



Industry Report

The High-Impact Learning Organization

What Works® in the Management, Operations, and
Governance of Corporate Training

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Introduction

Market Discussion

At its core, the Training or Learning & Development function should focus on identifying and solving business performance problems.

More than \$85 billion is spent annually on corporate training in North America.¹ In large organizations, this translates to a large line item expense: an average of \$850 per employee per year or as much as 3% of payroll. In smaller organizations, the cost per employee can be even higher—often thousands of dollars per year.

Despite this large and steady investment, training is notoriously difficult to manage and measure. In most organizations, training groups are distributed into various business units and geographies, often managed by their line executives with their own budgets, their own programs, and their own technology strategy. In other organizations, training is tightly controlled centrally. It takes the form of a corporate university and is run by an individual with the title Chief Learning Officer, or CLO.

At its core, the goal of corporate training is to identify human performance problems and solve them through learning interventions. Yet as most people in the training industry know, there are many gray areas in the definition of the problems, development of the right learning solutions, and measurement of impact.

To add to the complexity, a flood of new e-learning technologies and approaches has given training a confusing, complex, and wide range of new development and delivery options. The training function is now responsible for a significant amount of technology infrastructure: learning management systems (LMSs), content management systems (CMSs), tools, measurement systems, and learning portals.

Key Questions Studied

The two key areas we look for are best practices in effectiveness and efficiency.

How do you know if your training organization is performing effectively and efficiently? How do you know you are getting the most from your technology investment? Are you organized to best meet urgent business needs yet share best practices? What are the best practices in organization, management, and governance? These are the questions Bersin & Associates set out to understand in this industry report.

¹ Bersin & Associates proprietary research, 2005.

Specifically, these questions include:

- How should training be organized for most effective and efficient operation?
- Which functions should be centralized and which should be distributed to line organizations? Which learning programs should be centralized and which should be distributed to line organizations?
- How do organizations allocate budgets and resources to the right programs? How do they allocate the training expense? When does cost allocation work? When should departments be charged?
- What role does HR play in training? What functions are best integrated with HR and which are best left to line-of-business managers? Where and how should training be aligned (or not aligned) with HR processes?
- How are LMSs and other technologies managed? What best practices can be shared in the administration and management of enterprise LMSs?
- How is e-learning content development managed? Should it be centralized, distributed, or outsourced? Which development functions should be centralized?
- How are critical functions like performance consulting, delivery, and measurement organized? What job roles do companies need and when? What is the right resource allocation across these functions?
- What executive oversight, budgeting, and governance models work? Is there a CLO? Is there a multidisciplinary steering committee? What roles do these governance bodies play?

Key Questions Answered

Through this report, we attempt to answer these questions and provide best practices through the results analysis and discussion.

As reinforcement, many case studies are presented at the end of the document.

Study Details

Methodology

Bersin & Associates has developed a proven *What Works*®² methodology for studying business processes and technologies. Our methodology includes several key steps.

1. Interviews and Discussions with Corporate Training Managers

One of the most frequently asked questions we hear from research clients is “How do we best organize?” For this study, we interviewed dozens of corporate clients to understand how they were organized and what issues they were struggling with. We asked about governance, staffing models, outsourcing, and administration of LMSs. Through more than nine months of such interviews, we identified patterns: best practices and common problems.

2. Large, Focused, Web-based Survey

Next, we launched a targeted web-based survey to a set of key small, medium, and large training organizations. This survey identified organization models, staffing levels, processes in use, and measures of efficiency and effectiveness. This extensive survey was completed by 311 corporations. We consider this a large response, given the magnitude of information requested.

The survey respondents came from small, medium, and large organizations with an average number of learners of 22,300. (Industry respondents are shown in the following figure.) Most organizations were corporations, and the responses are representative of U.S. industry, as a whole.

² The Bersin & Associates *What Works*® Research Methodology is a patent-pending process for analyzing business processes and best practices in the HR and Enterprise Learning business areas. It uses statistical and qualitative methods to identify best practices that drive measurable results and also identifies factors that cause negative impact.

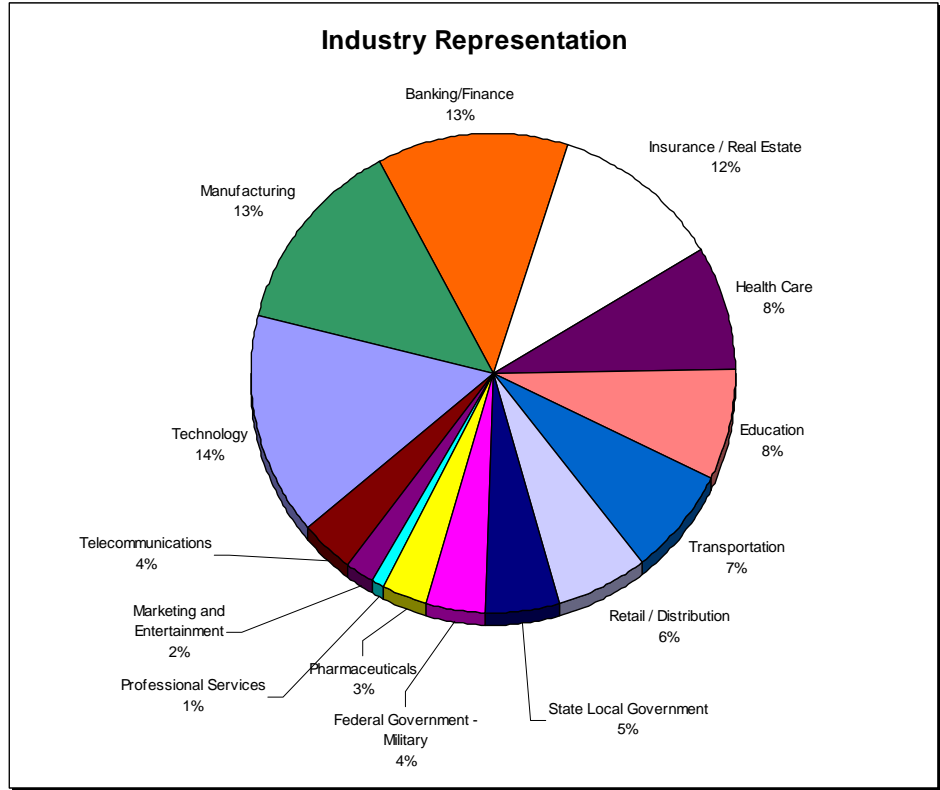


Figure 1: Industry Breakdown of Respondents

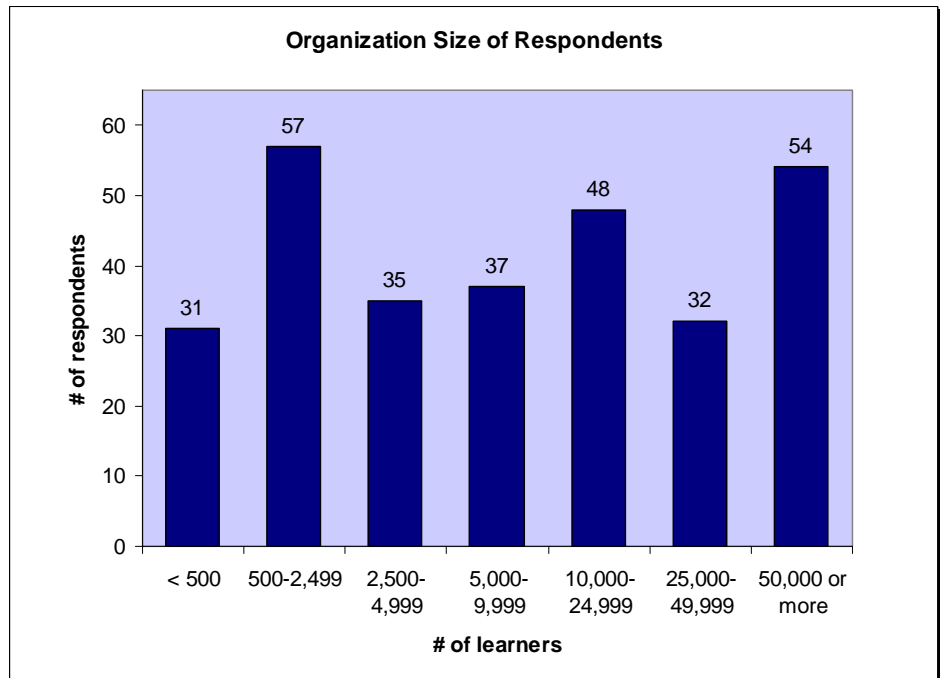


Figure 2: Organization Size of Respondents

Number of Respondents	
Number of Respondent Organizations	311
Average Number of Learners for These Organizations	22,300

Table 1: Respondent Numbers

3. Analysis of Data and Development of Case Studies

After extensive analysis of the research and survey data, we developed a series of findings and case studies. The case studies in this report represent some of the key best practices and lessons learned. They also serve as examples of the study findings.

Appendix A contains a list of the companies who participated in the online survey.

Key What Works Measures and Dimensions

An important part of our analysis methodology is to understand the *impact* of organization and resource allocation decisions on effectiveness and efficiency. Our What Works methodology accomplishes this by identifying *measures* of effectiveness and efficiency and the *dimensions* which cause them. The result is a set of actionable information readers can apply to their specific situation.

In this study we asked every respondent and interview participant to rate themselves in 12 areas on a scale from 1 to 10. Of these performance ratings, 11 fall into 2 categories:

- **Effectiveness.** How well the training organization is driving business impact and achieving its business and operational goals.
- **Efficiency.** How well the training organization is managing its resources to reach the maximum number of learners at a minimum cost.

The twelfth measure was partnership with HR, a measure used to help understand the impact of strong or weak alignment with HR processes.

Each answer can be interpreted as follows:

Answer Range	Interpretation
< 5	Very Low
5–6	Low
6–8	Medium
8–9	High
9–10	Very High

Table 2: Answer Range Interpretation

Eleven Effectiveness and Efficiency Measures

Effectiveness Measures
1. How successful is your training organization at providing training that impacts the business?
2. How successful is your training organization at allocating budgets to programs with greatest business impact?
3. How successful is your training organization at meeting urgent, time-critical business needs?
4. How successful is your training organization at delivering innovative e-learning programs?
5. How successful is your training organization at delivering innovative e-learning programs?
6. How successful is your training organization at meeting regulatory compliance?
Efficiency Measures
7. How successful is your training organization at providing cost-effective training?
8. How successful is your training organization at making the most of its resources?
9. How successful is your training organization at measuring training and providing reports and analysis?
10. How successful is your training organization at sharing learning best practices across the enterprise?
11. How successful is your training organization at developing high job satisfaction in the training department?

Figure 3: Eleven Effectiveness and Efficiency Measures

Overall Effectiveness and Efficiency

In the study details we look at these 11 measures and show how they are impacted by different management approaches and procedures. For each dimension we study, we compare the 11 measures against their “base overall” average. (The overall average is the average for all respondents.)

The following figure shows the overall results, summarized for the entire sample of 311 organizations.

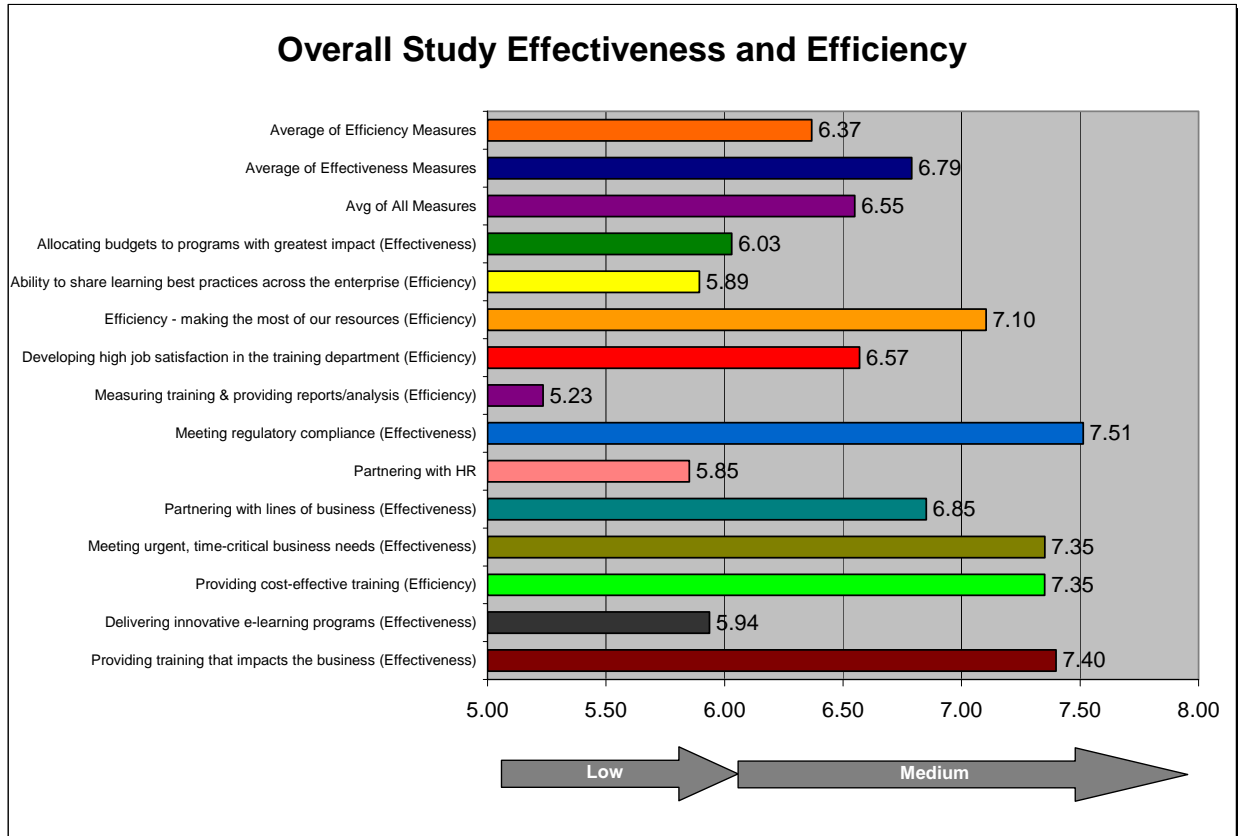


Figure 4: Overall Study Effectiveness and Efficiency

As Figure 4 shows, each measure is categorized as either efficiency or effectiveness oriented. The top two bars show the average of the efficiency measures and the effectiveness measures.

In Figure 5, you see how each measure compares with the average for that group. The first conclusion is that organizations in this study rate themselves higher in effectiveness than efficiency. This result illustrates the ongoing frustration that most organizations want to do a better job of governance to improve efficiency.

This data also shows several **areas of frustration** (where the measures were more than 10% below average for their category):

- Ability to measure training, and provide reports and analysis (18% below average for efficiency)
- Ability to deliver innovative and high impact e-learning programs (13% below average)
- Ability to partner and align with HR (11% below average)
- Ability to allocating budgets to programs with the highest impact (11% below average)
- Ability to share best practices (7% below average)

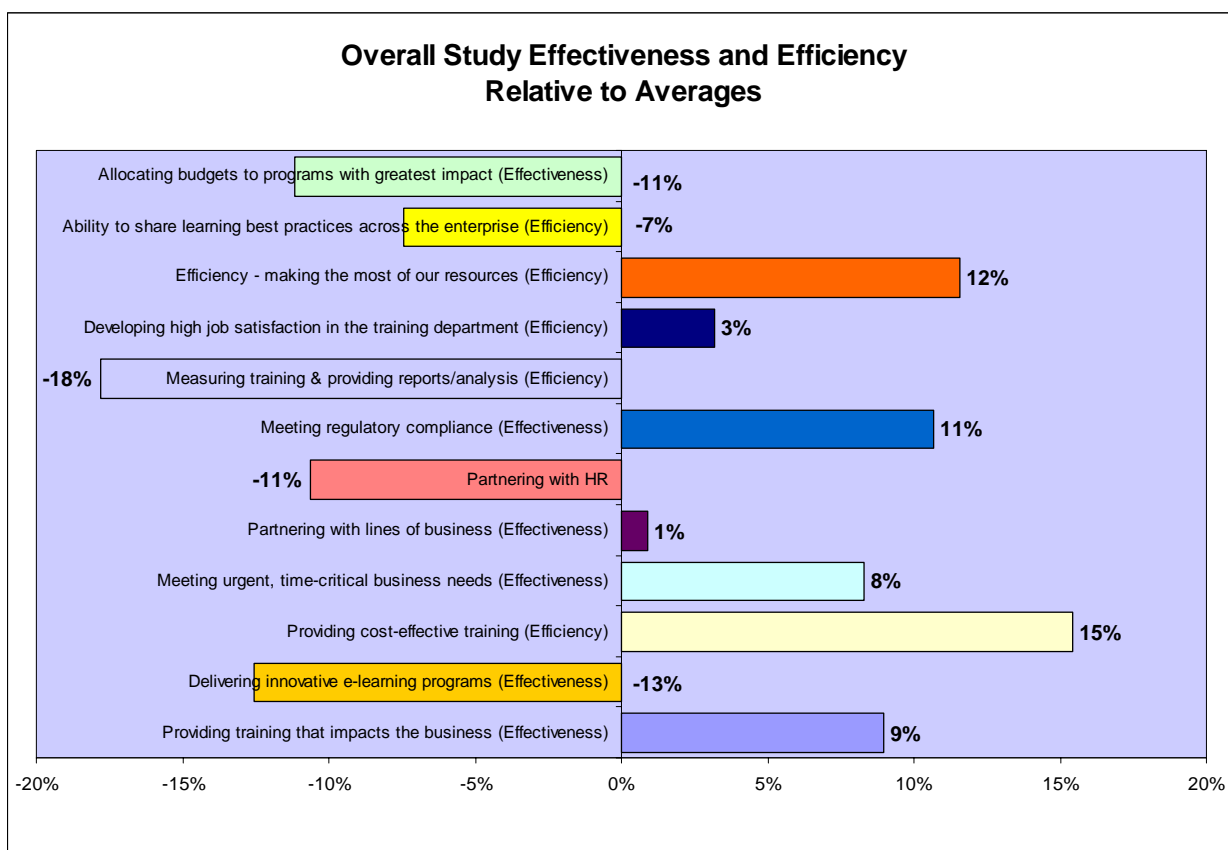


Figure 5: Overall Study Effectiveness and Efficiency vs. Averages

The **areas of strength**, where organizations feel they are performing well (more than 10% above averages), are:

- Providing cost-effective training (15% above efficiency average)
- Making the most of our resources (12% above average)
- Meeting regulatory compliance (11% above average)

The question this study focuses on is, “What governance, organization, and management approaches improve these measures the most?” Even more interestingly, “Which approaches make them worse?”

Relationship Between Training and HR

The twelfth dimension we studied is very important: the relationship between Training and HR. Is training best handled as an HR function or a line-of-business function?

We often find in our research that there is tension between HR-driven training initiatives and line-of-business-driven training initiatives. Although most training organizations report to HR, we wanted to explore how this relationship works. We specifically studied:

- What functions and programs are most tightly linked to HR and why?
- Do training organizations, who partner tightly with HR, perform higher or lower?
- What are the best practices for coordinating HR-related initiatives with pure training-related initiatives?
- How does implementation of LMSs impact the operation of HR-related applications?

Motivation for This Study

Why is the management and governance of training such an important topic? There are several timely factors which have led us to perform this study.

1. A Growing Importance of Learning and Development

Business change, new regulations, an aging workforce, and globalization have made Learning and Development a very strategic business function in the last five years. The creation of CLO titles indicates that more and more organizations see training as a key to their long-term success.

2. Increased Reach of Training

Overall, corporate spending on training is large (\$85 billion) and the total number of employees being trained is going up. This trend means that training departments are reaching out to larger and larger audiences with lower overall budgets per learner. This stress is causing training organizations to become more process oriented.

3. Staggering Growth in E-Learning and Technology

E-Learning now accounts for 15%–20% of all student hours of training in the U.S., and continues to grow. The e-learning explosion has forced training organizations, which are largely made up of trainers and performance consultants, to shift their attention and resources toward tools, technology, and best practices in web content development. Organizations are looking for ways to manage this tremendous shift toward technology-enabled approaches.

4. Lack of Best Practices Information

Despite the large amount of spending in this business area, there is a dearth of best practice books and materials available to help companies understand how to organize well. Because training is a high-touch, company-specific problem, it is difficult to find repeatable best practices. There is a big need to identify *What Works* in this fast-changing area.

5. Difficulty of Measuring and Benchmarking

Despite the industry's focus on return on investment (ROI) and other measurement areas, many top executives still wonder how to measure and benchmark their training organization. This study is designed to help organizations learn from others, and to understand how they compare to the best-of-breed. We hope this research helps organizations benchmark themselves.

Sponsors

We would like to thank the companies who sponsored this study. These companies contributed financially to the research, and provided us valuable contacts for interviews and quantitative surveys.

- Plateau
- PeopleSoft (Oracle)
- Saba
- Wells Fargo