—our IBM Global Training Providers are not limited to just IBM Training, offering other IT technology training, project management and other related training
- Skills gap analysis
- Driving training effectiveness metrics and performance
- Hosting Learning Management Systems and integration into existing
The ROI of Training within your Organization

Best performing companies invest in training

In a recent IBM Smarter Workforce study IBM looked at best performing companies and worst performing companies to see if skills had a part to play in performance. The results we found are not surprising: 84% of employees in Best Performing Organizations are receiving the training they need, a full 68% better than worst performing companies.

Relationship between number of hours of training and project success.
The amount of training does not need to be massive. When preparing for a project, teams receiving 40 hours of training per member met their significant project objectives three times as often as teams that received 30 hours of training or less.\(^1\)

Relationship between team skill and stakeholder objectives
Training helps stakeholders win: Objectives will be met 90% more often by increasing team skills. Increasing team skills by 1/3 increases likelihood of stakeholders meeting their objectives from 10% to 100%.\(^2\)

Source: IBM Smarter Workforce 2013 Training and Tenure Report

Benefits of a skilled workforce

Building skills for a smarter workforce

IBM Training building skills for a smarter planet

The Value of Training

The benefits of a skilled workforce and a learning solution are significant and measurable, and they affect all areas of the organization from sales and marketing to customer service and support. They include:

- **16% increase** in customer satisfaction among companies using learning technology\(^{iii}\)
- **Skill levels linked to business value**, **$70,000 in annual savings** and **10% increase in productivity** when teams are well trained\(^{iv}\)
- **35% reduction** in time spent searching for sales content\(^{v}\)
- **22% faster rollouts** of products and processes
- **75-80% of managers believe effective training is critical to project success** and meeting project deadlines\(^{vi}\)

“75-80% of managers believe effective training is critical to project success, skill levels linked to business value yield a 10% increase in productivity”

Building skills for a smarter workforce

It pays to work smarter not harder. According to a 2010 study by the IBM Institute for Business Value, organizations that are significantly outperforming their industry peers also happen to be making more headway on newer approaches to work. They are using dynamic, collaborative and connected ways of working to get things done effectively within a constantly changing environment.

How can organizations work smarter? Through IBM’s interactions with clients around the world, we have witnessed a number of practices that are making organizations more agile. These approaches to how work gets done fall into three main categories which make their organizations more:

- **Dynamic**—adjusting rapidly to changing business conditions
- **Collaborative**—bringing together resources, both internal and external, to share insights and solve problems
- **Connected**—enabling access to information regardless of time, distance or organizational silos

“...75-80% of managers believe effective training is critical to project success, skill levels linked to business value yield a 10% increase in productivity”

Source: “IBM Institute for Business Value—A New Way or Working” 2010.

The IBM Institute for Business Value (IBV) research revealed several interesting findings:

- Outperformers use smarter working practices far more extensively than their lower-performing peers and they are doing so to fuel growth, not just drive efficiency.
- For most organizations, the ability to adapt to a constantly changing environment is hampered by capability gaps in three primary areas: process and skill reconfiguration; broader and more embedded collaboration and integrated, real-time information for decision-making.
- The most dynamic, collaborative and connected companies have widely adopted certain technologies that make smarter working practices viable.
Working together with an IBM Global Training Provider, IBM Clients gain access to skills maps developed for roles and solution areas, a dedicated client team that will work with the client to identify any potential skills gaps and a dynamic plan to address these gaps.

The skills gap is not just about technical ability and driving process efficiencies, nor is it just about engaging employees to make them more productive and to reduce attrition costs. Companies who are significantly outperforming within their industries are already positioning for growth. They are far less worried about operational efficiency, perhaps because they have already addressed the skills gap to outperform in these areas. Instead, they are concentrating on innovation and expansion. Their focus revolves around introducing new (and adapting existing) products and services and addressing regulatory requirements, which also relates to their expansion into new geographies and markets.

Outperformers are already positioning for growth today.

IBM Training and our IBM Global Training Providers understand the need to leverage the client’s solution combined with the talent of the organization, linking this to the business needs and smarter working practices.

Compared to other companies, outperformers are more than three times as likely to have adopted smarter working practices.

Extensive adopters of smarter working practices*

*Note: Companies scoring "high" or "very high" across all of the elements of at least one smarter working dimension (dynamic, collaborative or connected).

Source: “Study by the IBM Institute for Business Value — A New Way or Working” 2010.

Where outperformers lead

Outperformers are developing capabilities that allow them to adjust and react more rapidly. Compared to their less adaptable peers, more than twice as many outperformers can:

- Easily identify individuals with needed skills
- Display and deliver information to meet the needs of various audiences
- Quickly build skills to address changing conditions
Our IBM Global Training Providers offer traditional offerings of public and private training but this is significantly augmented by “Smarter Skills Services” such as:

- Skill Gap Analysis
- Business Transformational Services
- Content Customization to make the learning fit
- Collaborative and Connected Learning Sessions and tools
- Learning Coaching
- Boot Camps and Re-Skill Sessions
- Enterprise Learning Licensees—where clients that have invested in their own competency centers can leverage IBM and IBM Global Training Provider Content with a right to use or right to modify license

They are also offering many more dynamic services that adapt to the business and learning needs of today. IBM and its Global Training Providers are also establishing work methods that facilitate and encourage collaboration by leveraging the collective strengths of our customer’s organizations.

**Cost of losing your staff investment**
Organizations should consider the cost of recruitment and attrition. Although this paper does not attempt to quantify the differing costs of recruitment within a client’s organizations, it is imperative to look at the impact of training on new hire recruitment and the impact of skills on career development and retention.

“**New Employees are 42% more likely to stay when receiving the training they need to do their job properly**”

Training and an investment in developing a skills building culture dramatically impacts employee retention. Only 21% of new hires intend to stay at companies that do not offer training for their current jobs. However, the study reveals that 62% of new hires intend to stay when training is provided. This nearly three-fold increase is a powerful example of the positive impact of training on new hire retention.

**New Employee Turnover Intentions by Training**

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<th>Training Received</th>
<th>Intend to Leave</th>
<th>Undecided</th>
<th>Intend to Stay</th>
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<tr>
<td>22</td>
<td>15</td>
<td>62</td>
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<td>54</td>
<td>34</td>
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Training Not Received

<table>
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<tr>
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Source: “Study by the IBM Institute for Business Value – A New Way or Working” 2010.
Employees who do not feel they can achieve their career goals at their current organization are 12 times more likely to consider leaving than employees who do feel they can achieve their career goals. Even worse, this number skyrockets to about 30 times for new employees.

The importance of career development, especially to new employees, again highlights the importance of having an onboarding process and learning management system (LMS). While onboarding and learning management have focused traditionally on job training, IBM Global Training Providers can work with clients to develop processes and systems to help new employees facilitate informal mentoring, foster collaboration across jobs and business functions and identify subject matter experts within the organization.

In addition they can provide linkage to training in the right modality to facilitate development, access to IBM, third party and company repositories to share technical knowledge.

An IBM Global Training Provider can work together with clients to create an always-learning paradigm that can drive solution success and address retaining the right resources in your organization with the right tenure.

**Source:** IBM Smarter Workforce 2013 Training and Tenure Report
Today’s organizations face new problems

The Dynamics of the Modern Workforce

The dynamics of the modern workforce are making it difficult for companies to find and keep talented workers. Here are some startling statistics:

- A full 90% of organizations do not have all the skills they need to be successful.
- More than 65% of global leaders cite “talent and leadership shortages” as their #1 business challenge.
- The 74 million next-generation workforce of 15- to 24-year-olds who are unemployed are not skilled to fill the skills gap.

Knowledge Leak

Knowledge leak is another critical problem. How do you keep the intellectual capital you have? Most research on retention suggests nearly 30% loss of skill annually for skills that are not routinely reinforced, though significantly less when skills are routinely (and correctly) performed. The starting skill of an organization can range anywhere from nearly 100% after extensive organizational training to as little as 50% or 60% after several years of little investment in training and normal turnover in the IT environment.

Changing dynamics in the workforce, where employees have little sense of loyalty for their employers, compounds the problem. Employees who do not feel they can achieve their career goals at their current organization are 12 times more likely to consider leaving than employees who do feel they can achieve their career goals. Even worse, this number skyrockets to about 30 times for new employees.

People under the age of 35 are twice as likely to be looking for new work as older workers. What’s more, the total costs of replacement can reach 200% of an employee’s annual salary.

Generations of Learning

With the mix of generations within an organization, businesses must ensure that they are addressing the learning styles that work for that generation from the traditionalist with public training to the Millennial who wants to have just-in-time training available on his/her mobile device.

Source: IBM Tech Trends Report
An IBM Global Training Provider is able to leverage the high quality, up-to-date Authorized IBM Content with smart and connected delivery engines to address the learning needs of today’s enterprise.

**Market Drivers**
Technology is changing everything: The “four pillars” of the 3rd Platform — mobile, cloud, social, and Big Data — are impacting current job roles and driving demand for new roles and skills.

- Mobility is an important driver of enterprise innovation, requiring broader technical skill sets to support users in their day-to-day work and ensure that a myriad of device and software combinations work optimally. According to IBM’s Tech Trends Report, 70 percent of respondents say they plan to increase spending in mobile in the next two years. The shift toward BYOD is even more pronounced in growth markets like Brazil, Russia, India, China and South Africa, where 41 percent of those surveyed will allow employees to connect their own computing devices to their network with in two years, bringing the total to 83 percent in those countries.

- Cloud is both a delivery model and a consumption model for IT, creating a shift in internal roles from IT builders and managers to brokers, strategists and business supporters.

- Social media, as a core part of IT’s next growth platform, brings with it the problem of data privacy, driving demand for expertise in that area.

- Big Data comprises a set of genuinely new technologies and a convergence of more mature technologies. Organizations must be prepared to embrace a more information-led culture.

These shifts in technology will redefine the roles which are important for an organization to succeed and require companies to hire or retrain employees. Community managers, mobile developers and Big Data analysts will take on increasing importance as other roles, such as desktop application support, will decline.

The world does not stand still, and neither have we. The technologies underpinning Smarter Planet — Big Data analytics (including IBM Watson), mobile, cloud, and new systems of engagement — are converging and the transformation they are unleashing is accelerating. Working together with IBM Global Training Providers, clients can harness the power of IBM solutions to drive business success.

**Source:** IDC’s 2013 CIO IT Staffing Survey, August 2013

It is important to understand the new IBM Training model in partnership with carefully selected IBM Global Training Providers. It offers not only the high quality content direct from IBM but also content that is aligned to business needs and is not limited to the IBM technology. The IBM Global Training Provider is able to offer training in 3rd party products, project management and many other aspects of solution success.
Recommended action:
Build skills internally

To meet the challenges, leaders must look within their organizations to improve employee engagement, unlock lost productivity and develop the skills of their existing base. They must also evaluate the best methods to build skills and create an environment where intellectual capital is easily shared and diffused through the organization and they must measure the real value of skills to the organization to justify the costs and meet “spend to save” criteria.

Best practices from leading organizations

Leading organizations adopt the following best practices to create a culture that fosters continuous learning—practices which lead to better and faster business results:

- **Fully training the team.** The most important factor in reducing the effect of knowledge leak is fully training everyone
- **Provide ongoing training/access to reference resources.** The obvious method to reduce leakage is to provide “refresher training” continuously
- **Document processes.** Documented processes or routines can mitigate the absence of individual skill.

- **Train consistently.** Training new hires, promotions and transfers, regardless of their “source,” is important to ensure consistent application of policy and ultimate system success\(^\text{ix}\)
- **Train efficiently.** The acclimation of new users is exacerbated when positions turn over quickly, as in the case of medical centers where residents temporarily work as part of their clinical rotations or IT organizations in urban areas where turnover is higher than in more rural locations\(^\text{xvi}\)
- **Train globally.** Training on a global basis is a never-ending cycle\(^\text{xvii}\)
- **Train conveniently.** Technology-based training, including informal or search learning, supports delivery as closely as possible to the time when the employees will use the new system or new procedure, ensuring the most value of the training and the most value of the system\(^\text{xx}\)
- **Explain thoroughly.** Users may not always have access to mentors and may need access to reference material, search tools or expanded training to address areas of need whenever problems arise\(^\text{xx}\)

Aligning your skills program with your business needs

Like any other business decision, you must build a business case and cost justification for the investment you make in skills development and you must align this initiative with your business objectives. Towards Maturity, an independent research organization, recommends four key areas for your action plan:

1. **Quantify the potential impact of your solution**
   Do not just concentrate on the technology and features. Top learning organizations have used learning technologies to deliver average improvements of:
   - 19% in staff satisfaction/engagement
   - 24% in ability to change procedures or products
   - 14% in increased productivity through learning interventions
   - 17% in customer satisfaction
   - 12% reduction in time to competence
   - 22% in reduction in delivery time\(^\text{xxi}\)

What difference would these key performance indicators make to the bottom line in your organization? Use the data to help you justify your spend! Use the relevant indicators important to your organization to shape and create a business case for spend to save.\(^\text{xxi}\)
2. Align your learning strategy with the business
Be proactive in understanding and supporting both tactical and strategic organizational goals. Top companies are driven more by business priorities than others and involve business leaders directly. They:

- Analyze the business problem before recommending a solution
- Work with senior managers to identify specific business metrics to be improved
- Recognize that learning is aligned with the overall business plan
- Demonstrate value back to the business by revisiting objectives with senior managers and reporting on the goals/results

3. Leverage the experience and results of others
Top learning companies are more likely to invest in the process of benchmarking to help avoid re-inventing the wheel to continually improve performance. External comparisons also help to justify the business case.

4. Position yourself for success
Timing is everything. Understand learner behavior upfront to accelerate change. Link to other initiatives in the organizations to make it relevant—do not teach people to shovel snow in the summer.

The need for you to measure your ROI
To measure the value of training, you must set objectives and then isolate the impact training has on achieving those objectives. You will need to determine a value in units for each area of improvement. For example, reducing tech support calls by 50% will have an associated business value in wages and sales. Here are a few recommendations:

1. Test before and after
Perform a test to measure knowledge and job satisfaction before the training event, then test afterwards to compare the results.

2. Examine your service logs
Measure the impact to customer service, tech support and compliance before and after. Determine a value in units.

3. Measure sales performance
How does a skilled workforce, from administrators and engineers to web developers, affect your sales by producing a better experience for customers? If you are providing sales training, measure the change in sales for trained employees. In addition, measure the amount of time spent looking for information by administering a questionnaire before and after the training event.

4. Examine time to completion
How long do you estimate it will take to complete a project? Quantify the value of the difference between the completion rate for trained employees versus untrained employees. Salaries are one measurement; opportunity is another. If you are producing a product for a client, what is the value in completing the project 10% faster?

5. Examine costs
Training reduces waste of valuable assets. For example, employees who are trained to use a shared cloud hosting service for data will dramatically decrease the amount of storage needed overall in the organization. What is the value achieved from asset reduction?

The benefits you attain—and the training costs to achieve them—should be measured over a 12-month period to provide a realistic value of improvement. IBM is solving the skills challenge: Join us—The value of technology is realized through its implementation and that implementation requires people who are effectively trained with the necessary skills to make the best possible use of information technology solutions.

An IBM Global Training Provider can help drive not only the dynamic plan around your learning requirements but can also help you measure consumption and performance of the resulting skills against your business, making it easier for you to build long term always learning models that will drive significant success to your business.
IBM Training: The New Model

To make our training more impactful, we developed a new approach. With a new partner-led model, we believe our training will be accessible in more countries, available in more formats, better mapped to our clients’ business goals and focused on skill development across a range of disciplines.

IBM has grown the IBM Training ecosystem to enhance our training capabilities and extend reach into new cities and countries by partnering with highly qualified IBM Business Partners who provide high quality, authorized training for IBM clients, IBM Business Partners and IBM employees. IBM continues to provide authorized training curriculum and content and also maintains overall ownership of the IBM Training ecosystem. We believe that we have created a more robust solution that will benefit our clients and IBM Business Partners.

The IBM network of Global Training Providers can help you get the right training for new hires and existing employees. Our network will help you accelerate the growth of skills and training in your organization to improve your business. Our Global Training Providers only provide training using authorized content from IBM.

To learn more about how training and skills development can help you generate revenue, improve productivity and save costs, please visit ibm.com/training.

Then contact a Global Training Provider to find out how to get started.
The Value of Training

1 Training Impact on Project Survey, IDC, 2011

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