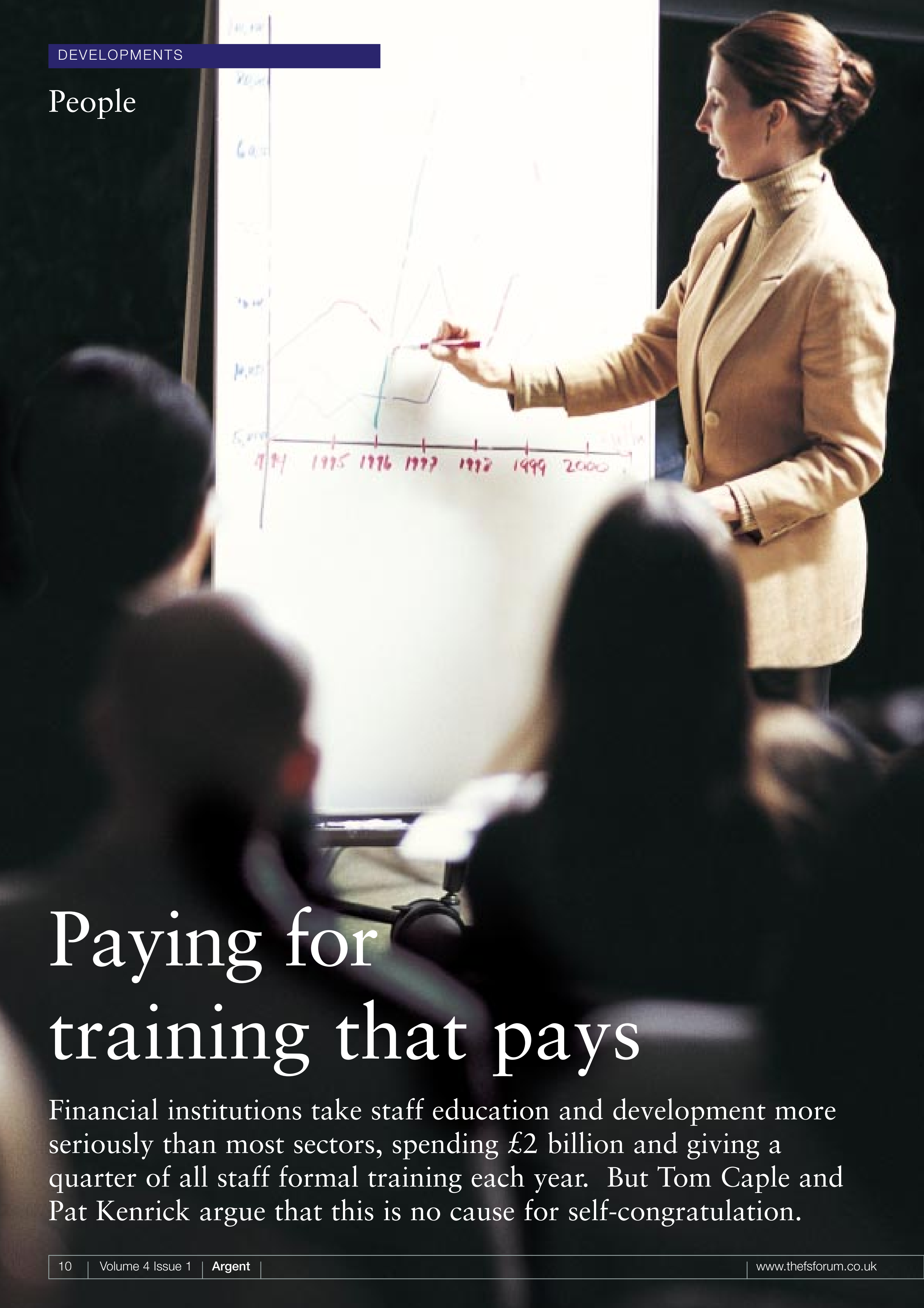

Paying for training that pays

Financial institutions take staff education and development more seriously than most sectors, spending £2 billion and giving a quarter of all staff formal training each year. But Tom Caple and Pat Kenrick argue that this is no cause for self-congratulation.

Why not?

> Whilst significant training is taking place, this is driven by an accreditation and regulation process which in many cases focuses on setting minimum standards beyond which the employer has difficulty gauging a return or benefit in a climate which is extremely dynamic.
>
> *Financial Services Sector Skills Dialogue Report, DfES 2001*

It is understandable that employers might feel aggrieved when their considerable efforts to develop skills are met with third-party critiques of this sort. Competence, training and qualifications are items high on the agendas of most managers, so why does the industry still attract criticism? And is that criticism fair?

Well – yes. The truth is that financial services companies, like many others, still live with myths about the link between training and business performance – and these myths prevent firms from getting a satisfactory return on their training investment. There are five important (but incorrect) assumptions about training that get in the way of using it to create better business.

Not just the individual

The first myth is that training is all about skilling-up individuals. The knowledge and skill that individuals apply to their work are valuable assets for a financial institution, and so ensuring that people have the knowledge and skill needed for the business is just common sense. As the Financial Services Authority (FSA) puts it succinctly:

> The *firm's* commitments to training and competence should be that: its *employees* are *competent*; its employees *remain* competent for the work they do; its employees are appropriately supervised; its employees' competence is regularly reviewed; and the level of competence is appropriate to the *nature* of the *business*.
>
> FSA – Training and Competence Sourcebook

But this is only half the story. It is a truism that businesses thrive when the *collective* performance of individuals is directed toward clear and achievable goals. Put that together with the full potential of training and you get another, more business-focused purpose for staff development – *enhancing the collective performance of the whole team*. So when deciding whether to train, don't just focus on individuals – it's the team (however you define it) whose performance should be changed by your training investment.

Outcomes

A second myth is that training is simply a business cost, a consequence of operating in a highly-regulated sector. The trouble is that, if you treat it as a cost, any sensible manager will wish to minimize it. But that means spending less on one of your prize assets – the competence needed to deliver business objectives. The effect is to make business objectives harder to achieve. Strange logic, indeed.

Treat training as a business investment and your thinking can follow a much more productive line. You can ask whether it is the right thing to invest in, and what the business return will be. For example, when a firm introduces a new product, it is almost a reflex action nowadays to include product knowledge training. But that is – or should be – only a part of the solution. There will be targets for product sales and after-sales service, and demands for people to work differently – so companies should also ask what change in corporate performance is needed to achieve the business objectives. And – if training is the best way to achieve the change – what training resource is needed to deliver the business gain. This more holistic analysis will improve the chances of delivering the full desired outcome, rather than just "achieving" the product launch.

The effect is to make business objectives harder to achieve. Strange logic, indeed.

Hard learning

The third common misunderstanding is that learning is about filling empty containers. Yet, on the contrary, it requires more than mere inputs of information or the sharing of existing knowledge.

That is why, when introducing the new examination standards for financial advice in June last year, the Financial Services Skills Council (FSSC)[1] was at pains to demand that examinations should test the ability to apply knowledge and understanding to the practical demands of the job.

Unfortunately, as Colin Coulson-Thomas noted[2] in 2000, most training and development, learning centres and corporate universities are recycling existing knowledge rather than adding to the firm's intellectual capital.

So when you invest in training, you are putting your money into a three-step process: value-added acquisition; application; and achievement of business targets. Training investments should therefore be based on a plan that takes all three stages into account.

TRAINING AS AN INVESTMENT

Often, we don't give the training side of our business credit for what they are doing. They don't just respond – they identify threats to the business and alert me to them. 20% of my business would not exist if it were not for the training and competence department. I estimate that training gives a ten-fold return on our investment.

Jim Colgan, Head of Sales
Norwich Union Personal Finance

During the last two years, our organization has gone through a process of building an integrated management system, in which training and development initiatives are linked directly to our business priorities and the needs of our clients. From our point of view, taking part in the accreditation scheme was an excellent opportunity to conduct an independent, expert review of the progress we have made so far. We are delighted with the outcome and look forward to working with the FSSC in the future.

Jackie Aggett, Operations Director
Aon Reinsurance

More than just sitting

If all this seems logical, why does it not happen more often? There is a fourth myth that can get in the way – that learning and work are separate and different. This ignores some important truths:

- Learning requires hard work – just as demanding as the core job.
- The oldest form of learning, as far as we know, is learning from mistakes – but how many mistakes can a business afford?
- Work requires hard learning. You cannot work without learning – even robots have learning programs designed into them – and productive learning is about what the team or collective learns and applies.

Standards drive quality

These myths are bound together by a fifth to create a powerful fairy tale that influences decisions – the notion of "minimum standards". But this term is a *non sequitur*. A standard is a measure of quality, so what exactly is a "minimum standard"? Low quality? The least we can get away with? It is hard to believe that boardroom debates circle around such dysfunctional and counter-productive questions – but they do.

The real business issue is whether a firm's standards are led by cost or drive investment. In a cost-led culture, quality will be determined by the amount of money allocated. In a standards-led organization, quality will be determined by the market and what is required to be competitive. That in turn will determine how much needs to be invested – to achieve the standard. This applies as much to people's performance as it does to product and service issues. Business goals should determine performance standards, and these should provide the benchmark for training investment.

Strategic training investment

Two billion pounds is a lot of money to spend on anything, even when divided amongst the 40,000 firms in the financial services industry. The real problem, though, is that the spend does not appear to be delivering the improvements that are needed to justify the investment – productivity, for example, is actually falling, from 7% in 2001 to 5% in 2003.[3]

Getting rid of the myths is an important ground-clearing exercise that will help ensure that companies, investors, consumers, employees and all other stakeholders get value for money. This means:

- Accepting training as one solution for tackling business challenges: decision makers have to be clear that it is the most promising of those solutions available for a specific challenge, not just a knee-jerk response to regulation.

In a cost-led culture, quality will be determined by the amount of money allocated.

A firm's success depends ultimately on the use of the collective knowledge its people bring to work. And knowledge is the product of learning.

- Using training to build and utilize the firm's capability, rather than as a corrective exercise.
- Expecting performance outcomes that deliver business gain from any training investment.

There are five steps to take to achieve this:

1. Assess how far your business goals, targets and priorities depend on change in collective performance. Ask yourself whether this requires learning, re-learning or unlearning, or a combination of these. And assess the costs, benefits and risks of investing in training as a solution to meeting the need for performance change.
2. If (and only if) training is a viable business solution, this will determine the priorities you have for training. Companies adopting this approach will also find that they are meeting the FSA's training and competence requirements – but with a business benefit in view.
3. Training priorities provide the basis for a sustainable training strategy – not just how performance change will be achieved through learning, but also the other factors, such as organization culture, leadership and reward systems, that need attention to motivate people to use what they learn. Most important of all, consider how will you measure the impact on performance.
4. Resource the training effort proportionately: decide whether it can be delivered in-house, or if external expertise is needed, and also the most effective method – for example, e-learning or face-to-face methods.
5. Measure the impact of training outcomes. Most performance management systems should be capable of this.

There are already exemplars, such as Norwich Union and Aon Reinsurance, of a strategic approach to training investment. And it works. It produces a significant increase in business according to initial results from a pilot accreditation scheme by the FSSC.[4] One company involved experienced a 24% increase in self-generated appointments and an overall sales increase of 27% in just five weeks.

So a firm with a strategic approach to building its capability can do better business. Build your firm's training as an infrastructure for performance gain and then you can answer your investors' question – *why are we spending so much on training?*

Ours is a knowledge industry. A firm's success depends ultimately on the use of the collective knowledge its people bring to work. Knowledge adds value. And knowledge is the product of learning.

But the importance of using training as a business solution goes far beyond the success of an individual firm. We have an industry to be proud of, both in terms of its global position and its centrality to the commercial and social well-being of the UK. To sustain success, knowledge and learning will become more and more important. The FSSC is committed to ensuring that it has a knowledgeable and competent workforce that will ensure that success. That's one half of the bargain: the other half is down to firms to look again at training as an investment. ◻

Tom Caple is Policy and Network Development Executive at the FSSC, and Pat Kenrick is Managing Director of ITS.

[1] The Financial Services Skills Council is an industry employer body with a remit to raise productivity and skills. Chaired by David Prosser, Group Chief Executive of Legal & General, the Council's board brings together business leaders from across the industry.
The FSSC is a membership body that enables participating firms to determine industry policy and practice in developing a modern workforce, and ensuring that education, training and qualifications are relevant to the industry's current and emerging needs. Under a licence granted by the British government, it is the authoritative voice on skills needs and priorities, and influences how public expenditure is used to benefit the financial services sector. It offers advice to firms, from standard setting to the human resource implications of inward investment.

[2] Colin Coulson-Thomas: *Imitative v innovative: Knowledge Management* **3**:6 March 2000.

[3] Financial Services Skills Council *Labour Market Assessment* 2003

[4] The FSSC is launching the full accreditation scheme in the spring of 2005. For more details, contact Sara Powell, Accreditation Manager – sara.powell@fssc.org.uk.