

Environment Scan of Competitiveness Assessment Tools

Executive Summary

FITT is seeking to increase the international competitiveness of Canadian SMEs and sector councils engaged in international trade activities by developing training concepts (courses, programs, workshops, etc.) either from existing FITT products or by customizing materials to meet specific needs. To measure improvements in competitiveness FITT must have a baseline measure and be able to track progress after training has been delivered. FITT needed to determine what companies and sector councils do now to measure training effectiveness and what tools they use to measure this effectiveness and if this also converts into measuring increases in competitiveness.

This report highlights research conducted into the above questions with SMEs, Sector Councils and Associations. The conclusions reveal that associations and sector councils are overly concerned with competitiveness as a measure. SMEs however are concerned with their competitive positions but do not consider training as one of the areas they would measure for increases in competitiveness.

This initial research indicates a strong need to validate international trade training against improvements in competitiveness but also highlights several challenges to obtaining relevant data. The project objectives can be met with uptake in training from the target audiences and will provide valuable data and a strong rationale not only for the need for training but also for better assessment of its effects.

Background

As part of FITT's ongoing project with HRSDC entitled *Increasing the Global Competitiveness of Canadian SMEs* a baseline reference point needed to be established around the current use of assessment tools to measure the effectiveness of international trade training (or training in general). Specifically, the assessment needed to determine if SMEs, associations, organizations or sector councils measured improvements in competitiveness based on having undergone a training course(s) or program(s).

Over the course of approximately 26 working days in July and August FITT conducted an environmental scan including secondary research into existing methods of evaluating competitiveness, and primary research through interviews with a cross section of SMEs, associations and sector councils. FITT also reviewed feedback from organizations it had developed customized training for in the past to determine what assessment they had used for measuring the improvements related to training delivery.

The goal of the environmental scan was to determine what tools may already exist that assess improvements in corporate or organizational competitiveness and if there were none, to determine what tools may be created to conduct such measurements.

Research Results from the Environmental Scan

The secondary research process engaged the use of Internet searches, periodical scans (review of publications), reviews of existing competitive reports, along with summaries from corporate and public annual reports from companies and public organizations. The secondary research revealed that while many organizations measure the effectiveness of training programs their employees may engage in, they do so on the basis of **Return on Training Investment (ROTI)**. This is a very complex metric to have to determine and varies widely across the spectrum of training providers, organizations engaged in training, and the individuals themselves who take the training. In many instances ROTI is measured on throughput – the number of students who have taken the training versus the overall cost. In other cases, ROTI is measured by the pass/fail rate of the individuals who have taken training. Still others measure the time to master the subject matter being taught. Finally, some consider the basic measure of surveys conducted after the training, and the resulting responses, to be the assessment required for success or failure of a training program. In many cases, Return on Training Investment rarely measures improvements that can be attributed to an organization's overall success or is measured on the bottom line. In those instances where training can be measured against the bottom line, it often comes in the form of direct sales skills training where an individual's sales performance is known prior to engaging in training and then measured over the short and long-term thereafter. But even in this instance, it is often a measure of the individual and not the organization.

Measures of competitiveness, on the other hand, are quite common within the private sector and are easily found. The challenge from the perspective of this project and the needs of the research results required, is that training is rarely, if ever, one of the considerations of measuring a company's competitiveness. (It was generally found that associations, organizations and sector councils do not measure the competitiveness of

their operations.) Within the corporate/private sector competitiveness is measured in many, many ways including the following:

- Earnings Before Interest, Taxes Depreciation and Amortization (or variations of these factors)
- Gross Profit
- Net Profit
- Reductions in staff turnover
- Improvements in efficiency (resulting from technology, reductions of waste, streamlining processes, lean manufacturing, better supply chain management, low-cost or best-cost country sourcing, best location sourcing, etc.)
- Reductions in energy consumption
- Improvements in packaging
- Improvements in product functionality or product rebranding resulting in increased usage

The above represent only a few of the areas uncovered during secondary research where companies measure competitiveness. Overwhelmingly, competitiveness is measured against those other organizations offering similar products or services in similar markets based on a company's income or costs.

The secondary research also revealed that the tools used to measure Return on Training Investment are most often simple data collection and analysis methodologies including surveys with participants, reported results from examinations taken to measure the participants' mastery of the training provided or comparisons of costs for programs/courses versus the number of participants. In every case where training results were measured, there was no consideration given to longer term measurements, that is, the assessments were done immediately after, or within six months after the training was conducted. No assessment on the ongoing effectiveness of the training was conducted after nine months, one year or more. Interestingly enough, we all know that SMEs and corporations measure their financial results on a quarterly and annual basis.

The primary research methodology involved direct informal interviews with individuals in SMEs, associations and sector councils. The results obtained from these interviews were not far off from the secondary research. With the associations and sector councils, they are not so concerned about competitiveness from a measurement perspective, rather looking at whether or not their membership perceives real value in the association or its programs/services and how this compares to the offerings of other associations or service providers targeting similar audiences. When considering

training, associations and sector councils recognize that training is something that is a value-added offering for members, but does not directly contribute their operational competitiveness. However, all associations and sector councils agreed that training would be beneficial for their members depending on the type provided, the need for the training and if the expected results are not beyond the scope of the participants' abilities.

One point that came across very clearly in these interviews was that the current economic conditions are not favourable to organizations looking for training opportunities, or for spending scarce funds on sending employees out for training unless it was operationally required. Most companies are focusing efforts on avoiding layoffs by maintaining sustainable business operations and extracting every bit of revenue from existing and new business opportunities. Funds that may normally have been spent on training, if available, are being redirected to efficiency enhancements or areas where direct and immediate cost savings can be realized.

The questions asked during the informal primary research included:

1. Does your organization engage in training?
2. What type of training has your organization engaged in?
3. How frequently does your organization offer training either internally or provide opportunities for staff to engage in training offered externally?
4. How does your organization determine when the need for training exists?
5. What factors does your organization consider when evaluating training opportunities?
6. How does your organization measure the effectiveness of training – at an organizational level and for the individual?
7. Does your organization expect that training will increase its competitive position?
8. Does your organization measure its competitive position regularly? If so how?
9. Is your organization aware of its competitive position prior to engaging in training and whether it has improved its position after the training?

The associations included in this primary research were CME, ACOA, The BusinessLink, and STEP. Companies interviewed included I-Gard Corporation, Survival Systems Inc., and Mountain Equipment Co-op.

It is again important to note that most of the companies stated that during the current economic downturn they are not actively sending their staff on training unless it is required operationally. The responses to the questions asked were mostly based on previous training experiences as none of the interviewees were actively engaged in training. While training is recognized as providing a proven benefit for most of the

companies, their rationale for selecting training programs comes from three sources –it has been recommended by staff, it is recognized industry training, or it is training that is required to meet a specific and immediate skills or knowledge gap within the company that it must address to continue operating. Most companies assess their training on the pass/fail rate of the participants, or whether it had the expected outcomes, i.e., participants were now able to perform the required tasks adequately. None of the companies took a benchmark of their current competitive position prior to training, and none measure ongoing improvements based on training.

The summary conclusion arrived at from this research is that despite an initial expectation that there may be an opportunity to develop a new tool(s) for measuring increases in competitive position, realistically the only way to do this is direct contact (survey, interview, formal request) to a company regarding establishing a baseline position and then being able to track any changes in it. While there are several internet or electronic tools that can be used for the collection of such information (surveys, emails, data tracking sheets, performance evaluation metrics) the information must originate from the company, and the training participants. Companies also expressed a high degree of concern regarding what the information would be used for, who would be collecting it and what the final reporting of the data might look like. No company interviewed was prepared to share financial data of any kind for the purposes of this project.

Proposed Methodology for Measuring Improvements in Competitiveness

In conjunction with FITT's Sector Council and Industry Association Outreach Strategy, it is proposed to additionally contact SMEs across Canada with the goal of asking them the nine questions noted above in order to provide a baseline level of assessment. FITT will benefit from the services of its Regional Representatives in this initiative as well as its current members (many of whom represent Canadian SMEs). A significant part of the outreach strategy seeks to position FITT in the minds of Canadian SMEs as the leading provider of international trade training, and thus an organization that can indeed increase their competitiveness in global markets.

The outreach will originate with FITT's information kit folder being direct mailed to the target audiences along with a letter of introduction outlining the opportunities available to the company for engaging in skills and knowledge enhancement through the FITT program or customized training development. This action, coupled with follow up by phone or email with the request to participate in a survey/interview with the questions above will then move the project into its next phase.

Ongoing contact with this target audience over the course of the project should then provide the opportunity to measure changes in competitive position.

Potential Risks

The caveat in being able to obtain the data that will measure changes in competitive position is that a company/organization must engage in training, that is, FITT will need to be successful in delivering training to targets across this audience. One way to mitigate this risk is to work with those individuals, who are employed, who are also taking FITT training from any of our educational partners, to ask them to engage in providing answers to the survey questions and to have them agree to provide ongoing feedback to FITT.

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