Canadian Labour and Business Centre

Centre syndical et patronal du Canada

Training, the “Bottom-Line” and Canada’s Food Retail and Wholesale Sector

Kirk Falconer
Senior Economist
Canadian Labour and Business Centre
February 2001

Table of Contents

I Introduction

The Transition Committee of the Canadian Food Retail/Wholesale Sector has concluded that companies in the sector must enhance their training effort and overcome a traditional reluctance to train their employees. Unions, too, must be encouraged to participate in, support, and even initiate, innovative training strategies. Promoting this sector-wide training culture could be the focus for the initial activities of the Permanent Standing Advisory Board.

The Committee determined that further concentrated research was needed to gather persuasive and compelling evidence on the benefits and best practices of training, which can be put before management and labour in the sector. The Committee noted in particular the need for data and analysis on the following questions:

- What compelling reasons can be identified for skills training in the Canadian food retail and wholesale sector that may provide employers with a persuasive "business case" argument for training and development? What evidence exists of positive business performance impacts flowing from training?
- What relevant training models can be identified that address human resource issues similar to those of the Canadian food retail and wholesale sector that may provide examples of innovative approaches to training and development activity?

Together, these pieces of research, persuasively presented, would supply the Permanent Standing Advisory Board with the basis on which to begin its role as a champion for training and development in the sector. They would provide evidence with which it could actively approach employers and unions to promote training.

The results of the research on the training models is summarized in a companion document titled, *Promoting and Encouraging Training in the Canadian Food Retail/Wholesale Industry*. Individual models are described in a separate case study compendium titled, *Case Studies in Innovative Training Practices for the Canadian Food Retail/Wholesale Industry*.

This following report presents a brief summary of the results of the research on the topic of the business performance impacts — or return on investment (ROI) — of training. The discussion is organized as follows:

- An introduction to the issue, including what defines business performance impacts/ROI that may me attributable to training;
- Recent evidence concerning the relationship between business trainers and performance, based on industry surveys in Canada and the United States;

- An overview of current company level practices with regard to formal training evaluation and the degree to which performance results are captured. This is supplemented by several case examples drawn predominantly from the food retail and wholesale sector;
- Some brief reflection on how these findings relate to specific human resource issues and training strategies in Canada's food retail and wholesale sector.

II Business Trainers and Performance: Background

One of the most distinctive aspects of Canadian industry in the 1990s has been the growing attention paid to human resources and innovative means and strategies devised by employers and unions to help develop and manage these resources effectively. A key measure of this trend has been the relative incidence of employer investment in skills training for employees in formal programs, or more informal activity, situated primarily at the company (and sector) level.

For the most part, a keener focus on training in virtually all sectors of today's Canadian economy has been guided by a general, but widely approved-of and articulated "business case". This "business case" is based on the familiar assumption that more dollars spent on training is a sound management response to recent evolution in traditional business organization models, whereby the introduction of knowledge, skills and technology has gained in status. In a changing competitive environment, the argument goes, employers that do not invest adequately in training their workforces will ultimately fall behind, or at least fail to exploit new commercial opportunities. Those that do commit the necessary money will, in turn, gain exponentially.

For many Canadian firms, regardless of their industrial context, this maxim, matched by direct experience and awareness of the emerging human resource strategies of competitors, encouraged allocation of larger sums to the creation of training departments, organizational frameworks and personnel or to outsourcing of these staff and physical plant requirements. Over the 1980s and 1990s, on-the-job training, "soft" skills training for communications, problem solving, teamwork, etc., management training, training for health and safety, orientation and technical skills training, among others, have all received increased employer backing. In its most recent industry survey (1999), the Conference Board of Canada estimates that aggregate training investment has reached an average of 1.6 percent of total payroll.[1]

As investment in Canada's corporate training culture has expanded, so too has there grown an interest among senior executives, human resource managers and training consultants/professionals in verifying a link between this investment and "bottom-line" pay-off considerations, such as sales, profits or other financial measures of success. In

[1] Conference Board of Canada (Stephanie Harris-Lalonde), *Training & Development Outlook: Policies, Practices and Expenditures*, 1999

other words, they are increasingly interested in confirming the "assumed" business performance effects of training, a multi-faceted activity that is often expressed generally as establishing its' return-on-investment (ROI).

The business performance impacts/ROI of training is of concern to senior executives who must justify with hard evidence their advocacy of more sizeable expenditures in recent years. As a consequence, many human resource managers and training consultants/professionals have been under mounting pressure to show how the overall training effort has delivered with respect to the company's long-term objectives in the marketplace. Other business owners/managers who have been hesitant about initiating or broadening training activity to date may instead look to evidence of business performance impacts/ROI for validation of their decisions.

Such concerns are reflected in Canada's food retail and wholesale sector as it contends with unique challenges related to its workforce characteristics, labour recruitment requirements, skill set needs, competitive and technological shifts, appropriate modes of training, etc. Evidence of business performance impacts/ROI from within the food retail and wholesale sector, or on an economy-wide basis, may be a key prerequisite to any future aggregate expansion in the sector's training effort relative to other Canadian industries.[2]

Up until very recently, there has been quite limited data and analysis attesting to a clear and positive connection between training expenditure and business performance in the food retail and wholesale sector or anywhere else. This situation changed in mid-decade with the completion of several research reports in Canada and the United States and with the increased propensity of North American companies to formally monitor and evaluate their training programs. As a result, evidence of training's business performance impacts/ROI has slowly begun to accumulate along with increasingly more precise and comprehensive methodological techniques for its measurement.

III Defining the Issue

As discussed in BUSINESS TRAINERS AND PERFORMANCE: BACKGROUND, Canadian employer investment in human resource development and skills training in the 1990s has increased substantially as compared to the past. Study after study has illustrated this trend, with evidence of steady growth in industry wide expenditure over the decade, in absolute dollar terms, on a per capita basis and as a percentage of total payroll. As mentioned, much of this financial outlay, which for many Canadian firms supports even broader changes in workplace organization, is rooted in the assumption that such will confer vital competitive advantages in a more knowledge-based and technology-intensive economy.

---

[2] Comparatively speaking, retail/wholesale trade industries of all kinds consistently demonstrate a low training commitment in dollar terms. For instance, see Ibid, 1999 and CLBC (formerly CLMPC), *Creating the Future: Human Resources Study of the Canadian Food Retail and Wholesale Sector*, 1998.

This "business case" assumption about a competitive payoff to training has only rarely been tested empirically, however. In addition, much testing that has transpired to date provides inadequate or conflicting evidence. As a result, senior executives, human resource managers and training consultants/professionals still operate with little actual knowledge about the relationship between training investment and "bottom-line" financial outcomes, such as improvements in the volume of sales, a stronger stream of earnings or higher productivity growth rates within a given business.[3]

Precisely what is training's ROI? Exactly how is ROI measured for performance at the firm level with respect to broad indicators, such as sales, revenues or productivity? How is it measured with respect to more specific financial (and non-financial) indicators, such as reduced errors or less waste in the workplace or improved product quality, employee satisfaction or customer relations, all of which ultimately influence the "bottom-line"? How much time must pass before positive performance effects, however defined, are finally realized? In the final analysis, does the ROI justify the expense, regardless of the type of business? If so, does further intensification of the training effort raise ROI commensurably? Is there a marketplace penalty for cutting back on training dollars? These are questions of consequence, for which the majority of Canadian employers have received few answers.

The problem of "answers" lies in the complexity of the issue. Training's ROI, however broadly or narrowly the term is used, can be simply described as:

- The market value of measurable business performance impacts directly attributable to training,
- *Minus* total business costs associated with training's delivery.

Of course, "costs" tend to include direct spending on internal or off-site training facilities, internal or external staff to design, implement and monitor a given training program, leased/purchased equipment, related electronic systems, as well as a range of indirect or "hidden" costs (e.g., lost wages of trainees). An accurate tally of total costs is a key prerequisite of measuring business performance impacts/ROI.

That this formula of "measurable business performance less training's costs" does not in practice yield a straightforward calculation is due to several complicating factors. One is the fact that there are no widely recognized criteria for measuring investment in human resources similar to those existing for measuring investment in physical assets or research and development.

Another complicating factor pertains to the word "attributable". In today's modern business organization, active in Canadian and global economies, it is extremely difficult to disentangle training's contribution from the multiplicity of interactive variables that,

---

[3] For instance, see: Canadian Policy Research Networks (CPRN: Betcherman, Leckie and McMullen), *Developing Skills in the Canadian Workplace: The Results of the Ekos Workplace Training Survey*, 1997.

taken together, determine "bottom-line" outcomes in the long-term. And the degree of difficulty in isolating this contribution becomes greater as the "measurable business performance" involves broader, aggregate outcomes, such as a company's per capita net sales or gross profits.

Examining business performance impacts/ROI is further complicated by the general state of formal evaluation of training in Canadian industry. While recent surveys indicate that growing numbers of employers are conducting some variety of monitoring and assessment of their training programs, such activity tends not to be regular, rigorous or well informed, especially in the realm of performance effects analysis.[4]

In fact, very few companies actually keep track of training costs of the kind outlined earlier. Furthermore, the lion's share of training program review for results (where it is done at all) addresses non-financial outputs (e.g., employee reactions, learning imparted to employees). As a result, there is insufficient sophistication in most current formal evaluation methods to fully or accurately calculate training's business performance impacts/ROI.[5]

This situation has posed significant constraints on business research organizations, such as the Conference Board of Canada or the American Society for Training and Development (ASTD), as they try to make advances in this relatively new investigative field and provide advice to client firms. Nonetheless, important work is currently underway in these and other organizations (e.g., academic institutions, training consultant agencies) to define practical performance indicators and benchmarks and develop methodologies for measurement in different business circumstances and in response to different business needs.

Indeed, quite recent research inquiries in Canada and the United States and abroad have shed more light on this topic and have helped to delineate what we can say, and what we cannot say, about the real and potential business performance impacts/ROI of training. This has been facilitated by companies, including several case examples in the food retail and wholesale sector, that have pioneered increasingly refined techniques for overseeing and assessing their training efforts, some with reference to well established performance effect indicators.

The following is a brief summary of the findings of three key studies based on industry surveys in Canada and the United States – Canadian Policy Research Networks (1997), ASTD (1998) and the Conference Board of Canada-ASTD (1999).

---

4 Ibid, 1997.

5 Ibid, 1997.

IV Recent Findings

Most surveys of the state of industry training practice in both Canada and the United States have focused on the incidence and content of company level formal and informal activity. Those completed over the 1990s have tracked considerable expansion in employer expenditure on skills training, relative to the previous decade, especially among certain kinds of business entities (e.g., firms that are large, multi-establishment and technology-intensive, firms with substantial labour turnover rates, firms in which management has endorsed broadly-conceived high performance workplace strategies, etc.).[6]

Over the 1990s, the Conference Board of Canada has conducted five biennial surveys of national industry training efforts. These have documented fairly consistent improvements in aggregate employer investment in training in Canada over time and, more recently, some stabilization of investment levels. According to the Conference Board, total Canadian business dollars committed to training, however, remain below that of competitors in the United States, Europe and the Asia-Pacific region.[7]

Very recently, researchers have begun to shift their concentration to so-called "next generation" questions, such as training's specific results for employees and employers. In particular, there have been mounting efforts to isolate the business performance impacts/ROI of sustained spending on a corporate training culture since the early 1990s. Much of this work has been undertaken to test the assumption that there is an appreciable "bottom-line" payoff to a long-term training commitment and, in so doing, supply valuable data to senior executives, human resource managers and training consultants/professionals (as well as public policymakers).

One of the first major organizations to investigate training's potential business performance impacts/ROI was the ASTD. For instance, in its 1998 survey of industry trends across the United States, the ASTD confirmed a positive relationship between training investment and a given firm's marketplace performance, according to various financial indicators. The ASTD reported that American companies with the highest training expenditures demonstrated 57 percent higher net sales per employee, 39 percent higher gross profits per employee and a 15 percent higher ratio in market-to-book values (among other results), as compared to companies whose training expenditure was lower.[8]

ASTD research in this field has led to creation of the *ASTD Benchmarking Service*. This service provides a national clearinghouse of data and is intended to give business trainers in the United States an enhanced understanding of how they are doing relative to their competitors or peer organizations of comparable size and in comparable sectors. It also

---

6 Ibid, 1997.

7 Conference Board of Canada, *Training & Development Outlook: Policies, Practices and Expenditures*, 1999.

8 Bassi, Laurie J. and Daniel P. McMurrer, "Training investment can mean financial performance", *Training and Development*, May, 1998.

provides what the ASTD believes are state-of-the-art training measurement tools that allows for benchmarking of a given company's business performance impacts/ROI.[9]

Two important pieces of Canadian research have generated findings similar to those of the ASTD. These are:

- The 1997 survey published by the Canadian Policy Research Networks (CPRN/Betcherman, Leckie and McMullen), Developing Skills in the Canadian Workplace: The Results of the Ekos Workplace Training Survey), and;
- The 1999 Training and Development Outlook, published as part of the survey series of the Conference Board of Canada-ASTD (Harris-Lalonde), as previously cited.

(1) CANADIAN POLICY RESEARCH NETWORKS

The 1997 survey of the CPRN was conducted with the explicit objective of filling gaps in research literature concerning the business performance impacts/ROI of training and drawing new conclusions. As such, CPRN collected substantial qualitative and quantitative data (where it exists since, as the study's authors note, even high trainer companies are not data rich) from up to 2,500 business organizations and conducted follow-up research with these and other sources.[10]

The CPRN used several methods to isolate training effects, two of which are outlined here. In the first, Canadian firms that were found to be spending on training programs were compared with companies that were not making these investments. The basis of this comparison was management self-rating on a range of key past, current and future performance indicators for the respondent firm, including financial ones, such as total revenues and profitability.

The result of this comparison was "trainers" reporting higher revenues, higher profitability, better labour relations, better product and service quality and higher productivity than "non-trainers". "Trainers" also reported greater current business viability and better future business prospects for the next three years. In a parallel measure, this advantage was shown to be most substantial for firms with the strongest training commitment (see Table 1).

In the second analysis outlined here, the CPRN attempted to confirm the appearance of a positive connection between training intensity and business performance impacts/ROI established in the first. This was done through an econometric model based on comparative data for different companies at different levels of training commitment and according to key past, current and future performance outcomes, including financial ones

---

9 American Society for Training and Development (ASTD), *Benchmarking Service*, 1998.

10 CPRN, *Developing Skills in the Canadian Workplace: The Results of the Ekos Workplace Training Survey*, 1997.

such as total revenues and profitability. Once again, the latter were based on perceptions supplied by management in respondent firms.

Table 1 **Business Performance Comparisons,** **Training vs. Non-training Firms** * % = Percent performing significantly better		
	Trainers	**Non-trainers**
Assessments of 1993-95 Trends		
Total revenues	36.7%	28.4%
Profits	36.9%	24.8%
Employee relations	49.0%	43.9%
Product service quality	56.9%	45.3%
Productivity	54.0%	35.5%
Comparative & Prospective Assessments		
Relative business viability	42.5%	37.0%
Overall business outlook (next 3 years)	44.6%	29.8%

Source: CPRN, 1997.

The econometric model showed "trainers" as persevering once again and "high-trainers" as continuing to perform best of all. Indeed, in this second analysis, the report's authors concluded that status as a "high-trainer" tended to overrule any effects associated with business organization size, reliance on technology and human resource practices (see Table 2).

In short, the CPRN found that Canadian employers investing in training (especially those which invest most heavily) are more likely to attest to favourable business performance trends than their counterparts who train less or do not train at all. At the same time, the report's authors caution that no causal relationship between training expenditure and positive business performance impacts/ROI has been definitively established by their work. Rather, it may be that companies that are financially successful may also happen to train the most.[11]

[11] Ibid, 1997.

Table 2 Business Performance Comparisons, by Level of Training Commitment * % = Percent performing significantly better.				
	Non-trainers	**Low Commitment**	**Medium Commitment**	**High Commitment**
Past Performance				
Total Revenues	28.4%	55.7%	35.2%	51.0%
Profits	24.8%	36.0%	34.1%	49.8%
Employee Relations	43.9%	43.7%	48.0%	70.6%
Product Quality	45.3%	48.3%	60.8%	68.6%
Productivity	35.5%	50.0%	59.5%	59.7%
Relative viability	37.0%	38.1%	37.6%	62.1%
Business outlook	29.8%	45.9%	34.3%	62.2%

Source: CPRN, 1997.

(2) CONFERENCE BOARD OF CANADA-ASTD

The 1999 survey of the Conference Board of Canada is the first to be done in partnership with the ASTD. Interestingly, one of the priorities of this new partnership is to advance research of business performance impacts/ROI of training and analyze how these compare between Canada and the United States on an on-going basis. The survey represented a first step in this direction as significant qualitative and quantitative data was collected from respondents to a questionnaire sent to 3,800 business organizations in the previous year.[12]

The Conference Board-ASTD survey undertook a measurement of training effects in a manner similar to the CPRN. Companies making sizeable investments in training programs were compared with firms with lesser or no such commitments using management self-ratings on key performance indicators: (1) ability to retain employees (2) worker satisfaction (3) quality of products and services (4) customer satisfaction, and (5) profitability.

The report's author found that above average business performers, or those respondent firms assessing themselves as "better" on three or more indicators, spent almost 46 percent more on training per employee than below average business performers, or those respondent firms assessing themselves as "better" on one or none of the five indicators. In addition, those assessing themselves as "better" on three or more indicators invested approximately 38 percent more on training, as a percentage of total payroll.

[12] Conference Board of Canada, *Training & Development Outlook: Policies, Practices and Expenditures*, 1999.

Finally, those companies that indicated higher training expenditure (both per capita and as a percentage of total payroll) also reflected superior profits overall. This was evident from one year to the next and as compared to the profitability of peer business organizations (see Tables 3 and 4).

In other words, the Conference Board-ASTD also found that companies investing in training (especially those which invest most heavily) are more likely to attest to favourable business performance trends than their counterparts that train less or who do not train at all.

Like the CPRN, the report's author observes that more research is required to explore causality in the relationship between training and positive performance business performance impacts/ROI. Without validating this relationship, an alternative explanation for these findings may be (again, like CPRN) that Canadian business trainers also happen to be financially successful in the marketplace.[13]

Table 3

Training Investment of Above- and Below- Average Business Performers*

	Training expenditure per employee	**Training expenditure as a percentage of payroll**
Above-average performers	$896	1.8%
Below-average performers	$614	1.3%

* Above-average performers indicated better performance on three or more performance indicators, while below-average performers indicated better performance on one or no performance indicators.

Source: The Conference Board of Canada/ASTD.

[13] Ibid, 1999.

Table 4 Business Performance — Profitability		
	Training expenditure per employee	**Training expenditure as a percentage of payroll**
Compared with previous year		
Better	$817	1.7%
No change	$793	1.7%
Worse	$587	1.1%
Compared with peers		
Better		
No change	$855	1.9%
Worse	$653	1.3%
	$702	1.6%

Source: The Conference Board of Canada/ASTD.

V Industry Practice

As discussed under BUSINESS TRAINERS AND PERFORMANCE: DEFINING THE ISSUE, what we know, and do not know, about the business performance impacts/ROI of training is linked integrally to the practice of formal evaluation on an industry-wide basis. Today, activity that provides training-in-progress with oversight and assessment is certainly widespread (estimates range between 80-90 percent of all business trainers in Canada in recent years), but is quite variable in quality, tending not to be comprehensive or results-oriented in approach. This is true right across the business universe, including many large companies that have been investing in highly structured training programs for years.[14]

Formal training evaluation by employers is dependent on available resources geared to this function. This is particularly important in the case of measurement of training's business performance impacts/ROI. For this reason, companies in both Canada and the United States have frequently relied on proven and cost-effective analytical frameworks, techniques and tools developed by training consultants/professionals with experience in this area.

For instance, North American industry surveys indicate that, when it comes to formal training evaluation, most firms (over two-thirds in the United States, according to the

[14] Op. Cit., 1997.

ASTD[15]) utilize a broad method developed in 1959 by American training expert Donald Kirkpatrick. The "Kirkpatrick Model" is based on four essential levels on which training information should be collected and analyzed for the purpose of examining the value of a company's entire training effort or one aspect thereof. These four levels are:

- Reaction: How did participants (i.e., employees, managers) rate the quality of a given training program and its results for them?
- Learning: What specific learning or skills were imparted to participants in a given training program?
- Behaviour: What positive changes in the job or workplace behaviour and performance of participants are attributable to a given training program?
- Results: What specific benefits (financial and non-financial accrued to the business organization from a given training program?[16]

In *Training and Development Outlook* (1999), the Conference Board points to the fact that the overwhelming number of Canadian employers who report administering training evaluations have tended to emphasize only the first of Kirkpatrick's multi-level approach. In 1997, approximately 77 percent of programs received reaction-level assessments (survey respondents estimated that this would rise to 84 percent in 1998). Learning-level tests were the second most common form of evaluation, with more than one-third of programs receiving these in 1997 (and an estimated 50 percent in 1998).[17]

By contrast, the vast majority of industry training programs in Canada is not being assessed using other "Kirkpatrick Model" levels, and in particular, results-oriented evaluations that may capture some scope of business performance impacts/ROI. This said, at a projected 16.5 percent for 1998, results-oriented evaluations have increased among business trainers since the early 1990s. Conference Board survey findings based on the "Kirkpatrick Model" are highlighted in Chart 1.

In the United States, it appears that a somewhat higher proportion of companies utilize results-oriented approaches when they evaluate training. Of those that observe the "Kirkpatrick Model", reports the ASTD, over one-quarter of training programs received results-level analysis.[18]

For those business trainers that do undertake Kirkpatrick result-level assessments (or those of other alternative models, such as the one developed by American training expert Jack Philips), a range of financial or non-financial indicators may be highlighted as part of a business performance impacts/ROI calculation. In its 1997 survey, the ASTD asked

---

15 ASTD, *National HRD Executive Survey, Measurement and Evaluation: 1997 Fourth Quarter Survey Report*, 1998.

16 Ibid, 1998.

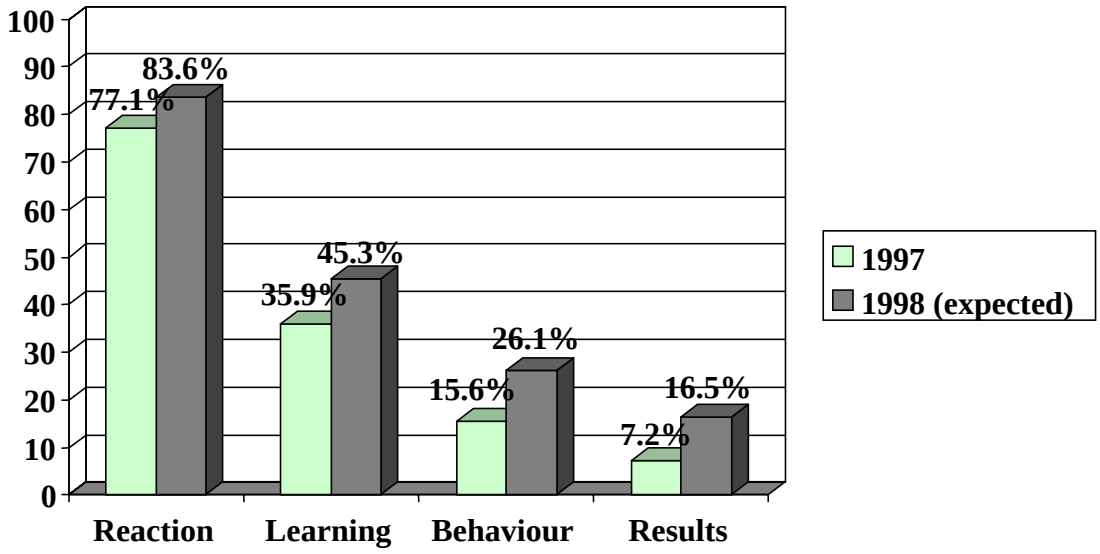
17 Conference Board of Canada, *Training & Development Outlook: Policies, Practices and Expenditures*, 1999.

18 Op. Cit., 1998.

American human resource managers and training consultants/professionals what quantitative outputs were obtained when they undertook such measurements. In response, customer satisfaction was, at 69 percent, the most commonly tracked outcome of training, followed by job satisfaction, productivity and "return on expectations" at 38 percent, 37 percent and 35 percent, respectively.

Chart 1

Level of Industry Training Evaluation, by Type



Source: The Conference Board of Canada/ASTD .

Other performance indicators/outputs tracked by respondents to the ASTD survey included safety violations (28 percent), sales (22 percent), ROI (20 percent) and labour turnover (20 percent). Table 5 features the entire ASTD list of indicators/outputs and level of incidence among respondent companies. Interestingly, a specialized ROI calculation was a priority chiefly for large firms.[19]

This recent evidence of North American industry-wide practice in measuring the business performance impacts/ROI of training suggests a few tentative conclusions. First, in that small fraction of industry where Kirkpatrick-like, results-level evaluation occurs, limited attention is being paid to the relationship of training investment to aggregate "bottom-

[19] Ibid, 1998.

line" outcomes such as sales, revenues and productivity. This may be due to several reasons, such as the cost or challenge in applying complex methodological techniques (see discussion of "barriers" below).

Table 5
Business Performance "Outputs" of Training Most Commonly Measured by US Firms (%)

Output	Percent
Customer satisfaction	69%
Job satisfaction	38%
Productivity	37%
Return on expectations	35%
Safety violations	28%
Sales	22%
ROI	20%
Labour Turnover	20%
Cost benefit ratio	18%
Waste reduction	15%
Grievances	12%
Profitability	9%
Absenteeism	8%
Overtime	6%

Source: ASTD, 1998.

Another reason may be the lack of relevance of broad indicators as compared to targeted measures of performance, both financial and non-financial, that can be readily identified with a given training program's goals and which ultimately influence the "bottom-line". For instance, if business dollars spent on training can be shown to improve customer relations, or employee morale in the workplace (to name two of the ASTD's most commonly cited outputs), these payoffs may be enough to justify the expense and provide a satisfactory strategic rationale to senior executives.

Second, the evidence also suggests that most firms encounter significant barriers in undertaking an assessment of business performance impacts/ROI of training, regardless of their nature. In its 1997 survey, the ASTD reported that this was the single greatest

challenge of American human resource managers and training consultants/professionals. The Conference Board has also identified obstacles. In *Training and Development Outlook* (1999), it was noted that most Canadian employers fail to consider training's "bottom-line" outcomes due to the time-consuming nature of the activity and its inherent difficulty. Of course, such problems are compounded for certain companies, such as those that are small- and medium-sized.[20]

In the United States, further resources are being developed to address specific barriers in evaluating training's business performance impacts/ROI. For instance, the *ASTD Benchmarking Service*, described earlier, has this aim, and is supported by the *ASTD Benchmarking Forum*, a group of sixty-seven major firms, such as American Express, AT&T, Boeing, Citibank-North America, Dow Chemical Company, Ford Motor Company, General Electric, Intel Corporation, Levi Strauss & Company, Macdonald's Corporation, Motorola and SPRINT.

Characterized by a high training commitment (on average, they spend 2.8 percent of total payroll), these participating firms co-operate with ASTD in sharing expertise and experience with others looking to effectively measure training programs. It should be pointed out, however, that very little of this sharing includes disclosure of specific information about business performance impacts/ROI obtained from training as firms view such data as proprietary and commercially sensitive.[21]

VI The Food Retail and Wholesale Sector

The above section, BUSINESS TRAINERS AND PERFORMANCE: INDUSTRY PRACTICE, refers to trends as they apply to all Canadian (and/or American) employers. Hence, it must be assumed that they exist for employers in the food retail and wholesale sector. In light of the comparatively low levels of training investment in retail and wholesale industries of all kinds, however, it is probable that challenges to measuring business performance impacts/ROI for established training activity are greater still for this sector.

Consideration of training's business performance impacts/ROI in the food retail and wholesale sector must also account for human resource issues and training strategies unique to it, as documented in *Creating the Future: Human Resources Study of the Canadian Food Retail and Wholesale Sector* (CLBC, 1998).

For instance, there are such retail-specific characteristics as numerous part-time and transient employees, and employees with low educational attainment, as well as a changing role for management, greater emphasis on computerization in the sector and the fact that much training is currently informal and short-term. In an intense competitive environment, cost conscious retail/wholesale employers will need to be convinced that new or topped-up training investment demonstrates value at the "bottom-line."

---

[20] Conference Board of Canada, *Training & Development Outlook: Policies, Practices and Expenditures*, 1999.

[21] ASTD, *Benchmarking Forum*, 1998.

Moreover, this value must be measured in business performance indicators that are meaningful in the sector.

A good illustration of this point is seen in traditional retailer concerns on the topic of labour turnover. For many owners/managers in food retail, training's business performance impacts/ROI according to broad, aggregate outcomes, such as a company's per capita net sales or gross profits, may be too abstract (and possibly too expensive to conduct, especially for the substantial number of small-independents on the retail side).

For these retailers, a more meaningful indicator is how training has contributed strategically to a specific reduction in the rate of employee turnover (which is frequently as high as 100 percent). With this knowledge, managers can further calculate how much has been saved in replacement costs, embodied in significant financial outlays for employee recruitment and orientation/entry-level training.

Two helpful illustrations of how measurement of the business performance impacts/ROI of training is currently being treated in the food retail and wholesale sector are provided here. These are:

- Recent activity of the American training consultant agency Payback Training Systems (PTS) with food retailers and wholesalers in the United States, and;
- The findings of food retail and wholesale sector case research conducted by the Canadian Labour and Business Centre (CLBC), as quoted from *Case Studies in Innovative Training Practices for the Canadian Food Retail/Wholesale Industry* (2000).

(1) THE PTS MODEL

Generating positive outcomes and supporting data of relevance to the food retail and wholesale sector has been the focus of recent American (and some Canadian) firm collaborations with external training consultant agencies, such as PTS.

In 1992, PTS initiated a relationship with the sector by helping several American supermarkets with the design and introduction of cashier skills training programs. Currently, PTS works with approximately 270 large and small-independent business organizations, in virtually all food retail and wholesale industries (the vast majority based in the United States), to develop programs that are comprehensive and well structured, from an initial needs assessment and plan to in-progress monitoring and evaluation. Included within this design is an imperative to collect extensive training data for capturing business performance impacts/ROI during results-level assessment.

Key to PTS consultative activity is its familiarity with the unique training culture of the food retail and wholesale sector. Much of the results-level analysis of PTS-facilitated training programs features such salient performance criteria as reductions in employee turnover rates or improvements in the quality of junior/supervisory management. Based

on this sector experience, PTS has established models for examining "bottom-line" payoffs of skills training for different employment categories, such as cashiers and other retail outlet occupations (e.g., in groceries, frozen foods, produce, delis or bakeries).

These PTS models isolate benefits (net of costs) according to a range of both financial and non-financial outputs (depending on client firm needs vis-à-vis business performance impacts/ROI of training) including employee morale, customer satisfaction, turnover, productivity and sales. Such also exist for compliance-oriented training, such as the promotion of health and safety and harassment-free workplaces.[22]

Very little published information is available (once again, due to proprietary and competition-related reasons) to show overall sector effects of such highly strategic approaches encouraged by PTS or other in-house or external academic institutions or consultant agencies (e.g., Reflections Software and others, also based in the United States). One important exception is a case study conducted in the late 1990s for Rainbow Foods of Minneapolis, Minnesota. This study attempted to capture the immediate performance outcomes (and especially those pertaining to turnover rates) of a PTS cashier training program implemented in the period 1996-97.

Based on evidence accumulated one year afterwards (1997-98), it was discovered the PTS program had succeeded in reducing a previously high rate of employee turnover at Rainbow Foods by a total of 16 percent. This result, by extension, produced substantial cost savings for the company, estimated to be in excess of $800,000. Other positive effects were also attributed indirectly to the training, including a decline in the local unemployment rate, in large part because Rainbow Foods had become financially able to expand its Minneapolis operations to include several new locations.[23]

(2) CLBC CASE STUDIES

PTS findings are given some backing by CLBC case studies (1999-2000), conducted to highlight a diverse array of industry training options and that included interviews with senior executives, human resource managers and training consultants/professionals in the food retail and wholesale sector (and other sectors) in both Canada and the United States.

In fact, the CLBC found several general illustrations of training evaluation methods that included some version of results-level measurement. Most frequently, such evaluative activity concentrated, not on a company's entire training effort, but on an individual program and its relative success or failure in meeting a certain "bottom line" aim (according to quantitative/qualitative data obtained or anecdotal evidence) in the immediate term.

---

22 Payback Training Systems (PTS), *Brochures*, 2000.

23 The CLBC received Rainbow Foods case details from Dave Brumley of PTS and acknowledges this assistance with gratitude.

The following is a brief selection of details taken from seven CLBC case examinations pertaining to training's business performance impacts/ROI on a firm level basis. Details include reference to the training objective addressed by a given Company Dnd the type of performance indicators sought during a program's formal or informal evaluation. The seven company examples are:

- SUPERVALU University (Minneapolis, Minnesota): As part of its in-house delivery of training programs, SUPERVALU University measures business performance impacts/ROI, as required. This happened in the mid-1990s, when computer-based training for cashiers at a local retailer affiliated with SUPERVALU was assessed upon completion. Among various positive performance outcomes found, was an 11 percent reduction in turnover, 44 percent fewer cashier errors and significant per employee efficiency gains.[24]

- Nestle Canada (Toronto, Ontario): Nestle's training department has periodically used its capacity to conduct business performance impacts/ROI measures, where this has been deemed necessary for specific on-the-job training goals. For instance, a recent investment in chocolate-making facilities on one company site included technical and "soft" skills training for the operators of the new equipment. Labour productivity levels emerging from the combined training were latter measured and found to have grown on a sustainable basis, as planned, while Nestle's incurred substantial cost savings.[25]

- Coca Cola (North America): The Coca Cola Retailing Research Council recently undertook a study of the impact of various workplace initiatives on the ability of eighteen retail divisions to retain employees against turnover trends. Among other findings, the Coca Cola research concluded that training had exerted a positive influence on employee retention and, as a consequence, on cost savings, particularly if it was targeted to specific human resource issues of importance.[26]

- Company E (USA) # 1: This American holding company for a large international food retailer conducts periodic business performance impacts/ROI calculations for its training efforts. For instance, upon opening a Store Manager Assessment Centre, one of Company E's divisions evaluated the performance of management graduates of this Centre against managers that did not receive this training. A high correlation between profits and participation in the Centre was found.

---

24 The CLBC received SUPERVALU case details from Greg Paulson of SUPERVALU University and acknowledges this assistance with gratitude.

25 The CLBC received Nestle Canada case details from Michael Lamontagne of Nestle Canada and acknowledges this assistance with gratitude.

26 The full and final results of the Coca Cola study will be published at the time of its presentation to the Food Marketing Institute conference on January 24, 2000.

- Company E (USA) # 2: This American holding company in food retail also examined the outcomes of computer-based training for cashiers in five of its divisions. Employee graduates of this program were compared against employees trained using more traditional training methods, based on their relative dependence on managers for assistance. The Company E assessment concluded that the computer-based trainees relied on managers less and hence, cost savings were realized.

- D & W Food Centers (Grand Rapids, Michigan): In its twenty-five stores, this state-based company has utilized training often as a strategy to retain employees and, in so doing, lower high turnover rates and associated expenses. For the most part, this effort has involved management training programs that emphasize "soft" skills (e.g., communications, problem solving, teamwork, etc.) in workplace relations. D & W results-level analysis indicated such training was successful, leading to its expansion to all managers.

- J C Penney Company (Plano, Texas): As a general retailer (with many similar human resource challenges as food retail, such as turnover), J C Penney has introduced an integrated, technology-based training system for its 1,100 stores in North America. This effort includes regular business performance impacts/ROI for a substantial fraction. For instance, stores where training has occurred have been monitored in relation to their non-training counterparts. One finding is that the former fare better on productivity, sales, reduced costs, fewer errors and other indicators.

- Company B (British Columbia): A top priority for this small retail company has been to reduce its high rate of seasonally induced turnover, retain employees and lower related costs. In addition to other measures, training has recently been introduced to supply staff with marketable skills and to enhance employee participation and morale in the workplace. Anecdotal evidence suggests this has to some degree been achieved.

VII Conclusion

The preceding note has been a brief summary of what early business research and industry practice has shown to be the relationship between employer investment in training and positive ROI as evidenced in different "bottom-line" performance indicators. Based on the related issues discussed and the empirical and case study research findings to date, several broad conclusions may be made about this topic and its importance to Canadian industry, in general, and the training culture of Canada's food retail and wholesale industry, more specifically. These are:

- Most of the bona fide, publicly available evidence attesting to a positive "business case" for employer investment in training, regardless of the industrial context, has been generated by business research conducted in

recent years (e.g., Canadian Policy Research Networks, 1997, ASTD, 1998, the Conference Board of Canada-ASTD, 1999).

- Most business research completed in Canada and the United States in recent years has consistently established a clearly positive relationship between employer spending on training and long-term financial and non-financial performance indicators, such as revenues, profitability, product and service quality, productivity, customer relations and employee satisfaction. Hence, the evolving foundation of empirical research appears to thus far confirm the assumed "business case" for making increased training investments in a new and restructuring economy.

- Recent business research into the business performance impacts/ROI of training is fairly new and methodologically in-progress and, hence, has many vital questions left to answer (e.g., causality).

- A critical link has also been established between incidence of formal training oversight/assessment and actual knowledge about business performance impacts/ROI. While the level of formal evaluation is quite high in Canada, most of this activity is irregular, limited and poorly informed. Results-level assessments that may include measurements of "bottom-line" outcomes are conducted by a small (if growing) number of firms.

- Due to the proprietary and commercially sensitive nature of findings, there is very little published data concerning training's business performance impacts/ROI at the company level in the food retail and wholesale sector or elsewhere in North American industry. That which does exist tends to be positive (e.g., Rainbow Foods, SUPERVALU) as is the anecdotal information/feedback obtained in CLBC case studies and interviews with human resource managers and training consultants/professionals.

- A great many Canadian employers, regardless of their industrial context, face serious cost and technical obstacles to establishing the true nature of training's business performance impacts/ROI at the company level.

- Firms in Canada's food retail and wholesale sector face especially significant barriers to establishing the true nature of business performance impacts/ROI due to the sector's less comprehensive aggregate training effort (as compared with other sectors), combined with its unique human resource issues and training strategies.

- In particular, small- and medium-sized companies in the food retail and wholesale sector, such as the large proportion of small-independents on the retail side, encounter above average cost barriers to measuring training for business performance impacts/ROI.

- Firm owners/managers in the food retail and wholesale sector may be more interested in indicators of training's business performance impacts/ROI that are sector-specific and relevant to their immediate needs, such as turnover rates, the effectiveness of junior managers and supervisors, product/service quality or various cost efficiency concerns. According to business research, this is consistent with the approach taken by other industries.

- Some American and Canadian employers, including representatives of the food retail and wholesale sector, have developed results-level analysis techniques and tools for establishing performance indicators and benchmarks of relevance to their business circumstances and needs. Some large business organizations have done this utilizing in-house training departments (e.g., Nestle's Canada, SUPERVALU), while firms of all sizes had relied on expertise and resources supplied by external training consultants/professionals (e.g., PTS, et al) or, more generally, ASTD, the Conference Board of Canada, and comparable agencies.

Our mission

is to contribute to economic growth and social well being by improving business and labour practices in Canada, and by providing joint advice on public policy.

Since 1984, we have been the recognized centre for business-labour dialogue and consensus building in the country. When labour and business find common ground and agree on practical, problem solving approaches, things happen. We have the case studies and information to back that up.

Whether exploring new work arrangements in Canadian workplaces, or analyzing human resources issues in different sectors of the economy; examining mechanisms for financing businesses and thus promoting employment and community development, or surveying Canadian private and public sector leaders about their priorities and concerns: our work always features the joint perspectives of business and labour.

Notre mission

Contribuer à la croissance économique et au mieux-être social en améliorant des pratiques patronales et syndicales au Canada et en donnant des conseils conjoints sur la politique publique.

Depuis 1984, nous sommes reconnus comme le centre du dialogue et de l'élaboration d'un consensus entre le patronat et les syndicats au Canada. Lorsque le patronat et les syndicats trouvent un terrain d'entente sur des solutions pratiques à des problèmes, les choses avancent. Nous avons des études de cas et des données pour le démontrer.

Qu'il s'agisse de la recherche de nouveaux régimes de travail dans les milieux de travail canadiens ou de l'analyse de questions relatives aux ressources humaines dans divers secteurs de l'économie; de l'examen des mécanismes de financement des entreprises et donc de la promotion de l'emploi et du développement communautaire, ou encore d'enquêtes auprès des dirigeants canadiens des secteurs privé et public sur leurs priorités et leurs préoccupations, nos travaux présentent toujours la vision concertée du patronat et des syndicats.

Canadian Labour and Business Centre

55 Metcalfe Street
Suite 1500
Ottawa, Ontario
K1P 6L5
Tel.: (613) 234-0505
Fax: (613) 234-2482
info@clbc.ca
www.clbc.ca

Centre syndical et patronal du Canada

55, rue Metcalfe
Bureau 1500
Ottawa (Ontario)
K1P 6L5
Tél. : (613) 234-0505
Télec. : (613) 234-2482
info@cspc.ca
www.cspc.ca