

Is Training Necessary?

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Abstract:HR function in any organization is keen in training and development of employees through numerous interventions to effectively utilize the human potential to the maximum advantage of employee, organization and society at a large[6]. At the same time, it is not uncommon to see, training budgets getting curtailed, training function getting rightsized, training being given the last priority etc. Today, before deciding to invest into training and development of employees, authorities do ask this question – What would be the return on training investment?“Is Training Necessary?” This paper is aimed at exploring the answer to this question[17]. If yes, Why? If no, Why? Figuring out the probable reasons why this question arises and making recommendations to make training and development efforts more effectiveso that organizations can obtain desired business results[18].

Index terms: Training, Training and Development, Impact of Training, Business Results

I. INTRODUCTION

Current economy has brought great business opportunity along with great turmoil. The same is triggered by shift of demand centres to emerging markets, the accelerated rise of new technologies, sustainability policies, changing consumer preferences, digitization, increasing automation and new business models have revolutionized Global economy as well as Indian economy. This change at macro level is leading towards the fact that Industries are becoming more and more competitive and eco systems have become ever more demanding. In such a scenario, only those organizations are surviving and sustaining which are constantly maintaining their competitive advantage(s).

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In this knowledge and technology driven economy, human capital has become increasingly important to the performance, competitiveness and advancements of the organizations.

Since human capital is considered as one of the key source of competitive advantages which leads to success and sustainability of the business, its development has become one of the important function of management. This becomes evident when we look at the current size of training and development industry and the increase in size over last 5 years. Though there is no standard body to capture the quantum of training and development efforts being taken by organizations and Governments across the Globe, Trainingindustry.com have made efforts to collate related information to arrive at a size of training industry year on year basis. Table 1 below is highlighting the size of training industry is showing continuous and consistent increase in the size of Industry.

Figure 1

Year	Global Spend (USD)	America (USD)	Rest of World (USD)	Growth
2016	\$359.3B	\$161.7B	\$197.6B	1.0%
2015	\$355.6B	\$160.0B	\$195.6B	10.4%
2014	\$322.2B	\$150.2B	\$172.0B	4.9%
2013	\$306.9B	\$141.7B	\$165.2B	5.2%
2012	\$291.7B	\$131.3B	\$160.4B	2.0%
2011	\$286.0B	\$128.7B	\$157.3B	5.5%

Source-www.trainingindustry.com/wiki/size-of-training-industry/

Is Training Necessary?

Along with its size training industry is also evolving in terms of training modes, techniques, aids, use of alternative modes like E-learning, M-learning etc. and so is the ask from training departments, training managers and training agencies. Training and development efforts which have been, seen as

hygiene or feel good factor so far, scenario is no more same, it has changed completely. In current times when businesses are being done with limited resources and higher performance expectations, business leaders have become more demanding in terms of Return on Investment made in training and development of employees i.e. how much is the impact of training and development activities on the performance of employees, function and overall organization.

It is not so unusual to see today, that before making a decision to invest into training and development of employee, decision authorities do ask this question – “Is Training Necessary?”, the title of this research endeavour. To this question, there are two probable answers; YES or NO. But before answers, lets question the question first.

HR function in any organization is keen in training and development of employees through numerous interventions to effectively utilize the human potential to the maximum advantage of employee, organization and society at a large. At the same time, it is not uncommon to see, training budgets getting curtailed, training function getting rightsized, training being given the last priority etc.

There is a dichotomy around training. Providers of training believes that it would enhance productivity and recipients of training (stroke their supervisors), see training time as a loss of productivity as they are away from job. Providers think that it will positively impact business result, recipients hardly see any impact on business as training effectiveness is measured in most of the case at reaction level only [Kirkpatrick’s Four Levels of Evaluating Training (Kirkpatrick, 2008) and Jack Phillip’s Five Level Framework of measuring ROI of Training (Phillips, 1997)][13][19].

II. LITERATURE REVIEW

Human Capital at it’s very basic, originated as one of the four factors of production in economic terms (Land, Labour, Capital and Entrepreneurship) i.e. “Labour”. Labour as a factor of production is human effort utilized in the process of production of goods and/or services which also includes technical and marketing expertise. Origin of value of labour can be traced back to Labour Theory of Value (LTV) in Labour Economics. Labour Theory of Value (LTV) has developed over many centuries. Credit of originating or developing it does not go to any single person or authority, rather different intellectuals from different fields independently came on similar conclusion. Works of classical theorists **Adam Smith**, **David Ricardo** and **Karl Marx** are the hallmark works in the history of economics, in which conceptual frameworks were assigned to the Labour Theory

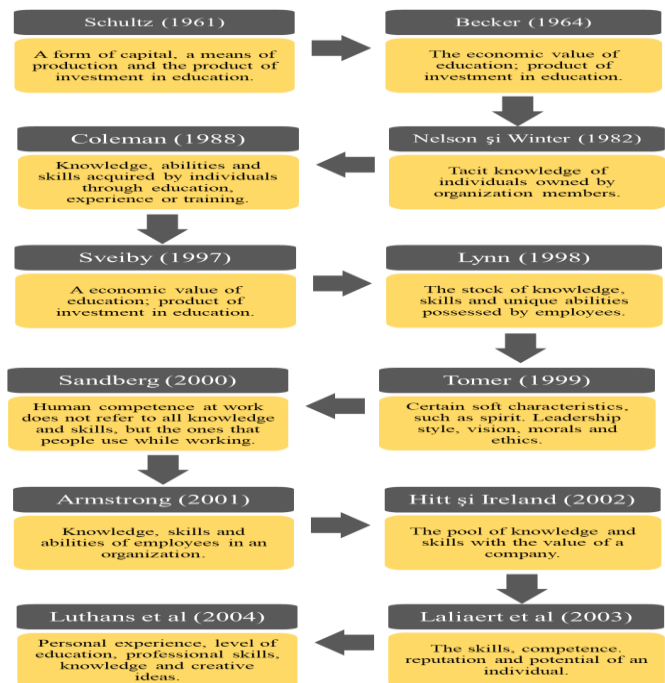
of Value and hence laid down the foundation of modern economics.

Over a period, there have been several theories which have come up emphasising on various parameters to form human capital[21][22]. Human Capital theorists from the times of Schultz and Gery Becker to the current times have attributed various indicators to it[15]. An attempt had been made by Tzu Shian Han et al in their paper titled as “*Developing human capital indicators: a three-way approach*” to have a summative view on all such facets of human capital as depicted in [10]

Other than the researches on defining and describing human capital as mentioned above, there are theories that made path defining contribution to the field of training and development. Hence, any literature review on training and development must not be considered as complete without the mention of these theories as mentioned below.

1. Theory of Resource Based View of Firm
2. Framework of Intellectual Capital by Bontis et al.
3. Porter’s Five Competitive Forces that Shape Strategy and Human Capital

Figure 2



Source: representation according to Tyu-Shian Han, Carol Yeh-Yun Lin, Mavis Yi-Ching Chen (2008), *Developing human capital indicators: a three-way approach*, *International Journal of Learning and Intellectual Capital*

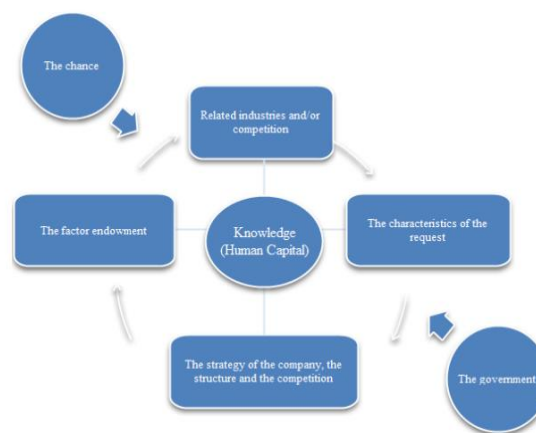
Having established the assumptions and conditions of Resource Based View (RBV), a theoretical framework created to identify what makes a resource that lead to competitive

advantage. As per this framework, to have a potential to become a source of competitive advantage, a resource must have four attributes; (a) it must be valuable, in a sense that it enables organization to leverage the opportunities and/or defuse threats in its external environment, (b) it must be rare amongst the current and potential competitors of an organization, (c) it must not be imitable by competitors and (d) there are no equivalent substitutes available for this resource i.e. it must be non-substitutable. Also known as VRIN (valuable, rare, inimitable, non-substitutable) framework.

Bontis et al[2]. have defined human capital in detailed manner. “Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated can ensure the long-term survival of the organization.”

In Porter's model we see that there are a number of factors on which competitiveness of some organizations depends such as, factor endowment of the country or the sector with primary factors of production; The strategy of the company; Structure and competition in the sector; The characteristics of the demand to be met by organizations; - Related industries and / or competitors those are internationally competitive; Strategies designed by the Government, especially on education, health, infrastructure etc.; Opportunity or chance, which includes inventions, technological discontinuities, changes in markets etc[5][12]. The model developed by Porter does not refer explicitly to knowledge (human capital) as a factor of progress that distinguishes countries but note that each of the factors analysed closely by Porter involves, individually, an important stock of knowledge as that factor to become operational in the global market. Simply put, we think that the complete diamond proposed by Porter (to account for the differences between countries / organizations on economic growth) is, in fact, strongly "anchored" around what we call knowledge; the invoked idea is suggested in figure 3.[20]

Figure 3



Source: representation according to Porter, M. (1990). *The Competitive Advantage of Nations*

Having looked at literature on what human capital is and how it is developed, the next and the most important area is to study literature on how human capital development i.e. training & development and business performance are linked with each other and what is the nature of such relationship.

The study of linkage between the two is as old as the concept of human capital development itself. Back in 1968 Catalanello and Kirkpatrick studied 110 firms to see how the training programs are evaluated on Kirkpatrick's 4-Level framework of training evaluation. Study suggested that very high percentage of firms assessed the training at reaction level only and very few tried to assess the change in behaviour or results [7].

In one of the landmark paper on relationship of employee training and employee productivity, Ann P. Bartel concluded that the major finding of his work is that businesses that were operating below their expected labour productivity levels in 1983 implemented new employee training programs after 1983 which resulted in significantly larger increases in labour productivity growth between 1983 and 1986. This higher rate of productivity was sufficient to bring these businesses up to the labour productivity levels of comparable businesses by 1986. In this study they also interpreted the implementation of new personnel policies other than training did not have positive effects on productivity growth[3].

In his study titled as “The impact of Human Resource Management Practices on Turnover, Productivity and Corporate Financial Performance”, Mark Huselid, examined a sample of nearly one thousand firms and comprehensively evaluated the links between systems of high performance work practices (extensive formal and informal employee training as a key such practice) and firm performance[11]. The research indicated that these practices have an economically and statistically significant impact on both

Is Training Necessary?

intermediate employee outcomes (turnover and productivity) and short-term and long-term measures of corporate financial performance. This was true across a wide range of industries and firm sizes. Study proved a substantial magnitude of return on investment on high performance work practices.

Since first study of impact of training in business performance in 1968 by Caltalanello and Kirkpatrick, there has been numerous studies done world over to study different aspect of impact of training on performance[8]. The key ones which are considered landmark studies are mentioned here.

II. RESEARCH OBJECTIVE

This exploratory research work is aimed at reconnoitring the answer to the question of necessity of the training and development of employees by

- a. Studying the literature available on nature of relationship between training and development efforts and their impact on the business results.
- b. Finding out the probable reasons why training and development efforts are not contributing in terms of desired business results.
- c. And making recommendation based on the study, on the ways and means to make training and development efforts more effective, the organizations can make use of.

II. FINDINGS

Do training and development impact business performance positively?

Should organizations spend on the training and development of their employees?

As an answer to these questions, there are two viewpoints to look at human capital development. One is why human capital should be developed, the other is, why it should not.

On exploring on both the viewpoints based on literature available arguments are gathered both in favour and not in favour of human capital development which are mentioned below.

V. ARGUMENTS IN FAVOUR OF HUMAN CAPITAL DEVELOPMENT

“The only thing worse than training employees and losing them is not training them and keeping them.” Zig Ziglar

- a. It is believed that developing human capital is an important factor which leads to the success of any organization in today’s competitive milieu.
- b. Unlike other resources, human capital is difficult to imitate so human capital development becomes an important pillar on which the long-term competitive advantage is based.

- c. It is realized by many of the organizations across the globe that it might be difficult to find the required talent through external sources, in such a scenario nurturing the internal talent for their future requirement would be an ideal approach. So, organizations are increasingly spending on the training and development of internal talent.
- d. In this technology driven era, we realize that today there are jobs which did not exist a decade ago, considering this trend we can say that in future there would be many more jobs that do not exist today. This fact is and would be leading to increasingly widened skills gap. A skills gap develops when there is an inconsistency between the number of skilled workers and the number of skilled workers an organization needs. Investing on training and development of employees to make them ready for future jobs and tasks is one-way organizations are trying to offset the skills gap effect on their business.
- e. Although the spending does vary by industry, ATD’s (Association of Talent Development) State of the Industry Report stated that the average direct expenditure per employee per year is \$1,229[1]. Forbes also reported that high-performing companies spend more. “Companies which fall into our ‘high-impact’ categories spend significantly more on training than average.” This shows that companies who spend more per employee than those who spend inconsistently are seeing the learning and development investment paying off.
- f. Employees are internal customers and employee satisfaction leads to customer satisfaction and repeat business (James A Fitzsimmons). Same philosophy presented by Vineet Nair in his book “Employees First Customers Second” which is much acknowledged by business leaders, HR practitioners and academicians across the globe. And training and development of employees is one of the key ingredients to employee motivation, satisfaction and engagement.
- g. In Josh Bersin’s Forbes article, “The Learning Curve Is The Earning Curve,” he points out that “learning is part of economic survival for most of us” and if businesses don’t make an effort to continuously re-skill employees, they will fall behind (Bersin, 2016).
- h. In a Bersin by Deloitte study of millennial leaders, 30% of respondents still do not feel ready to be in their leadership role. They cited “managing difficult people or situations, lack of experience, and dealing with conflicts” as their top concerns and reasons behind their lack of preparedness. Leadership training is a key component in keeping and retaining talented millennial leaders (Deloitte, Bersin Study of Millennial Leaders)[4][9].

- i. Organizations are enthusiastic to invest in development of their human capital through numerous initiatives to effectively utilize the human potential to the maximum advantage of employee, organization and society at a large.
- j. According to a study published in the International Journal of Academic Research in Business and Social Sciences, organizations that train and develop their employees see improved profitability “while cultivating more positive attitudes toward profit orientation.” For the employees on an individual level, training and development improves expertise of their position, the company’s goals and the relationship between the two.

Also, the increasing size of training industry, as highlighted in Table No. T1 mention in the earlier part of this chapter and research findings given below, is pointing towards the belief that organizations are finding more and more value in training and development hence allocating more and more budgets and resources for training and development of their employees.

According to a recent 2015 Training Industry Report of U.S. training industry, Total 2015 U.S. training expenditures—including payroll and spending on external products and services—took an upward trajectory, soaring 14.2 percent to \$70.6 billion in U.S. and \$130 billion in the world (Magazine Training, 2015)[14].

To address the ever-widening talent gap in a job market where organizations compete heavily for skilled talent, overall spending on learning and development (L&D) rose 10 percent to \$1,004 per employee in 2014, according to new research from Bersin by Deloitte, Deloitte Consulting LLP. The 2014 findings mark the fifth consecutive year increase and appear in Bersin by Deloitte’s new industry study, “The Corporate Learning Factbook 2015: Benchmarks, Trends and Analysis of the U.S. Training Market.”

VI. ARGUMENTS AGAINST HUMAN CAPITAL DEVELOPMENT

Though this set of arguments are not widely researched and published but holds a good logical ground. There are several evidences available on cutting training and development budgets across industries and economies globally.

- a. There are numerous cases in the past where during the difficult times organizations cut their training and development budgets. Usually training and development is considered as one of the non-essential activities during downsizing/rightsizing exercises.
- b. Effectiveness of most of the training programs is measured at immediate reaction captured through smiley/happy sheets or a knowledge assessment and its impact last only to a short span. There are very few programs where organizations go beyond this level and put systematic and structured efforts to see if the learning is being applied or impacting in the

performance of the employees positively. So why to invest for such short-lived outcomes.

- c. At a macro level when we compare training and development efforts/investments in large enterprises (LEs) with small and medium enterprises (SMEs), SMEs are not spending much on the training and development of their employees, but SMEs are clocking much better growth than LEs. As per annual report of Ministry of Micro, Small and Medium Enterprises, MSMEs registered a growth of 18.74% in 2015-16 [16].
- d. The factors like globalization and high competitiveness are pushing organizations towards cost consciousness. And human capital development is seen as a cost especially during difficult times organization goes through.
- e. In today’s economic environment where there are abundant job opportunities and right talent available in the market, investing on human capital development may not be seen as a prudent investment as trained talent can easily be hired from outside. Professional colleges and universities are making more and more efforts to make their student job ready from the day one.
- f. Training and development of employees in today’s opportunity driven environment may not benefit to the organizations in long run because developed and competent talent usually leave for better opportunities and such investment goes waste.
- g. Training need identification in organizations are usually top to down approach where leaders’ views are taken but views of employees to be trained are not captured, hence it becomes like a forced intervention for which there is no buy-in and motivation, so it is wastage of financial resources which could have utilized otherwise for the welfare of employees by the organization. So, by not learning and applying the outcome they actually prove that what they said was right, training and development added no value to business.
- h. In today’s highly performance and productivity-oriented times, businesses are expected to perform at rock bottom costs and deliver better result than ever. This fact is reducing the horizon of business leaders and hence their thought process is changing towards focusing on short term and tactical ways to show results. In such cases leaders see training and development interventions as a dual cost. One is the
- i. cost of training and other is the loss of productivity because of

Is Training Necessary?

taking people out of their jobs during training time.

- j. There are numerous incidents in organizations where either training participants or their supervisors shows reluctance towards attending training programs as they see it as another activity which is consuming their or team's time which otherwise would have been spent on chasing KPIs.
- k. Some business leaders see training and development of human capital more like a formality rather than a long-term value adding investment. So, when recipients of the training and development efforts see no value addition then why should organization invest?

Considering these diverse view points on the impact of training and development efforts on business results, it becomes imperative to establish the fact that training and development do or do not result in better business performance hence investment made by the organizations towards training and development of their employees be better justified.

VI.SUGGESTIONS

Probable reasons, being the views of researchers based on their vast industry and academic exposure, behind these diverse views about training and development are;

- a. In most of the cases where training and development is not resulting in terms of better business performance, we see the gaps in the process of doing training need identification, analysis and assessment.
- b. Measuring effectiveness of the training and development programs, in most of the cases, do not go beyond level one and level two of Jack Phillips framework of measuring training effectiveness.
- c. Improvement in the business performance with the help of training and development is a function of thorough deployment ADDIE framework (Analyse, Design, Development, Implementation & Evaluation). It is not merely conducting a training intervention and that is it.
- d. A training and development intervention is not a standalone activity. It has pre and post to it. Pre is, how scientifically training need is assessed and intervention is developed. Post is, do trainees go required encouragement and environment to go back to their jobs and implement the learning in their work lives?
- e. In many cases, training and development is considered as baby of HR or L&D verticals. So, post training is imparted, other business functions and department do not participant in the process hence it becomes a one-sided affair hence the expected benefits are not reaped.
- f. In organizations, training and development needs of employees are identified during the performance appraisal discussions. The only and completely focus

of appraisees during the performance appraisal discussion is how to get good ratings. Their mind frame is not at all disposed towards their training and development needs.

VII.CONCLUSION

Training and development efforts do result in terms of better performance, provided the whole process right from identifying and assessing training needs to designing and developing training interventions to providing conducive environment and opportunities to implement the learning gained in the work lives of trainees and finally a complete scientific approach to measuring the effectiveness of training is followed properly. It requires a whole lot of resources, efforts and time.

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