

# Training, productivity and performance: lessons from a chilean retailer

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## Abstract

**Purpose** – *A project to improve productivity in one of the largest retail firms in Latin America demonstrates how a tailor-made training intervention can improve workers' performance and how — and by how much — investing in soft-skills can lead to productivity gains.*

**Design/methodology/approach** – *Individual-level longitudinal information gathered from the firm.*

**Findings** – *The training intervention was shown to have a positive and significant effect on both store-level sales and transactions per worker. This result was confirmed by a cost/benefit analysis. This provides clear evidence that productivity can be boosted with a high quality, well-designed and optimally-delivered training programme targeted to increase socio-emotional skills. This assertion has been corroborated by an empirical analysis of the project carried out by specialists from the Inter-American Development Bank and the Department of Economics, University of Maryland.*

**Originality/value** – *The project is one of the first to be subject to a detailed analysis to provide evidence of the causal impact of training on direct productivity measures.*

**Keywords** *Employee engagement, Culture change, Communications, Training and development, Productivity, skills, Leadership training, Culture*

**Paper type** *Case study*

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## Training, productivity and performance: lessons from a chilean retailer

Training is a vital part of company development, and determining and measuring how training directly affects productivity, is a vital tool that affects the whole company and can be used to discover hidden skills within a workforce. But demonstrating exactly how a tailor-made training intervention can improve workers' performance — and by how much — and how investing in soft-skills can lead to productivity gains is notoriously tricky. It is one thing to assert that improving leadership and communication skills has a positive impact on the bottom-line, but quite another to put a figure on that improvement. More difficult still is identifying the precise mechanisms through which those improvements are made.

This project, involving a Chilean national retail chain and funded by the Inter-American Development Bank (IADB), is important because alongside the design and delivery of a large-scale training intervention, it also set out to try to answer some of those difficult questions through a parallel experimental study carried out by specialists from the IADB and the Department of Economics at the University of Maryland (1). This study provides a detailed, evidence-based assessment of the design and delivery of the training intervention and a rigorous analysis of its outcomes.

## Context

The client, a Chilean retail chain with a large market share in the footwear, clothing and accessories sector, was struggling to quantify and qualify the impacts of its training

programmes; all managers were promoted from within the company and they realised that they need a culture change to further increase the effectiveness of both managers and staff.

Despite having over 300 stores nationwide, the company's HR team is very small and its approach to training and development has not been consistent. Various external providers have delivered programmes with mixed results, some of which can be attributed to Chile's wide geographical, regional and urban/rural disparities.

One of the motivations for this project was to build internal capability rather than rely entirely on external providers, to take a more consistent approach across the entire business and to follow a rigorous evidence-based process to assess how the company was managed and how training would make a difference. The project ran over a three-year period, starting in 2015.

## What we did

### *Training needs assessment*

Our first action was to gather a wide range of information about the company, its employees and its existing training programmes. Our training needs assessment was based on a number of elements, starting with interviews and focus groups with the company's senior executives, selected store managers and sales associates. These gave us an idea of the strategic direction of the business, the skills managers felt were needed to increase productivity and what staff perceived as being the skills and business issues that ought to be addressed. We also used the results of a set of employee engagement surveys, a skill survey that explored skills needs and preferred learning methods and 360-degree reviews with a selected group of managers, their line managers and their staff. Importantly, these reviews were carried out in a selection of stores and other parts of the business located in different parts of the country — both in Santiago and in some of the harder-to-reach rural areas because we wanted to understand the challenges and differences in the way they could have training and development, *before* doing an online skills analysis.

Something that emerged from this process was that managers rated their own skills very highly compared to the results we were getting from the 360 degree feedback, raising some interesting cultural issues that we needed to be sensitive to as well as highlighting that “you don't know what you don't know”. Indeed, when we repeated the same exercise after the training had been delivered, the scores managers awarded themselves were lower because they realised that there were aspects of their behaviour and skills that they needed to work on.

Three major training needs emerged from this assessment exercise, from which it was decided to focus on two — leadership skills for managers and selling and communication skills for sales staff — as the critical areas to be targeted by the intervention.

Because of the major differences between the type of activities and tasks performed by store managers and sales associates, we designed a training subprogram for each job profile. For staff, the programme was based around customer service skills and building great customer relationships, focussing on selling and communication, handling frustration and conflict management. For managers, the focus was firmly on how they managed people. We looked at their ability to coach and mentor individuals, build team confidence to drive business, to support the people in the business to achieve those sales so that the company become more profitable, but also to give them the leadership skills to support them to run their businesses successfully.

Additionally, by evaluating the current range of training plans, we were able to determine the best skills tests and measures to use both before and after the intervention.

### ***Train the trainer***

How this training would actually be delivered was another critical piece of the puzzle, particularly because the company had no learning and development department. That meant that developing internal capability by identifying a cohort of managers who could be trained in delivering management skills to their peers was a vital element of the project.

The first step in this the “train the trainer” approach was to work with the retailer to define the criteria to identify people from different parts of the business and across the country who could be trained to deliver the programmes. The first group of 15 managers selected to be “master trainers” had to show exceptional leadership qualities and high motivation and be endorsed by their own line managers as being suitable for the role.

Training for this group was delivered by a highly experienced Spanish-speaking trainer from People 1st International and consisted of two weeks of training split into one week and then another week several months later. A key goal was to ensure that employees across the business received a consistent training experience.

Once the trainers had been trained, we helped to put in place a programme to roll this out, this ensured that the programme was delivered efficiently and enabled all the newly trained trainers to participate in this process.

### ***The training***

For managers, the training consisted of an interactive five-day programme. Over 20 managers in the first year from a randomly selected sample of stores participated in activities designed to improve their skills to succeed as team leaders. The programme encourages them to think about their capabilities and provides techniques to develop new management skills.

A significant proportion of this training was devoted to practical activities and active participation supplemented with supervised practice of what they had learned. The course was organised in modules delivered one day a week for five weeks, a total of 30 hours of training.

The programme for sales associates took place over two consecutive days and was designed to develop critical communication skills (both with customers and internally, with other staff members). These sessions were about developing an understanding of the importance of customer service and tackling issues like complaint handling and advising customers on products and services.

Like the managers' course, this was a participative experience that looked at real-life experiences of good and bad service to explore the factors influencing customer choice. Over 150 employees took part in this activity in the first year

### **ROI/measuring/benchmarking**

The project was the subject of an analytical study, *Training, Soft Skills and Productivity: Evidence from a field experiment in Retail* (Maria F. Prada, Graciana Rucci and Sergio Urzua, IDB Working Paper Series; 1015), an empirical analysis carried out using longitudinal information gathered by the firm and through two skills surveys.

Our proposal for the training courses was presented with a set of options in terms of content and delivery methods within the design. Translations and validations, tailored specifically for the Chilean context, were put in place and we also used a return on investment tool so that the clients would understand the impact of the new training programme.

Once the structure of the programme had been agreed, we set out to define the benchmarks by which they would be evaluated, both in terms of direct productivity

measures (store-level and individual productivity) and indirect factors. One key metric was around sales and profit margins, another was the number of sales transactions and average transaction value. Other benchmarks included retention, absenteeism and satisfaction levels based on feedback from the senior team in terms of the new approach and how their stores were performing. Initially, we agreed that the retailer would share this data and information with us so that we could make additional observations and recommendations as appropriate.

Ongoing assessment was also integral to the design of the intervention, without which it would have been impossible to evaluate how effectively the training delivered the desired learning outcomes. For example, managers completed a multiple-choice assessment at the end of each day and analysis suggested that the success of each day was not consistent, with some days leading to more effective learning than others.

Further assessment took place after the training had been delivered [...] The assessment was carried out on 16 stores divided into three different groups – one in which only managers had been trained, one in which all staff had received training and a placebo group where there were no training interventions. This was all done on an anonymous basis.

The continuous assessment of the return on investment continued into the following year and included the undertaking of mystery shopper visits the 16 chosen stores to test the customers perception of the business, as a benchmark two visits were undertaken, the first prior to the training taking place and once afterwards.

### *Outcomes*

The project so far has provided a training framework that is embedded in the organisation, impacts on the real needs of the business and has developed an internal capacity. It has trained the first group of trainers to deliver a consistent learning experience to managers and sales staff alike, and the company is starting to see a return on its investment.

The clearest possible demonstration of this ROI is that all stores that took part in the training saw increases in productivity. In stores where training was undergone by both staff and managers, there were substantial increases in daily sales, and the company is confident that the roll-out of the programme will continue to deliver increases in productivity.

The analysis by Prada, Rucci and Urzua found that the intervention increased daily sales by \$119 in locations where only managers had been trained and by \$204 dollars (12.1 per cent) when both sales associates and managers received training. Stores in which only managers had been assigned to training saw an 11 per cent increase in total transaction per day. They also noted that “while for sales associates we do not find any indication of gains in communication skills, among store managers we do document a positive and significant impact on leadership/management skills equivalent to 0.4 standard deviation”.

The study also highlights that training managers has a positive spill-over on untrained sales personnel as well as complementarities with the enhanced skills of sales associates. In others words, it demonstrates the multiple direct and indirect effects of manager’s training on the productivity of the firm. However it is important to point out that a valid training evaluation needs to demonstrate the impact of the training over a sustained period of time and across the specified levels of impact and that it is still early to be able to do that in this case.

Above all, this case study demonstrates unequivocally how tailor-made training interventions can shape staff performance as well as the fact that demonstrable productivity gains can result from an investment in soft-skills. But these are not a given, because as this project also highlights, a successful intervention requires building both institutional and managerial capability and demands that the right quality assurance mechanisms are put in place from the outset to assess its effectiveness.

Finally, as Prada, Rucci and Urzua note in their paper, the project illustrates some important lessons about the characteristics of effective training programmes. “These might be particularly relevant for developing countries, where Labour productivity growth is sluggish and significant public resources are allocated to extemporaneous training programmes”.

### Further reading

Prada, M.F., Rucci, G. and Urzúa, S. (2019), “Training, soft skills and productivity: evidence from a field experiment in retail”, *Inter-American Development Bank Working Paper Series No. 1015 (IDB-WP-1015)*, May 2019.

### About the author

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