

# Return On People: 4 Reasons Education Works as a Business Growth Strategy

## EXECUTIVE SUMMARY

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It's a fact of modern-day business life: Everyone is asked to do more with less. As a result, tough decisions are constantly in the works, including whether to spend, where to save, what – or, in many cases, who – to cut. Businesses often feel forced to focus on the negatives, such as cutbacks, reductions and sacrifices.

How, then, can organizations operate as leanly as possible to ensure present and future economic success while also holding onto the real and popular belief that “Our people are our greatest asset”?

Therein lies a paradox: the reduction of expenses versus an investment in people.

The truth is, a growing portion of future jobs will require highly developed talent. And research shows that a highly developed talent pool will likely need to come from within. The reason? Developing internal talent instead of bringing it in from the outside proves more cost effective, maximizing employee satisfaction and performance while minimizing turnover and knowledge loss.

Organizations must, therefore, invest in advanced education and training for current and future employees. In doing so, they can create a highly engaged, more productive workforce to enhance organizational reputation, create or maintain a competitive edge, and boost the bottom line.

### Key benefits of organizationally supported education and training:

1. Providing a solid return on investment (ROI)
2. Encouraging employee attraction and retention
3. Deepening employee creativity and innovation
4. Expanding organizational knowledge and leadership

*“Organizations that make extraordinary investments in people often enjoy extraordinary performance on a variety of indicators, including shareholder return.”<sup>1</sup>*



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## 1. EDUCATION IS PROVEN TO HAVE A WORTHY ROI

### Is education worth the spend?

Merriam-Webster defines investment as, “the outlay of money usually for income or profit.” If employees are an asset, why, then, do so many organizations treat them as liabilities, especially when it comes to investing in professional development, training and post-secondary education?

Here’s why: They’ve never crunched the numbers.

Fortunately, two researchers did. And what they found is that investing in people through educational development boosts return in the long term. These researchers say, “Organizations that make extraordinary investments in people often enjoy extraordinary performance on a variety of indicators, including shareholder return.”

Using hypothetical and live portfolios, they measured the affects of aggressive spending on employee development. The results were astounding: robust returns for the hypothetical, and 17-35 percent higher performance than the Standard & Poor’s 500 index for the live portfolios.

Bottom line? Education has a direct and positive correlation to financial performance and other success metrics.

## 2. EDUCATION ENCOURAGES EMPLOYEE ATTRACTION AND RETENTION

### Potential is one thing performance is another.

That’s why organizations need to unleash high-potential employees’ capabilities. Whether untapped or underdeveloped, studies on managing people show that employers need to better align and manage talent with organizational needs and opportunities.<sup>2</sup>

How? Through worthwhile training and development opportunities.

Studies also show that employees who acquire new skills through robust, company-sponsored training and development not only ranked higher on employee engagement scores, they’re also more likely to stick around for the long haul.

According to Deloitte’s 2015 Global Human Capital Trends report, one of the largest global longitudinal studies of talent, leadership, HR challenges and readiness, “Companies that transform their learning and development organizations are not only able to accelerate skills development, but also can dramatically improve employee engagement and retention.”<sup>3</sup>

### Types of Education, Development and Training Valued by Prospective and Current Employees

	Attraction	Retention
Skill Refinement	•	•
Competency Development	•	•
Best-In-Class Opportunities	•	•
College and Graduate Courses and Degree Programs		•
Professional Designation Programs	•	•
Personal Growth	•	•
Technical Expertise	•	•

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## 3. EDUCATION DEEPENS EMPLOYEE CREATIVITY AND INNOVATION

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### **Creativity and innovation lead to organizational transformation.**

It's a fact of business: Done right, applying knowledge and experience results in the creation and development of new products, new services, new insights, new methodologies and new ways of doing business.

How, then, do organizations participate with employees in driving the kind of creativity and innovation that leads to "new"?

According to researchers who examined the effects of training and development on organizational innovation, "by encouraging and supporting employees who attend external educational and degree programs, organizations can diversify intellectual assets and perspectives that facilitate creativity and innovation."<sup>4</sup>

Unfortunately, many organizations go awry – especially during times of crisis – opting to slash professional development and educational budgets rather than fund them. But researchers have found that when organizations make such drastic cuts, they degrade their future capability for innovation. (Ironically, it's innovation that is needed to avert or overcome such crises.)

A better strategy? Ensure long-term survival and organizational growth with continual investment in employee training and professional development.

## 4. EDUCATION EXPANDS ORGANIZATIONAL KNOWLEDGE, BUILDS LEADERS ATTRACTION AND RETENTION

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### **It's been said that knowledge is power.**

Which is why the exchange of knowledge and ideas is beneficial to business. It is how businesses start, grow, thrive, become and remain profitable. It is how leaders are made.

The best way to promote ideation and knowledge transfer is to create a climate for continual learning. Not only does such a culture invite new-knowledge generation, it helps develop employees' leadership skills and business acumen.

According to Deloitte's 2015 Global Human Capital Trends report, leadership (or rather lack of leadership) is a perennial and pervasive issue. Companies, says the report, struggle with developing leaders at all levels in the wake of a widespread skills gap.

With ever-increasing competition and limited leadership skills, cultivating a stronger pool of leadership talent has become an urgent priority. As such, organizations must seek to build a strong, sustainable management force from within by investing more heavily and strategically in education and training.

Further, the research suggests that employees who are encouraged and financially supported in pursuing their education are likely to be more motivated to engage in proactive initiatives and voluntary contributions toward organizational goals – sure qualities of great leaders.

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Here are some other key findings on education as it relates to human capital and leadership development:

- It exposes employees to new perspectives, expertise and competencies.
- It makes employees more likely to problem-solve organizational concerns.
- It promotes deeper engagement in knowledge-sharing systems, suggestion programs and cross-functional task forces.
- It helps build and strengthen core leadership competencies.
- It allows employees to apply newfound theories, frameworks and skills in real-world situations.
- It empowers employees with new ideas and tools to more effectively grow and lead organizations.

## Conclusion

**The best way to move forward is to take a step in the right direction. With today's ever-changing and sometimes volatile business environment, almost everything is out of your control – except your workforce.**

### Take charge of attracting, developing and retaining your workforce:

1. Evaluate training programs.
2. Enhance educational and professional development opportunities.
3. Expand skill-building, post-secondary education benefits.

### Corporate Training Landscape

- U.S. corporations spend \$772 billion annually on post-secondary education and training, with tuition discounts being the most common benefit.
- The capability gap for building great leaders is growing worldwide.
- Empowering employees to become learners, and integrating educational offerings with in-house training and current skill levels creates a stronger talent pool.
- Employing a strong talent pool contributes to lower turnover rates, higher employee (and customer) satisfaction and increased employee retention.

*Organizations must continually adjust, adapt and redefine how they manage their most valuable asset – people.*

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