

# SPEAKING FROM EXPERIENCE

## "TRAINING: THE KEY TO PRODUCTIVITY (OR: HOW WE CAN SAVE THE WORLD FOR CAPITALISM)"

Guest Commentary  
BY JEROME J. PELOQUIN

Unquestionably, the most critical issue we face today in America is industrial productivity. For the purpose of this discussion, I define productivity as the output of goods and services of the individual worker. Not addressed here are the economic implications of productivity, such as the manipulation of long-term debt or the effective conservation of capital. These are issues which are better handled (or bungled, as the case may be) by the economist.

Without a doubt, the most critical element in the productivity equation is people. The production worker, the marketing person, the maintenance person, materials handlers, the service employee, these people upon whose daily work output the economy of our nation is dependent.

In 1977, according to the Bureau of Labor Statistics of the U.S. Department of Labor, productivity of the American worker grew by an annual increment of 2.2 percent. This was the lowest productivity growth of all the major industrialized nations. In 1978, that productivity growth factor dropped to .6 of 1 percent, and in the first quarter of 1979, productivity actually diminished by over 4 percent. During the same first quarter of 1979, the Japanese experienced an 8 percent growth in productivity.

It is not that our productivity is behind other nations of the world, for we are still per capita the most



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productive nation on earth. What is alarming, however, is that our productivity *growth rate* is diminishing rapidly. The results are fewer and fewer goods manufactured at a continually increasing cost. This makes us increasingly less competitive in the world market and gradually erodes our standard of living.

It doesn't take an economist to observe that, with productivity down to an average 1.6 percent growth rate (according to the President's Council on Productivity) and average salary increases running better than 9 percent, that inflation has a strong foothold on

the American economy. We can't blame OPEC for our plight. The Japanese have no oil of their own. The West Germans have little access to conventional types of energy, and their respective productivity remains strong. Energy is not the root cause of declining productivity. People — American workers — are the root cause of declining productivity.

### Saving the World for Capitalism

How does all that relate to us as trainers? I submit to you that we, the trainers, are the one group within American industry who have the potential to impact our entire national economy. It is also true, however, that we as trainers are, generally speaking, among the most non-productive groups in business and industry in this country today. We are not wholly to blame. Management has not understood nor directed our efforts wisely. Peter Drucker has said that "Productivity is the First Maxim of Management." If this is true, then the preceding productivity statistics are a sad comment on the competence of management in this country.

So, let's examine just what it is that we can do to save the world for capitalism. Let's look at training in the United States. Let's look at training as it is designed, delivered and implemented here in America.

Last year, we spent approximately \$100 billion on training.<sup>1</sup>

This is not a trifling sum, and probably a conservative estimate. Furthermore, the largest portion of this amount, some \$90 billion, appears in no one's budget! It leaks from production, operations, staff and other line function profits as non-productive labor.

Not only is a large majority of this \$90 billion not accounted for in any budget, it is totally unaccounted for in terms of value received for dollars spent. As trainers, we do not measure the impact of our efforts on the organizations for which we expend them. We provide employees trained in various crafts and disciplines required by our employers and yet, we have no objective methodology for measuring our impact on their performance on the job. We wonder why we have no control. We need wonder no further. Any line function, and indeed most staff positions, exert some measure of control over the organization. Line management controls production. Accounting controls cash flow. The

legal department controls the legality of company operations. The training department controls nothing! The training department is usually a cost center, and in times of low productivity, cost centers are eliminated.

It is within the framework of the philosophy that many managers exhibit their greatest ignorance. For example, some managers think if they have no training department, they will have no training costs. They are sadly mistaken. Indeed, their training costs may never stop.

When formal training is not present, the practice known as on-the-job (OJT) training takes over — for training must occur. Whether we decide to design it efficiently and effectively from the outset, or whether we allow it to happen in an unstructured environment, is entirely up to management. Human beings do not spring fully trained into the job. They must learn. That learning can be well-structured, efficiently

delivered, and highly effective, or it can be loose, without clear structure, and delivered at best by competent technicians who would be far more productive working than training. With few exceptions, OJT is the *least* efficient training methodology available to industry. The most potentially damaging effect of OJT is the poor information and skills transfer typical of most on-the-job training. Lowered skill levels become lifetime work habits which forever limit the productivity of that worker and degrade the median competency of the labor force.

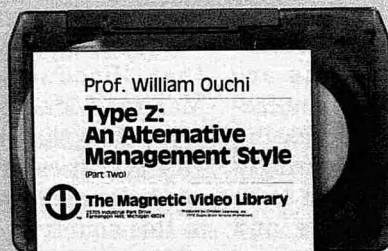
The major cost components of any training program are as follows:

1. The development of training
2. The delivery of training
3. The trainee's wages and benefits

By far, the largest component cost of training is the wages and benefits paid to trainees who are non-productive in terms of regu-

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larly scheduled work, while they are in training. It is also fair to determine training time as the time period which commences upon the new hire's entrance to the payroll and ends when the new employee has attained median competency . . . that is, when they are as competent as the average employee doing that job in that organization. *This* is the true training time . . . not only the time spent in training programs, but the time spent developing median competency.

It is a curious fact of life that non-productive training dollars which are indeed spent by the organization never appear in *any* training budget. It is axiomatic, therefore, that since the only budgeted training cost factors are the development and the delivery of training, and since no clear idea of what impact training has on the job is available to managers, the only measure is the observable quantity of training time. Lack of understanding of the basic economics of training results in one of the most self-defeating and self-perpetuating frenetic exercises in futility imaginable. Training is not measured in competence, but in hours. We must deliver hours of training.

Training, like chopped liver, must be delivered in measures of quantity, not quality. So, we must train more people for more hours, and thus generate more non-productive labor costs so that we can justify our existence to our superiors. It is not that the training is bad. It is not that our training is ineffective. We simply do not know whether it is effective because we have no objective way to measure our training's impact on the world of work.

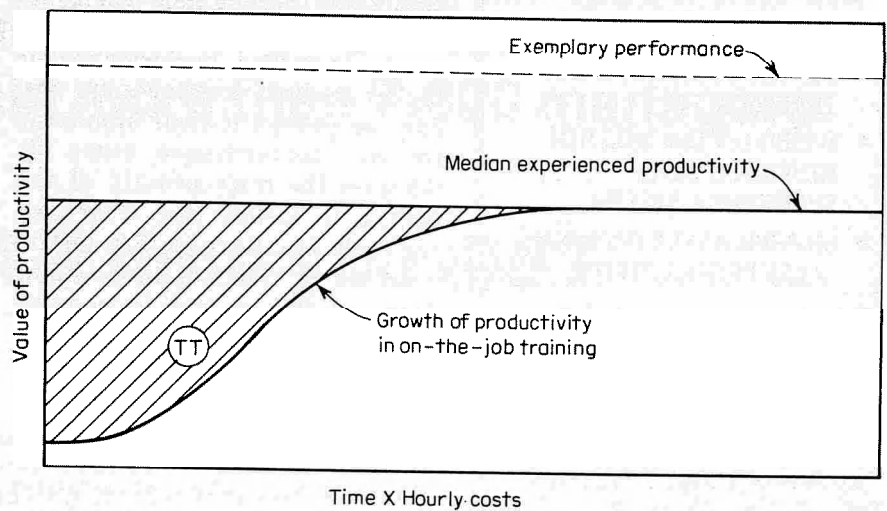
### Two Opportunities to Impact the Economics of Training

As trainers, we have two opportunities to impact the economics of training, and affect the bottom line of our client organization.

1. The reduction of overall training time.
2. An increase in the competency of the trainees.

Let me assure you that both of

Figure 1.  
TRUE TRAINING COSTS IN ON-THE-JOB TRAINING.



Reprinted from T.F. Gilbert, "The High Cost of Knowledge, *Personnel*, March-April, 1976 — © 1978 McGraw-Hill.

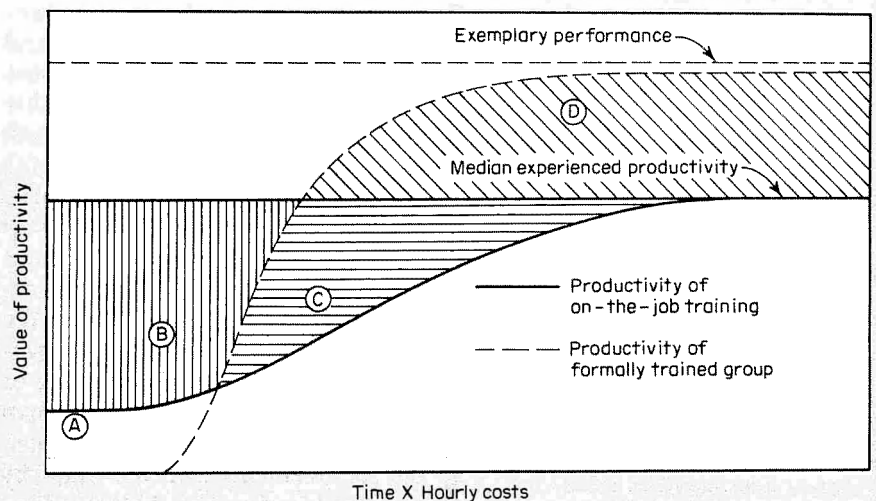
these objectives are realistic and achievable. Dr. Thomas Gilbert, in his book *Human Competence* (McGraw-Hill, 1978), clearly states that the strategies used to reduce overall training time are the same strategies which will best improve the effectiveness and competence of our training. In Figure 1, Dr. Gilbert shows us the learning curve as it appears in a typical OJT learning experience. Note that both the value of productivity on the Y axis, and the cost of non-productive labor on the X axis, are economic measures which can be objectively verified. Figure 2 shows us that by shifting the curve slightly to the left, with more effi-

cient training, and by improving the effectiveness of our training, we can leverage enormous economic benefit to our organization.

One reason for our reluctance to stand up and be counted is that many of us do not possess the basic skills necessary to be able to attack projects such as these.<sup>2</sup> To this end we must look to organizations like the American Society for Training and Development to provide us with the means to acquire these skills. In turn, these organizations must meet this challenge to continue to remain a viable source of assistance to trainers.

Since the largest component cost of any training program is the non-

Figure 2.  
DIFFERENTIAL TRAINING COSTS AND VALUE: DESIGNS VERSUS ON-THE-JOB TRAINING



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productive time the trainees spend in a training program, any reduction of this training time will leverage a substantial return on investment. Improved performance or higher-median competency can only be proven if clear standards for job performance exist. It becomes the responsibility of the trainer to insure that clear and realistic standards exist in the workplace. Without these standards, there is no way to measure the competence of trainees once they have left the training environment. It is not enough to prove the trainees enjoyed the training, or that they were able to successfully complete simulated or written evaluation. Direct measures of employed competence must be available to the trainer if the training department is to gain credibility with management.

### We Must be Accountable!

Even though this concern with job standards may seem to be a radical departure from accepted training practices, it is essential to the success of the training function. Whether or not we realize it, we are always judged on performance. We are not judged on the efficiency of our training programs, but on their effectiveness. It has been a practice of some managers, when confronted by a difficult problem, to offer training as a solution for poor management practices. Put on the spot in a staff meeting, the answer "we're developing a training program for that" is a facile answer that postpones (perhaps indefinitely) a hard response to a pointed question. When training is completed, and there has been little or no impact on the problem, it is quite probable that the manager in question will blame the training department for not delivering an effective training program. We cannot train away poor systems design. We cannot train away conflicting job or organizational responsibilities. We cannot train people to be motivated when they exist in punishing or boring jobs. We must as human resource professionals be responsible for performance. We must be responsible for the bottom line. We must be accountable.

We cannot afford ourselves to be duped into trying to respond to a performance problem with a training solution. A call for a training program by any line manager should be met with caution and inquiry. "What's happening that makes you feel that training is needed?" The response to that question will usually give you a good indication as to whether or not training will impact the problem.

As trainers, we must reach out to the challenges facing our country. We have the potential to bring the devine, sometimes self-defeating elements in business and industry together. We can provide valuable interface between hardware intensive engineers, capital intensive controllers, and financial managers and production-oriented plant managers. We know that with all the valuable plans for systems and engineering, the most important systems are the human systems without which there can be no productivity at all. Without training — performance-based training, measured against realistically developed and installed job standards — we are destined to remain within the continued erosion of productivity as well as the quality of our everyday lives. — Jerome J. Peloquin

### REFERENCES

1. Gilbert, Thomas F., "Training: The \$100 Billion Opportunity." *Training and Development Journal*, November, 1976.
2. Margolis, Jan, "Productivity, Performance and Professionalism." *Training and Development Journal*, October 1979.

Jerome J. Peloquin is vice president of Sales and Marketing for The Industrial Training Group. The ITG is a training and consulting organization specializing in the development of performance engineering projects, in addition to the development of skills and technical training programs. Prior to joining The Industrial Training Group, he had marketing and sales responsibilities for a division of RKO General in New York City. He is President of the Northeastern Pennsylvania Chapter of the American Society for Training and Development and a member of the National Society for Performance and Instruction.