

*A BDC Strategic White Paper for C-Suite Executives:*

## **Why Staff Development Is a Strategic Area That Warrants Attention in Your Business Plan for 2021 and Beyond**

By Bob Graham – President of BDC

### Executive Summary

A well-trained staff is essential to the success of any company. It is people that make a company go.

Your staff development plan is just as critical, and strategically important, to the enterprise as the operational business plan. This paper will summarize and outline the most important aspects of putting together your staff development plan to ensure it complements your strategic plan.

Your company's staff development plan should be aligned, or linked, as closely as possible with your annual and long range goals. Whatever your goals may be ... it is the staff that will get you there. While this may sound simple, and obvious, we see many examples where a fundamental change in strategy is not backed up by a development plan.

Your firm's success is dependent on growing your leaders faster, better than your competition. Many executives don't realize the highest staff development ROI generally comes from management training. The reason is very simple: *people don't leave their company they leave their boss*. If your managers become better ... then everything else becomes better.

### People Make Companies Go

The best companies, as rated by employee engagement (ie satisfaction plus enthusiasm) *and* business goal achievement, are those that understand:

- people produce results,
- managers at all levels have a great impact on people,
- people need to be motivated to do great work,
- people must be provided the skills and tools to complete their work and
- people require both monetary and psychic (recognition) rewards.

A well thought out staff development program:

<b>Increases</b>	<b>Decreases</b>
Employee Engagement	The Need For Constant Supervision
People Retention	Absenteeism
Productivity	Turnover and Associated Costs
Customer Service	Legal Costs
Sales	Health Care Costs
Makes Recruiting Easier	Accidents & Mistakes

All of the above increases the firm's profit.

Employees who are competitively compensated, well trained and motivated by recognition make fewer mistakes because they feel valued and appreciated. Training and development programs increase their commitment to the company and their personal confidence.

## Why Staff Development Is A Strategic Area That Warrants Attention In Your Business Plan For 2021 and Beyond

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Millennials have now become the largest generation in the workforce in the USA. They especially value recognition and development opportunities leading to advancement; two areas we must pay close attention to or they will seek those benefits elsewhere. This excerpt, from an article by Arthur Wilson - Marketing Manager at Workstars, is a good summary of these two areas.

**“Timely and regular recognition** - Millennials are the generation that requires the most regular positive feedback from colleagues and management, even more so than Gen Zers. This age group is also the most likely to jump ship and find new employment should they feel that their efforts are underappreciated, of which 76% according to research from Office Team would be on the hunt for a new job.

A study from the Incentive Research Foundation found that the preferred form of recognition for millennials is peer-to-peer, whilst the least preferred way to be recognized was in private.

**Ability to learn and rise through the ranks** - A comprehensive study from Docebo entitled *Millennials in the Workplace* found that opportunities for career progression were the most important aspect that can make an organization an attractive employer, with over half of those asked listing it as their number one factor when considering a new job.

Further research from Gallup confirmed this, finding that 87% of millennials had expressed that professional growth and development opportunities were among their top priorities. But it's not all about career progression without the ability to learn the skills required to make a successful step-up within an organization. Further research from Docebo has found that nearly half the millennials they asked would quit a job if it didn't provide learning opportunities.

And whilst 32% of millennials rank career advancement opportunities as the most important factor about their work, besides pay, that doesn't necessarily mean this age group are ready to jump ship as soon as a better opportunity and loftier job title at another company come along. In fact, a study commissioned by Bridge has found that 90% of millennials want to grow their careers with their current companies – it just requires training and personal development opportunities to be available.”

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A friend of mine told me that the most important and valuable assets of his company walk out the door every night from 5:00 PM - 6:00 PM. What he was really telling me is that it's the people that make the company succeed. I found his statement very interesting because this was a manufacturing company that uses sophisticated equipment able to machine very unique products with tolerances of 1/10,000 of an inch; on-demand. His people are more important to him than the incredible machines.

When management communicates clearly to the staff that they are valuable; the staff will create a competitive advantage and point of difference. Competitors may have the same equipment or machinery, and maybe the same processes, but what they don't have – and can't copy – is your people.

How does management communicate to people that they are valuable? In two primary ways:

- recognize their accomplishments and
- invest in their professional and personal development.

## Why Staff Development Is A Strategic Area That Warrants Attention In Your Business Plan For 2021 and Beyond

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They will respond by seeking additional avenues to build value in themselves and therefore the company.

On the other hand, if management views their people as “machine operators” it is unlikely the people will help establish a point of difference or competitive advantage. They will act as the machines you treat them as.

I had an interview with a company CEO several years ago. The CEO told me he had two types of employees: highly paid pains-in-the butt and low paid pains-in-the butt. With that attitude it is not surprising that turnover was very high, morale very low and productivity an issue. I chose not to accept an engagement from him. The company went bankrupt and dissolved about two-years later.

The point is no matter how good your machines are, or your intellectual property, or your customer base, or your geographic dominance ... without people who are properly trained and motivated your company cannot achieve its full potential.

### Staff Development Must Be Consistent With Long Range Goals

Your company’s staff development plan should be aligned, or linked, as closely as possible with your annual and long range goals. Whatever your goals may be ... it is the staff that will get you there. While this may sound simple, and obvious, we see many examples where a fundamental change in strategy is not backed up by a development plan. Or development programs are executed simply because there are government funds available, regardless of whether or not the development programs are consistent with the long range plan.

Let’s look at one example:

The company’s overall strategy is to grow revenue 7% per year for the next 3-years. To support this growth strategy the company will, ideally, know who (at each level) needs to develop which particular skills and when they will need to apply those skills over the next couple of years. While this sounds terribly complicated, it really isn’t.

Your division and department heads should be able to prepare a development plan for their area which can then be reviewed for consistency with the overall corporate goals and other appropriate criteria you decide. When all division and departments are combined they comprise the preliminary corporate development plan.

*“each element of the staff development plan should help prepare the company’s people to achieve the stated goal otherwise you are wasting your people’s time and your company’s money”*

In this example plan, the company has identified three associates planned to be promoted to the rank of VP/ Division Head in the next 24-months. We know that VP/Division Heads are managers of managers so we can plan to have each of the three complete a program that is one step above standard management training to develop them as coaches. There may be professional or technical training/certification requirements that must be met as well.

What I just described is fairly common. It matters not if it is a family owned business (such as a local general contractor, HVAC company, engineering firm) or a large entity like Procter & Gamble.

Another example from the mythical company is that part of the strategy to grow 7% is to open one new market or introduce one new product line every other year. If the company is going to expand to

## Why Staff Development Is A Strategic Area That Warrants Attention In Your Business Plan For 2021 and Beyond

Florida, and Florida requires certain types of licensure, then the appropriate people must receive the technical training to become licensed in that geography.

The key point here is that your staff development plan must support your annual and long range goals. Said another way, each element of the staff development plan should help prepare the company's people to achieve the stated goal ... otherwise you are wasting your people's time and your company's money. Ask yourself, is your current staff development plan focused on the right areas to be consistent with, and supportive of, long-range goals?

### Types of Development & ROI

An economist will tell you that all investments should be looked at for their ROI. Staff development is much harder to quantify than machine throughput but it should still be examined under the ROI lens.

Most executives don't realize that generally the highest return on investment comes from management training. The reason is very simple: *people don't leave their company they leave their boss*. If your managers become better ... then everything else becomes better.

Without getting too much into the weeds, let us review the general types of staff development, their benefits, ROI and possible alternatives.

Type	Why Invest	ROI	Alternative
Management Training	<p>Managers get things done through people and need to receive training in the skills and techniques to do so.</p> <p>There are several levels of management training that correspond to levels in the company.</p>	<p>The highest ROI of all types. Managers at all levels have a great impact on employee's attitude and productivity.</p> <p>Skilled managers encourage and reward their people in many different ways.</p> <p>Poor managers cause low productivity and turnover.</p>	<p>Only one and it's not very good: hire, from outside the company, only people with demonstrated skills of managing others. Check references very carefully and seek opinions from industry sources prior to hiring.</p> <p>Accept "ramp-up" time of 9-36 months pending complexity of current situation, company politics, etc.</p>
Personal/Life	<p>Your people will place high value on this. Examples: Stress Management, Personal Finances, Wellness tips, etc.</p> <p>The best companies include this in their development plans.</p>	<p>Very high. Right below Management Training.</p> <p>Your people will know you really care about them when you do this. It may also lower your healthcare costs.</p>	<p>None</p> <p>This area is often overlooked by companies. From our research we know that employees place high value on programs designed to improve their personal life. They generally are not as costly as some of the other programs listed here.</p>
Technical Training	<p>People need the tools and skills to do their jobs. Technical covers many areas. This could be as simple as learning how to use new software or as complicated as calculating the bank of an interstate highway as it goes around a 70° turn.</p>	<p>Also very high, but below Management Training.</p> <p>This is an important area for most of your people.</p> <p>They want to do a good job.</p>	<p>For many types of technical training there really is no alternative.</p> <p>For others you can hire someone who is already trained.</p>

## Why Staff Development Is A Strategic Area That Warrants Attention In Your Business Plan For 2021 and Beyond

Type	Why Invest	ROI	Alternative
Productivity Training	This is really a highly specialized subset of Technical Training. I mention it separately because it has great ROI.	The ROI is usually immediate. The challenge is to maintain the new higher level of productivity and improve it.	Really none, but I suppose you could buy everyone a book to read and hope they do so.
Professional Training	Usually required to be licensed in a particular trade in a particular region.	Without the license you won't be able to offer this service in this area.	Hire licensed people but check by requiring them to complete a practical test prior to receiving an offer. This should be done at all levels for all trades from Welder to MD.
Safety Training	This is usually required by a credentialing body, your insurance company or both.	Because this prevents accidents, downtime and lawsuits the ROI is significant.	None.
Compliance Training	In my view this area helps you comply with various government laws/mandates and helps keep you out of court. Examples are sexual harassment, war words and diversity.	In today's society you need to have some awareness level of this by at least the department heads.	None.

### [Increasing Your Staff Development ROI](#)

It is a truism, at all levels, that if the boss doesn't care ... no one else does. The boss in this case means the highest level that interacts with the staff undergoing the training. For larger companies this means Division President, SVP (or whatever title you may call them), for all others this is the President-Owner-CEO and possibly COO. If the boss cares, and is involved in some way in the training, however small, the ROI increases.

Involvement may be as simple as delivering some encouraging comments at the beginning of a program, sending an note/email to all participants at the start of a program, attending graduation and when appropriate, ie management training, attending some, if not all, sessions.

Here is a great ROI example that I experienced with a Fortune 500 client.

I was conducting a multi-session management training program for managers who supervised 7-10 department heads who in turn supervised roughly 20 employees each. The Division President, two levels above the managers enrolled in the program I was delivering, sent them all a note the week of the program's start expressing his confidence in them and importance of the training. Separately he told me to give his admin person the attendance sheet as we began the first session.

The two managers who were late got a call from their boss' boss wanting to know where they were. Needless to say the word got out and no one was late again. He also asked me to send him copies of the participant's action plans. After the first session he jotted a hand-written note on each one and sent it to the participant. The Division President told me six-months after the program that as best he could calculate it, the ROI was as high, if not higher, than any other program they had undertaken in the past several years.

## Why Staff Development Is A Strategic Area That Warrants Attention In Your Business Plan For 2021 and Beyond

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Again, this time restated positively: when the boss cares ... everyone does!

### [How To Put The Staff Development Plan In Place](#)

You can acquire the expertise and resources to do all your staff development in-house, outsource, or some combination of both. Almost all companies use the combination approach because they find that it is extremely expensive to hire employees with training skills who are also experts in all the above areas.

On the other hand, it makes total sense to acquire in-house expertise for those areas that are peculiar or particular to the company or industry. The key here is to be honest with yourself and understand that your in-house people can be very good in some of the basics as it relates to technical areas such as safety and compliance. Other than those, unless you have a lot of money or large staff with varied experience, you're probably better off to go outside for everything else.

I can tell you from personal experience, while working at Procter & Gamble and Coca-Cola, that we had in-house training for many things but utilized many outside organizations for those areas that required a certain expertise such as: management training, recognizing accomplishments, television commercial production, project management, consumer promotion, and the like.

### [Budget](#)

There is a saying that has been attributed to Henry Ford, *"If you think the cost of training is expensive try not doing it."*

Here are several ways to plan your annual staff development budget:

#### 1) Predetermine staff development needs, estimate costs, and calculate the total.

As mentioned earlier, once the department heads identify what their department's developmental needs are, have them prioritize and recommend the investment needed. This calculation is not a formula but an estimate based on the needs of the organization. This is the preferred/recommended method.

#### 2) Use 1% to 3% of total yearly salary budget = Total Staff Development Budget

This calculation takes the total salary budget for the entire year and multiplies it by 1% to 3%. The 1% to 3% range allows you to adjust for company size, industry, or other organization specifics. You might also use a historical percentage and adjust. Let's use 2% for our staff development budget and look at payroll that is 30% of gross revenue. A \$10M company using this basic formula would invest \$60K ( $\$10M \times 30\% = \$3M$ ;  $\$3M \times 2\% = \$60K$ ).

This method ensures that the organization is strategically committed to the learning & development of employees and leadership.

#### 3) Industry specific \$ per employee X FTEs = Total Staff Development Budget

Calculating a staff development budget based on a reputable industry report is another way to benchmark against similar companies in size and industry. Use these reports to not only ensure that training and professional development investments and strategies are aligned with trends but also ensure competitiveness within the talent market. According to the 2017 State of the Industry report from the Association for Talent Development, organizations spend an average of \$1,273 per employee for direct learning expenditures. A company with 50 full time equivalent employees (FTE) yields \$64K.

Why Staff Development Is A Strategic Area That Warrants Attention In Your Business Plan For 2021 and Beyond

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Unfortunately, in a down economy, many firms consider staff development to be an unnecessary expense. While cutting, or worse yet eliminating, your staff development budget can seem like the logical thing to do, the long-term implications can far outweigh the immediate costs saved. We urge caution.

[Next steps](#)

Don't let all of what you've read here make it seem like this is a daunting task. Point of fact: it's actually fairly easy. You need to identify your company goals and the types of development that will support those. Find out ballpark costs and put it in the plan. If you don't do that you're going to find yourself scrambling to plug holes... never a good idea.

[Conclusion](#)

A well-trained staff is essential to the success of any company. It is people that make a company go.

Your staff development plan is just as critical and strategically important to the enterprise as the operational business plan. Please be sure to put together your staff development plan with an eye to long range and annual operating plans to ensure it complements your strategic plan.

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