Developing the Talent You Have: Strategies for Training and Development

Excerpted from

Hiring and Keeping the Best People

Harvard Business School Press
Boston, Massachusetts

ISBN-10: 1-4221-0708-6
ISBN-13: 978-1-4221-0708-9
7089BC

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Developing the Talent You Have

Strategies for Training and Development

Key Topics Covered in This Chapter

- *Why employee training and career development represent a dilemma for employers*
- *Formal and informal approaches to skill training*
- *Why training pays, with tips for reducing costs through online learning*
- *The retention benefits of career development*
- *How mentors build bonds between talented employees and their companies*
- *What to do with C performers*

THUS FAR, we've discussed hiring techniques and various strategies for employee retention. If implemented effectively, these techniques and strategies can ensure the human assets an enterprise needs to pursue its goals effectively. Employee development is another way to fill open positions with competent people. An alternative to recruiting, it prepares people who are already a part of the organization to step into vacancies as they occur.

Employee development has several important benefits for companies. When properly managed it:

- increases the value of the company's human assets—which are *the* prime assets of companies in a growing number of industries;
- assures that competent people will be ready and able to move up as vacancies appear;
- creates a pool of individuals who understand the company and industry, and who are prepared to assume leadership as the enterprise grows; and
- contributes to effective retention.

That last point bears further elaboration. Substantial research confirms that skill and career development (the two faces of employee development) are near the top of the list of workplace features that employees favor. As the Gallup Organization concluded in a broad-based survey in 1999, "American workers who receive employer-sponsored training are more satisfied with their jobs."[1] And, as we've learned, satisfied employees are more likely to stay with you.

The Development Dilemma

Many companies consider employee development a good investment. Employees become more knowledgeable and effective, which, in turn, makes customers happier. Other companies, however, question the value of employee development in the current era of high workplace mobility. "Who," they ask, "will reap the benefit of all this expensive training and development if a) we are forced to lay these people off, or b) they leave us for jobs elsewhere?" More pointedly, they question, "Are we simply picking up the training tab for other companies—perhaps our direct competitors?"

These questions underscore a dilemma for training and career development. On the one hand, training investments make employees more valuable and more satisfied with the deal they are getting at work. This is particularly true for technology workers and engineers who recognize that their competencies erode over time. On the other hand, the same investments that make people more valuable make them more marketable and attractive to personnel poachers. Many of America's major brokerage firms, for example, have long enjoyed a reputation as great trainers of retail stockbrokers. After careful screening, they hire people with the right stuff for the business, put them through three or four months of intensive sales and investment training and licensing preparation, and then mainline them into the day-to-day work of their nationwide branch offices. Many small broker-dealers, meanwhile, spend little or nothing on training. Instead, they lie in wait for the newly trained "registered reps" to learn the ropes and build client accounts—and then they try to recruit them. It is a way to acquire good people on the cheap.

The practice of poaching workers trained by others—or "free riding"—deters some companies from investments in any training that creates transferable (as opposed to "firm-specific") skills. However, research by the Bureau of Labor Statistics indicates that the free rider problem is less a deterrent to training investments than many suppose. Over half of all companies surveyed by the BLS, including more than three-quarters of large employers, were undeterred by the free rider problem and looked to their training programs to *retain* and increase the value of their people. These respondents did not distinguish between transferable and nontransferable skills in the training programs.[2]

Indeed, most companies recognize the necessity of being a "learning organization," and that necessity appears to trump any concern with the free rider problem. Sure, every so often a competitor will lure away an individual trained at company expense. But most people will stick with companies that give them opportunities to sharpen their skills and grow in their careers. In the long run, free rider firms are the real losers because they do not invest in ongoing learning.

Skill Training

Skill training is the foundation of employee development. It has two aims:

1. to keep the skills of employees current with advancing technologies and business practices and
2. to help employees master the skills they need to advance within the company.

Skill training is a mutually beneficial arrangement. Companies that provide effective skill training gain the benefit of workers who are well versed in current standards, and employees maintain their "employability" and, in some cases, advance to higher levels.

Informal and Formal Approaches

Skill training is either informal or formal. Informal training is generally conducted through on-the-job training, or OJT. This is the least costly form of training, as it doesn't take the employee out of production. OJT is also the most prevalent approach to skill development by U.S. companies.

Generally, OJT practices in the United States are very unstructured and involve neither designated trainers nor training materials. Japanese companies, in contrast, take a more structured and planned approach to OJT since they consider it a key element of training systems that aim to develop employee competencies over long careers.[3] As described by Clair Brown and Michael Reich:

> *In Japan, OJT is as carefully planned, mapped, and recorded as company-provided classroom training. Training and skill development are an expected part of every worker's job. Each employee, from new hire to senior manager, simultaneously thinks of himself as a teacher of the person(s) below him as well as a student of the person who is above. Training the person to take your place is as important as training to move up the job ladder.*[4]

Formal training, as practiced by U.S. companies, is more highly structured than OJT and takes place in classroom or "e-learning" settings. It can be used to address both company-specific and general (transferable) skills. Formal training, however, is more expensive than OJT because it takes employees away from their work, makes use of dedicated trainers, and depends on curriculum materials that must be developed and kept up-to-date.

Formal training at many large corporations is dispensed through "corporate universities," of which there are approximately one thousand six hundred in U.S. firms. Jeanne Meister has studied these corporate institutions and points to two reasons for their popularity:[5]

- **They align employee training with business strategy.** By controlling the curriculum, the firm can focus training on the specific skills that complement its strategy. This reduces the problem of skill shortages in key positions.

- **They assure a continual upgrade of internal knowledge.** "Professional knowledge," according to Meister, "is like a carton of milk—it has a shelf life. If you're not replacing everything you know every couple of years, your career is going to turn sour."

Some firms outsource some or all of their skill training to local educational institutions, particularly vocational-technical schools. In areas where these firms are dominant employers, they often have a significant say in the curricula of these institutions—and are thus able to shape the training they need for their employees.

Skill training can not only hone key employee skills, but it can build a bond between a company and its employees. Thus it is important to assess how well your own company is meeting this need:

- Does it have a systematic and broad-based program of skill training?
- How do employees perceive the quality of that training?
- Is training clearly aligned with company requirements and strategy?
- The American Society of Training and Development has estimated that U.S. corporations spend 2 percent of payroll on employee training. Where does your firm stand relative to this average figure?

Training Pays

Investments in employee training appear to produce positive returns. A survey of three thousand businesses with twenty or more employees by the National Center on the Educational Quality of the Workforce found that companies that instituted programs that increased average employee reading or math comprehension by one grade level experienced, on average, an 8.6 percent productivity increase. Among service industries the average productivity increase was even higher.[6] And greater productivity is eventually reflected in the value of corporate equity.

Does this mean that training will produce a positive return for your company? Not necessarily. Motorola, which has extensive experience in the field of corporate training, determined that its return on training investments was highly dependent on reinforcement and unstinting management support. As described by William Wiggenhorn: "In those few plants where the work force absorbed the whole curriculum of quality tools and process skills and where senior mangers reinforced the training . . . we were getting a $33 return for every dollar spent, including the cost of wages paid while people sat in class." In contrast, Motorola plants that failed to reinforce training with follow-up meetings and a genuine emphasis on quality experienced a negative return on their investment.[7]

Online Training

Developments in the field of online training are having a major impact on formal corporate training programs. Online learning, or "distance learning," has clear advantages over formal classroom delivery of training:

- **Lower cost to supply.** Despite a high initial fixed cost in curriculum development (and ongoing expenditures for keeping learning modules current), online training is very inexpensive to deliver.
- **Elimination of travel costs and lost production time.** Sending employees off to classroom training sessions can be extremely expensive in terms of travel, lodging, and meals. Many resent the added overnights away from home. And while they are sitting in the classroom, employees aren't producing. Online learning can reduce all of these costs and drawbacks.
- **Scalable to any level of demand.** Once an online training course is produced, it can be made available to any number of employees at essentially the same cost.
- **On-demand availability.** Online training sessions are available whenever and wherever employees need them.

Despite its advantages, experts warn that online learning is seldom a complete training solution. The personal contact and interactions that occur in classroom settings or OJT are often essential to effective learning. Ernst & Young LLP, whose training program was rated seventh in the U.S. by *Training & Development* magazine in 2002, has a very powerful computer-enabled learning portfolio. Still, the majority of its formal learning is completed through traditional classroom experiences. So the best solution may be to use online training in conjunction with other formal or informal methods of skill training.

Career Development

Career development is an umbrella term that describes the many training experiences, work assignments, and mentoring relationships that move people ahead in their vocations. Any company that aims to retain its most valuable people and to fill vacancies caused by retirements, defections, and growth from within must dedicate resources to career development. Ultimately, it can create a strong "bench" of people who will one day lead the company as technical professionals, managers, and senior executives. In effect, career development is a form of "internal hiring." Also, a reputation for career development can make the company attractive to potential recruits who are serious about building their careers.

Career Ladders

Human resource people often refer to *career ladders* when they talk about career development. A career ladder is a logical series of stages that move a talented and dedicated employee through progressively more challenging and responsible positions. For example, in the publishing business, a person with senior editorial aspirations might be progressively moved through various positions in production or marketing to editorial assistant to editor. Each step would broaden his or her skills and understanding of the business.

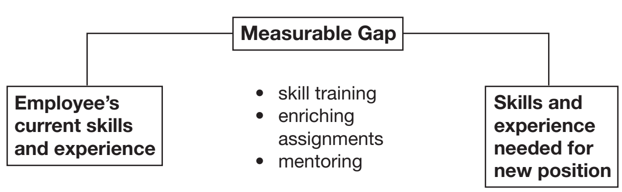
Formal training is generally an important element on different rungs of the career ladder. For example, an aspiring editor may need to attend a three-day course on electronic publishing and another on legal matters such as contracts and copyright rules. An R&D bench scientist being groomed for a management position in product development would benefit from course work in basic financial analysis and marketing and from personal coaching in communication and team leadership.

Some firms systematically analyze a person's current level of skills and experience and match those against the skills and experiences needed at the next step up the ladder. Gaps between what the person has and what he or she needs are then addressed through a plan that involves some combination of formal training, special assignments, and regular mentoring by a respected superior, as described in figure 5-1.

From a retention perspective, the career ladder approach is most effective when it avoids "plateaus." The employee should always feel that he or she is learning and being challenged with a manageable new set of responsibilities. There should be plenty of excitement and no opportunity of feeling "stuck" on a career plateau. That stuck feeling creates the potential for defection. If circumstances bar a promising employee's vertical advancement for the foreseeable future, his or her manager should find some type of lateral assignment that will engage the employee's interest and provide learning experiences.

FIGURE 5-1

Filling Skill and Experience Gaps



Now, ask yourself these questions about career ladders in your unit:

- What career ladders are available to your valued employees right now?
- Are they aware of those ladders and taking advantage of them?
- Have you identified and made some provisions for the skills and experiences that your charges will need to climb to the next level?
- Who, if anyone, is currently stuck on a plateau? What can be done to get them off the plateau?

As a manager, it's your responsibility to make sure that the people you value are on progressively advancing career paths. Moving ahead is good for them and increases the likelihood of their staying with your company. Their progress is also good for you since it will be easier for you to move up if you've developed a successor capable of stepping into your shoes.

Mentors

The U.S. culture applauds the self-made person. But few successful people are entirely self-made. Most successful people can point to a relative or a boss—a mentor—who helped them make the most of life's lessons and guided their professional development. Former GE CEO Jack Welch often pointed to his mother and the lessons he learned from her early in life.

A study conducted by Harvard professor Linda Hill during the late 1980s concluded that at least half of all executives had bosses who mentored them during their careers.[8] That percentage may have increased, since more and more job applicants are now inquiring about mentoring opportunities within the organizations that are recruiting them.

Hill points to three characteristics of effective mentors:

- they set high standards;

- they make themselves available to their charges; and
- they "orchestrate" developmental experiences.

Mentors who possess these characteristics play an important role in facilitating career development. And by all accounts they make a clear difference with respect to retention, perhaps because the fact of mentoring tells the employee that "We care about you and think that you are important."

Common sense tells us that mentors provide a positive bond between the employee and the firm. The strength of that bond is no doubt determined by the effectiveness of the mentor and the intensity of the mentoring relationship. And that suggests that you should assign mentors with exceptional care. In addition to Hill's three characteristics, you should also seek mentor candidates who:

- can empathize with an employee facing special challenges (for example, a female executive mentor for a female employee in a largely male organization);
- have a nurturing attitude;
- exemplify the best of the company's culture; and
- have rock-solid links to the organization. The last thing you want to do is develop a bond between a promising employee and a potential defector; nothing could sour the employee's outlook on the firm more decisively than to see his trusted counselor take a walk.

Some companies make sure that every employee has an identifiable formal mentor; others reserve mentors for upwardly mobile personnel. If your company or unit isn't making effective use of mentors in developing employee careers, consider developing a mentoring program. Begin by identifying the people who would benefit most from such a program; then, working with your own leadership group and HR, determine who would be effective and available as possible mentors.

Handling C Performers

Every organization has a distribution of performers and not every employee is promotable. At the top are the "A" performers, whose contributions are exceptional. "B" performers do very good work, while "C" performers do work that is just barely acceptable. In their study of managerial talent in two large companies, Beth Axelrod, Helen Handfield-Jones, and Ed Michaels of McKinsey & Company found that the contributions to profit growth of these groups were miles apart. On average, A managers grew profits 80 percent in one company and 130 percent in the other. C managers in these same companies achieved no profit growth whatsoever. This raised a question about where skill and career development resources should be focused. Certainly, well-managed investments in the development of A and B performers make perfect sense. But what about C performers? Should you invest in their improvement or simply move them out of the way?

Some companies regularly prune the ranks of their C-performing managers while others try to bring them up a notch. But most do nothing to deal with them. The cost of this indifference is high, both in terms of defections by good employees and lack of profit growth. As the authors write:

> *Consider that every C performer fills a role and therefore blocks the advancement and development of other more talented people in an organization. At the same time, C performers usually aren't good role models, coaches, or mentors for others. Eighty percent of respondents in our survey said working for a low performer prevented them from learning, kept them from making greater contributions to the organization, and made them want to leave the company. Imagine, then, the collective impact on the talent pool and morale of a company if just 20 of its managers are underperformers and if each of them manages ten people.*[9]

So, what should be done? These authors suggest a three-step approach (remember that their concern is with managerial personnel only):

- Identify C performers.
- Agree on explicit action plans for each C performer. "Certainly," they write, "some C players can improve their performance substantially if given the direction and the developmental support do so."[10] This is where the kinds of skill training we've described in this chapter may be most effective.
- Hold managers accountable for the improvement or removal of C performers.

Bradford Smart, an HR expert and consultant, likewise uses an A, B, C approach to grading employees. In his view, C players can suck the life out of an organization and should be channeled into jobs—usually at a lower level—where they have the potential to be A performers. If they fail to improve after coaching in these new positions, he feels that it is in the organization's best interest to let them go.[11]

Nevertheless, investments in C performers may be worthwhile. The only way to know for sure is to make an estimate of how organizational performance would improve if you could shift a C-level person to the next highest level. What would be the cost of doing this relative to the benefits? Is the cost less than the benefits? If the cost exceeds the benefits, then the recourse is to either move the

Tips for Career Development

- Provide a career ladder for every person you hope to retain.
- For promotable individuals, identify gaps between the skills and experience they now have and those they'll need to step into new roles. Then fill those gaps with training and appropriate assignments.
- Don't allow good people to get stuck on career plateaus.
- Make sure that everyone who needs one has a suitable mentor.

individual to a job he or she can do better, or to ask the person to leave the organization.

Summing Up

This chapter has examined the importance of employee training and career development in the hiring and retention arenas. Every organization needs to implement both training and development programs if it intends to enhance the value of its human assets and reduce the rate of defections. (See "Tips for Career Development.") If you work in a large corporation, training and development is probably the bailiwick of a specialized group of HR personnel. But don't leave it to them alone. Everyone in a management position has responsibility for enhancing the human capital assigned to them. Therefore:

- Treat the cost of employee development as an investment; it does have a real payoff, and it should reduce costs associated with the turnover of valued personnel.
- Be sure that employee development is aligned with company goals and strategy.
- Use online learning to supplement and reduce the cost of formal training.
- Map out career ladders to move talented and dedicated employees to higher levels of responsibility and performance, using formal training, mentoring, and special assignments as rungs on those ladders.
- Deal decisively with C performers. They must improve their performance (using training if necessary), move to positions where they can perform at higher levels, or leave the company.

Notes

Chapter 5

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