

Special Report on Training - More to Learn (Jan 11)

U.S. companies regained their appetite for employee development in 2010, but a new report shows their tastes are changing.

By Garry Kranz

The recession reduced the corporate appetite for employee training programs, but hiring budgets are no longer being starved.

For the first time in three years, U.S. companies boosted the size of their training staffs in 2010, according to *The Corporate Learning Factbook 2011*, produced by research firm Bersin and Associates in partnership with *Workforce Management*. The average increase was 6 percent to 5.3 staff members for every 1,000 learners.

Not a feast, perhaps, but it's better than the recent near famine. And should their financial results improve during the next 12 months, companies are likely to fatten training budgets even more, according to the report, which is due out this month and which culled responses from 748 U.S. companies with more than 100 employees. The difference is that "learning no longer is about courses and programs. Learning needs to be continuous, and it needs to be everywhere," says Karen O'Leonard, a principal analyst at Oakland, California-based Bersin and author of the fact book.

Cheesecake Factory Inc., which runs about 160 restaurants nationwide, increased its training staff to 15 from 10 full-time employees. The five newcomers all possess multimedia expertise—the key ingredient in the new recipe for learning. Textbooks and classrooms are coming off the menu. Instead, the company is creating interactive content that employees receive directly in the workplace, says Jeff Stepler, vice president of organizational excellence and engagement for the Calabasas Hills, California-based company. VideoCafé, a YouTube-style platform, lets employees upload and share video snippets on job-related topics, including customer greetings and food preparation. This year, Stepler says, the company plans to "push heavily" into interactive games, including a simulation tool for building the "perfect hamburger."

Hands-on, employee-driven learning is followed by coaching and performance feedback. In addition to rapidly training 30,000 hourly workers, the program provides managers with new tools to observe behaviors and reinforce learning immediately, Stepler says. "Times are tight, so we focused on three core pieces: absolute guest satisfaction, perfect food and flawless execution. Using rich media is the best way to drive sustainable learning in those areas."

The Cheesecake Factory's approach to training reflects the growing, albeit cautious, optimism about the economy. "After cutting training to the bone over the last two years, companies are starting to sense a turnaround in the economy. They're beginning to say, 'Let's reinvest in training again,'" O'Leonard says.

That was most evident in the accelerated hiring of trainers, which in turn spurred an increase in the number of learning hours delivered per company—hopeful news for employees whose career growth has been stunted of late. In 2010, companies delivered an average of 4,538 training hours, a 13.5 percent increase from the 4,000 hours delivered in 2009, the report says.

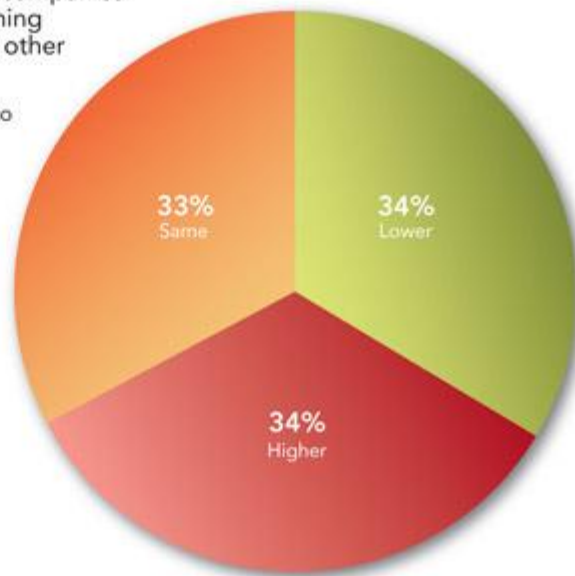
Individual employees received an average of 12.8 hours of learning, up from 12 hours, and companies spent an average of \$682 per learner in 2010, nearly equivalent to 2009. According to the report, corporate training budgets stabilized in 2010, after dropping 21 percent between 2007 and 2009. The nearly 750 U.S. companies surveyed allocated \$48.9 billion cumulatively for training-related expenditures last year, up 1.4 percent from \$48.2 billion in 2009. Payroll for training staff accounted for \$27.4 billion of the \$49 billion, about the same as in 2009 but 18 percent lower than 2008 levels.

TRAINING IN THIRDS

About a third of companies say their training budgets were higher in 2010 than in 2009, according to a survey of 748 companies with 100 or more employees, but a third of companies did not increase their training budgets last year and the other third lowered them.

Note: Numbers don't add up to 100 because of rounding.

Source: Bersin and Associates in partnership with Workforce Management



Organizations were equally split: one-third increased their training budgets, one-third saw them decline, while one-third kept spending roughly the same. Small organizations—defined as those with 100 to 999 employees—led the way, boosting training staffs an average of 8 percent. Midsize organizations (1,000 to 9,999 employees) added 3 percent more training professionals. On the other hand, large companies, with more than 10,000 workers, shed jobs, with training headcounts down 1 percent from 2009 levels.

Specialization and alignment

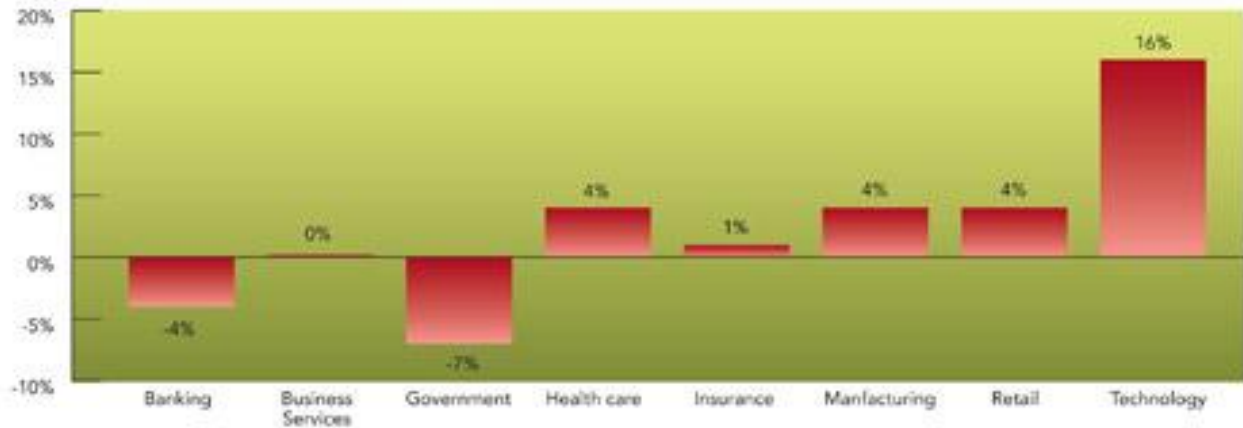
Other research echoes Bersin's findings. Nearly 8 in 10 training executives anticipate that their budgets will either grow or remain the same through at least the first quarter of 2011. That's according to the Learning Executive Confidence Index, a survey released in October 2010 by the American Society for Training & Development in Alexandria, Virginia.

The sanguine outlook is tempered by deep-rooted structural problems in the U.S. economy, including high unemployment, a weakening dollar and unremarkable job growth. That helps explain why the overall picture remains so mixed. According to Bersin, the technology sector posted a net increase in training spending of 16 percent in 2010, while the manufacturing, health care and retail sectors showed net increases of 4 percent. Meanwhile, the banking and government sectors trimmed training spending 4 percent and 7 percent, respectively.

Those nagging economic concerns may breed greater discipline, O'Leonard says. Companies aren't rolling out more training, but are trying to get better results from existing programs. That's evident in a "go deep, not wide" philosophy that many training departments are following, she says. "The shotgun approach to training doesn't work. Companies realize that offering thousands of topics isn't as effective as offering fewer topics, but doing deeper dives."

TECH TRAIN ROLLING

Last year, technology companies topped all other industries when it came to year-over-year spending on training, according to a recent survey.



Source: Bersin and Associates in partnership with Workforce Management

At the same time, training professionals at companies like Amway Corp. are assuming more of a strategic advisory role. The Ada, Michigan-based pioneer in direct selling used the downturn to decentralize its learning function. Corporate trainers now devote less time to course development and more time to coordinating resources, facilitating learning opportunities and dealing with program administration, says Jon Brickner, an Amway performance consultant.

Fueling the move is the necessity to put learning resources at people's fingertips, Brickner says. Rather than being pushed out by Amway's training department, employees "pull learning in as they need it," often through informal networks. Amway also jettisoned a slew of training programs and established job competencies for all 17,000 global employees. The competencies denote the particular skills each employee needs, providing a road map to pursue the necessary training, Brickner says. "The total amount of learning didn't change much, but we replaced 'nice-to-have' stuff with more targeted learning."

For example, leaders across different business units were asked to "nail down the observable behaviors" employees need to be successful. The inquiry asked "what it means to be a marketer at Amway, what it means to be a researcher," and so on for other positions, Brickner says. At the same time, he says, Amway winnowed away a chunk of "off-the-shelf" courseware that didn't align with business goals.

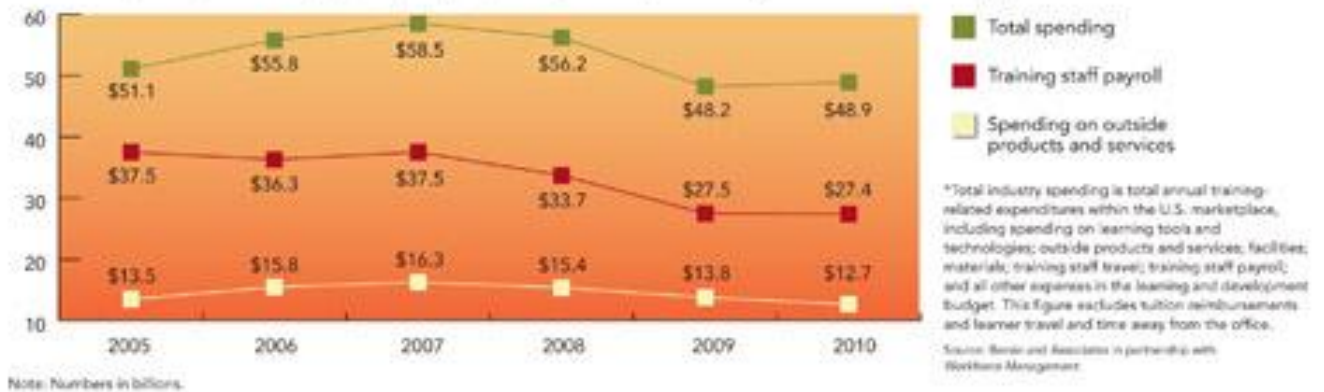
Still other companies are applying more rigorous analysis to match learning with broader business goals. Learning leaders at Kelly Services Inc., a Troy, Michigan-based staffing firm, meet at least quarterly with senior executives at each of the company's four operating divisions. Such regular interaction keeps the company nimble, says Teresa Carroll, a senior vice president in charge of global services. "It helps us identify new priorities and reallocate training dollars as needed, based on the strategic needs of the business."

Specialization manifested itself in leadership programs, which captured 22 percent of all training dollars spent in 2010, the Bersin/*Workforce Management* report shows. The U.S. Environmental Protection Agency, for example, maintained high-value leadership training programs despite a diminished training budget. Sharon Ridings, the agency's national training manager, says online courses in "situational self-leadership" have been blended with structured classroom work. Upon completing the curriculum, participants pair up with executive coaches for at least three one-on-one leadership sessions to discuss and practice what they've learned. "The objective is sustainability," Ridings says.

Frontline leaders at the EPA also receive training related to succession planning and performance management. Both are critical topics among the EPA's highly skilled workforce of technicians, scientists and engineers, most of whom are moving into leadership for the first time, Ridings says. "That means teaching them how to set specific performance standards, hold people accountable and initiate performance discussions"—skills that don't always come naturally.

MORE SPENDING

There was a slight bump in total training spending last year, according to a survey of 748 companies with 100 or more employees.

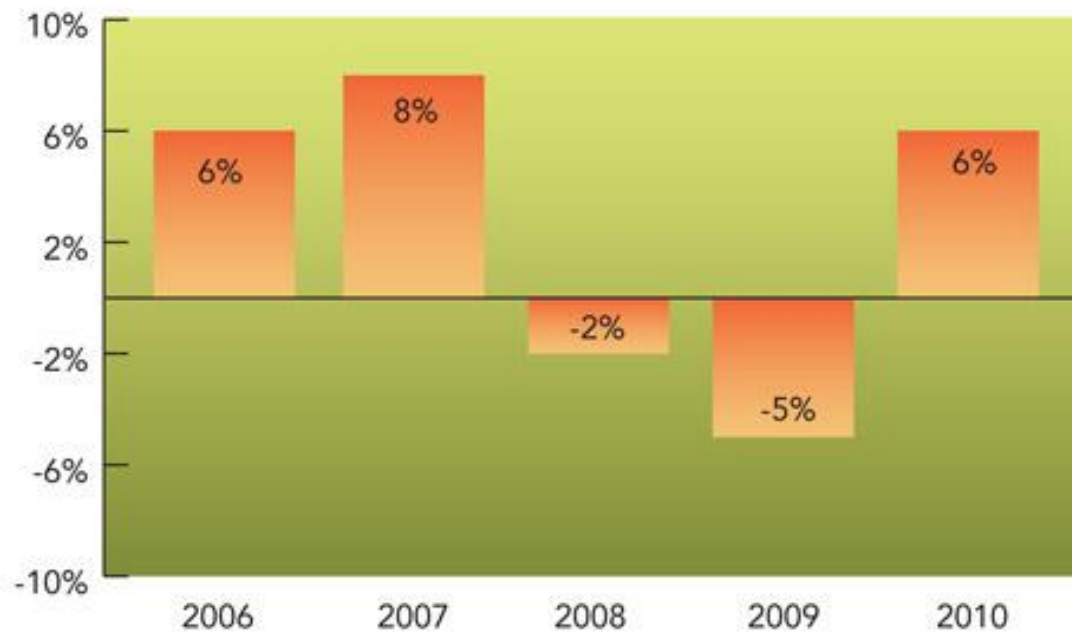


In terms of how employees receive training, there was little change during the past 12 months, according to Bersin's research. Formal methods accounted for 90 percent of learning, with 10 percent provided through informal modes, the report says.

Formal training methods, according to Bersin, include well-defined learning objectives and typically a clear beginning and ending, such as classroom courses. Informal learning, conversely, takes place in a way that is "accidental, ad-hoc, unplanned and which likely happens without the guidance of a discipline, such as instructional design." Most employees still get their formal training the old-fashioned way, with 58 percent of instructional hours delivered in the classroom.

THAT'S A PLUS

After two years of declines, 2010 showed an uptick in the number of workers in companies' training staffs, according to a survey of 748 companies with 100 or more employees.



Source: Bersin and Associates in partnership with Workforce Management

Typifying the continued reliance on formal classroom training is Sacred Heart University in Fairfield, Connecticut. Instructor-led classes are used for employee orientation, policy and benefit communications, and other subjects, says Rob Hardy, vice president of human resources. "The classroom setting allows for real-time discussion that isn't easily duplicated, even with the most advanced technology. Employees are around other workers and learning the same material."

According to Bersin, roughly one-third of formal training occurred either through e-learning—19 percent—or in virtual classrooms—13 percent. Bersin defines e-learning as training through Web-based or computer-based programs without a live instructor. Virtual learning typically involves interaction between employees and instructors. Virtual tools also often simulate real physical environments, such as classrooms.

But the line between formal and informal learning continues to be blurred. According to the Bersin report, 22 percent of companies incorporate some type of informal component in their formal programs, including coaching, on-the-job projects or collaborative group exercises. For example, emerging leaders at the EPA are required to complete 120-day rotational assignments to complement formal coursework. The idea is to give leaders practical exposure to both technical and administrative functions within the agency, Ridings says.

Informal tools helped to rekindle technology investments in 2010. Aside from adding to their training staffs, O'Leonard says companies resumed infrastructure projects that were postponed during the economic squeeze. On average, companies allocated 10 percent of their training budgets to learning tools and technologies, which almost equaled the high of 11 percent in 2007.

Much of the investment went to upgrade or replace learning management systems, but 30 percent of organizations reported spending money on products that promote informal learning. That includes social software and design services for wikis and blogs. Among larger firms, 42 percent invested in informal tools, with average spending of about \$100,000.

Social work

Social media are moving beyond a curiosity to emerge as a useful tool for employee learning, says Carroll of Kelly Services. The company this year is launching a social-collaboration tool, known as Chatter, for its 8,000 full-time employees. Similar in look and feel to Facebook, Chatter was developed by San Francisco-based Salesforce.com. Chatter will drive an "unprecedented level of engagement" by enabling employees to share knowledge and best practices more easily, Carroll says. "We've used it in pilot mode with a few work groups, and it generated an amazing amount of learning." Similarly, Amway is sorting its most knowledgeable employees into searchable "expert directories" that its 17,000 global employees can access. "We had to let our subject-matter experts drive the learning; there was no way we could be the center point for it all," Amway's Brickner says.

Stepler at the Cheesecake Factory also sees value in social learning strategies. To help disseminate the employee-generated videos and scenario-based games, the company is upgrading intranet learning portals and launching a content-distribution network. Interactive learning will pay off by engaging employees, Stepler says. "We just know that our people are better educated, more knowledgeable and better skilled than when we did training the old way."

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