The Road to Recovery

BY CUSHING ANDERSON

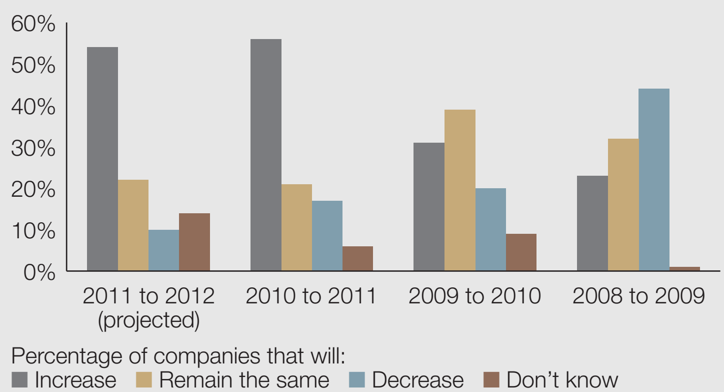
Investment in learning and development continues to rebound, but emerging trends indicate a more focused approach to performance and technology.

Investment in training and development is increasing after notable declines in 2009. Learning technologies continue to be a priority compared with most other spending alternatives, but content development and learning strategy are returning to the top of CLOs' investment priorities.

Every other month, IDC, a research and advisory services firm, surveys Chief Learning Officer magazine's Business Intelligence Board (BIB) on a variety of topics to gauge the issues, opportunities and attitudes that are important to senior learning and development executives. For the last several years, members have been asked to provide insight into their investment choices. This month we look at how companies are investing their learning dollars and where spending is expected to change between 2011 and 2012.

A large percentage of firms changed their spending between 2008 and 2010, dropping and boosting budgets in reaction to the global financial crisis. According to the data, most enterprises expect to continue their investment in learning management systems, assessment systems and performance management capabilities but are also eager to try new delivery modalities such as simulations, mobile learning and collaboration and social tools.

FIGURE 1: CHANGES IN LEARNING SPENDING



Source: Chief Learning Officer Business Intelligence Board survey.

Budgets Increased Over 2010

After two years of decline, more than half of CLOs reported their 2011 budgets are higher than 2010. After a trough of spending in 2009, when more than 40 percent of CLOs reported their budgets would be less than the prior year, spending is recovering.

More enterprises report their budget increased in 2011 than in any year since 2005, when Chief Learning Officer magazine began collecting this information. Some of this is catch-up spending as firms are reinstituting spending on core activities cut during the downturn, and some spending is in reaction to changing priorities and opportunities (Figure 1).

Interestingly, after an average decline of about 14 percent from 2009 to 2010, CLOs are reporting an average increase of about 8.5 percent. But the good news isn't universal: The average for those firms that reported a decline was a 12 percent drop. Clearly, not all organizations are seeing a rebound.

The trend for budgets looks even better for 2012. Slightly more than 50 percent of CLOs expect their budgets to increase in 2012 and only about 10 percent of firms expect a decrease. The percentage of firms expecting decline is about half the rate of between 2005 and 2008. Overall, training budgets for 2012 will again grow robustly — about 8 percent on average, with about 20 percent of firms expecting no change from their 2011 budget.

Investment Winners and Losers

CLOs continue to use their training dollars efficiently, spending most on important areas that offer fast and visible results. Figure 2 indicates the areas of the investment portfolio expected to grow significantly from 2011 to 2012. The clear first choice is developing in-house training options. This reflects a cost-savings attitude and recognition that relevance of instruction is critical to its value.

Enterprises are also continuing to invest in e-learning, again reflecting pressures to deliver more training content to the widest possible audience. Informal learning and leadership and executive development are also priorities, each showing an increase in both share of total spending and net growth in spending. Compared with priorities from previous years, performance management and performance consulting have increased in importance. This suggests while other options represent a shorter, more visible return on investment, the long-term value for performance management remains high.

One quarter of companies expect to increase investment in learning administration, including facilities and tuition paid out to colleges and universities. Though community college and advanced degree program enrollment is up more than 25 percent in the past 10 years according to data from the U.S. Department of Education, it is likely this growth reflects a belief that this benefit is not as highly valued by enterprises as it once was. Two other areas where increases to budgets are less likely are learning personnel and outsourced learning services. Both of these priorities reflect the ongoing scrutiny of budgets and spending throughout the organization.

Other findings related to budget priorities include:

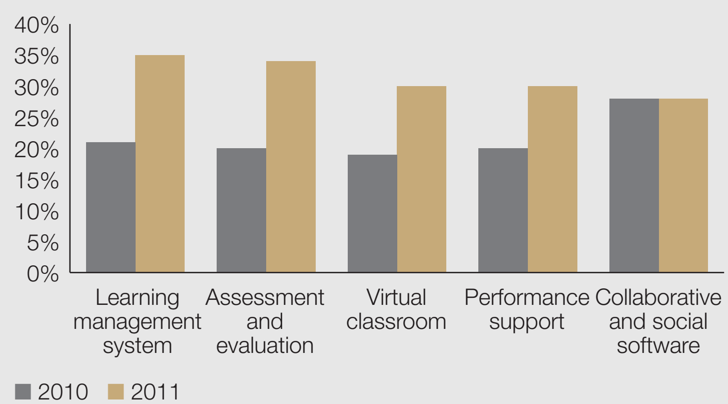
FIGURE 2: LEARNING BUDGET EXPECTATIONS

During the next two years, what portion(s) of your training investment portfolio do you believe will grow significantly?

	Percent of enterprises that expect budgets to…	
Investment Area	Increase	Decrease
Learning administration	23%	12%
Outsourced learning services	26%	16%
Learning personnel	36%	7%
Learning strategy	49%	8%
Performance consulting	43%	7%
Learning technology	45%	9%
Content development	55%	12%

Source: Chief Learning Officer Business Intelligence Board survey.

FIGURE 3: EXPECTED INCREASED INVESTMENT IN LEARNING TECHNOLOGIES 2010 AND 2011



Source: Chief Learning Officer Business Intelligence Board survey.

- **Content development:** As boomers retire, training and development professionals must prepare the next generation of executives who will replace retiring leaders. Combined with mentors and job rotations, leadership development increases retention rates among mid- and senior-level executives and helps enterprises ensure the talent and experience they require will be available when needed. Internal development training content is also important. These courses are typically related to unique knowledge or processes within the enterprise. As organizations focus on core operations, in-house knowledge and the use of internal experts will increase.
- **Learning strategy:** A key focus of many CLOs is to improve their ability to develop and implement a learning strategy. This effort includes effectively combining organizational design, measurement and technology strategies to improve organizational performance. Learning strategy has increased in importance during the past several years, reflecting a focus on business value.
- **Learning technology:** Learning management systems will be the most significant learning technology investment for most enterprises, though the mix and breadth of technology used in learning continues to expand. Assessment and evaluation technologies continue to grow in importance as organizations seek to better evaluate training and to continue the road to high performance. Enterprises are also increasing their spending on performance support technologies. On-the-job assistance is increasingly recognized as an inexpensive way to increase capability in a workforce that might have expanding responsibilities. Virtual classrooms are also becoming a more important component of the enterprise training delivery arsenal (Figure 3). E-learning in various forms offers many advantages, among them flexibility and convenience, and as such this area continues to be a key investment priority for CLOs. Technologies such as simulations and the use of gaming environments may offer new ways to train employees on new topics, but there appears to be limited investment in these technologies across most organizations.
- **Performance consulting:** Survey results reflect an industry-wide trend toward increased focus on organizational performance. The learning organization and often the CLO specifically is responsible for establishing and managing change initiatives. This added responsibility aligns well with the underlying value of training but comes with a new set of challenges and requirements. Increasingly, organizations are tasked with assessing organizational effectiveness and facilitating the implementation of intervention to improve performance, often involving some level of performance analysis of both individual and organizational assessments. This is where the rubber meets the road for some CLOs

— increased focus on performance consulting shows CLOs are responding to the challenge.

Companies are continuing to invest in their technology infrastructure and a significant percentage plan to increase spending. More CLOs expect to increase their investment in learning management systems than other technologies at a rate exceeding any other year. Overall, only about 9 percent of enterprises expect to decrease spending on technologies, similar to prior years. Interestingly, organizations are continuing to explore the use of collaborative technologies, but fewer are planning to increase spending. On the other hand, more are expecting to increase spending on assessment and evaluation systems.

It is clear most CLOs and senior training executives have refocused their dreams. In past years, integrated technology solutions were on most wish lists. More recently, fantasy items were focused predominantly on learning management systems. This year, the most common item on the wish list was technology to facilitate improved delivery of training, including virtual classrooms, simulations and mobile devices and authoring capabilities.

CLOs understand the impact training can have when it is precisely delivered, and mobile technology has the promise of being able to more conveniently deliver training to nearly any worker. Additionally, CLOs can imagine the benefits of a virtual learning suite of tools and simulation authoring capabilities.

Improving the LMS infrastructure was also important. CLOs reported their desire to have an enterprise-wide learning management system that is inexpensive and user-friendly. Others were looking for a full-service performance management and learning management suite with a variety of targeted content. Combine that with the consistent desire for a performance management system as an addition to the LMS suite and it is clear CLOs think learning management and proper content remain high priorities.

CLOs were also practical, often seeking additional staff or access to consulting talent to help with their most vexing problems. Content authoring tools, improved access to content libraries and content management software were also frequently mentioned on this year's wish list. Growing in importance from last year are new ways to reach stakeholders and improve communications including social networking and collaboration tools.

For the most part, training investment priorities are consistent with the financial pressures brought on by the economic crisis and the change in those pressures as part of the slow recovery. While CLOs are conservative in managing their learning investment portfolios, changes in priorities in investment areas are an effort to provide the maximum company benefit with limited resources. In addition, executives continue to leverage technologies to achieve their goals of supporting organizational learning and change. CLO

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"It's one of the things our people are most enthusiastic about and most widely participated in," Johnson said. "How we celebrate innovation, and then too, to recognize that innovation when we see it — it's at the core of Hasbro. And it wouldn't have happened without that time at Tuck."

Transformational Talent

Senior Hasbro executives, including CEO Goldner, open the program with candid assessments of the company and set out the strategic blueprint. Starting in 2007, a conscious shift was made to put brands at the center of everything Hasbro does, and employees were challenged to look across all forms and formats to make that happen.

In 2001, Hasbro's eight global core brands — G.I. Joe, Littlest Pet Shop, Magic: The Gathering, Monopoly, My Little Pony, Nerf, Playskool and Transformers — represented 17 percent of its total revenues. That total increased to 25 percent by 2005, and doubled to 50 percent by 2009. That same year, Hasbro achieved a record operating profit of nearly $600 million.

The team also made strides toward creating a pipeline for leaders of the future. Nearly 20 percent of participants have been promoted or changed jobs, and retention rates are around 90 percent. That pipeline needs to carry a more diverse set of skills than ever before as Hasbro properties cross many mediums, including feature films, digital entertainment, publishing and consumer/lifestyle goods. In fall 2010, Hasbro launched a multiplatform joint venture with Discovery Communications called The Hub.

"The most important thing is to be able to identify the next generation of Hasbro's leaders and inculcate them to the company's strategy," Goldner said. "It's important that we see individuals who embrace and work within teams, versus those who may not. We want to develop emissaries who understand the strategy and can find ways to execute and enhance on those strategies within their own teams."

Every session of the program culminates in a dissection of what worked and what needs refinement. The curriculum is in continual development and Tuck faculty members are on hand to help re-balance as parts change from year to year.

Originally intended for an audience of vice presidents and above, application to the leadership program is now open to high-potential directors throughout the organization. Even in the tough economy of the past two years, Hasbro continues funding the program. Strong leaders are essential for future growth.

"Recession is always followed by expansion, and expansion lasts longer — three times as long," Govindarajan said. "What you do in a recession needs to prepare you for the expansion — you need to focus on the future."

Ensuring Hasbro has the right leaders for today and is prepared for the future helps to ensure survival during any economic challenge. CLO

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