Running Training Like A Business

Edward Trolley

VP of Managed Training Services at NIIT

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Class summary

How does training close the gap between hard-edged business issues and training solutions that will make a measurable impact? The answer can be found in an approach called "Running Training Like A Business".

This approach ensures that your training can and will deliver clear business value to your organization. In this session, author Edward Trolley will make the business case and then share with you a five-step process for transforming traditional training organizations into training enterprises capable of delivering unmistakable value.

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Key learning objectives

In this session, you will learn:

- How to make T&D a full strategic partner in business decision-making
- How running training like a business helps the organization realize the strategic value of training
- How to transform your current training capability into a well run "training business".

Part of the Problem...Part of the Solution

- Increased Shareholder Pressures
- Increased pressure on CEO's, executive management, and business leaders to deliver more revenue and more earnings and greater shareholder value
- Difficult economy
- Increased pressure on functional organizations like HR to demonstrate impact
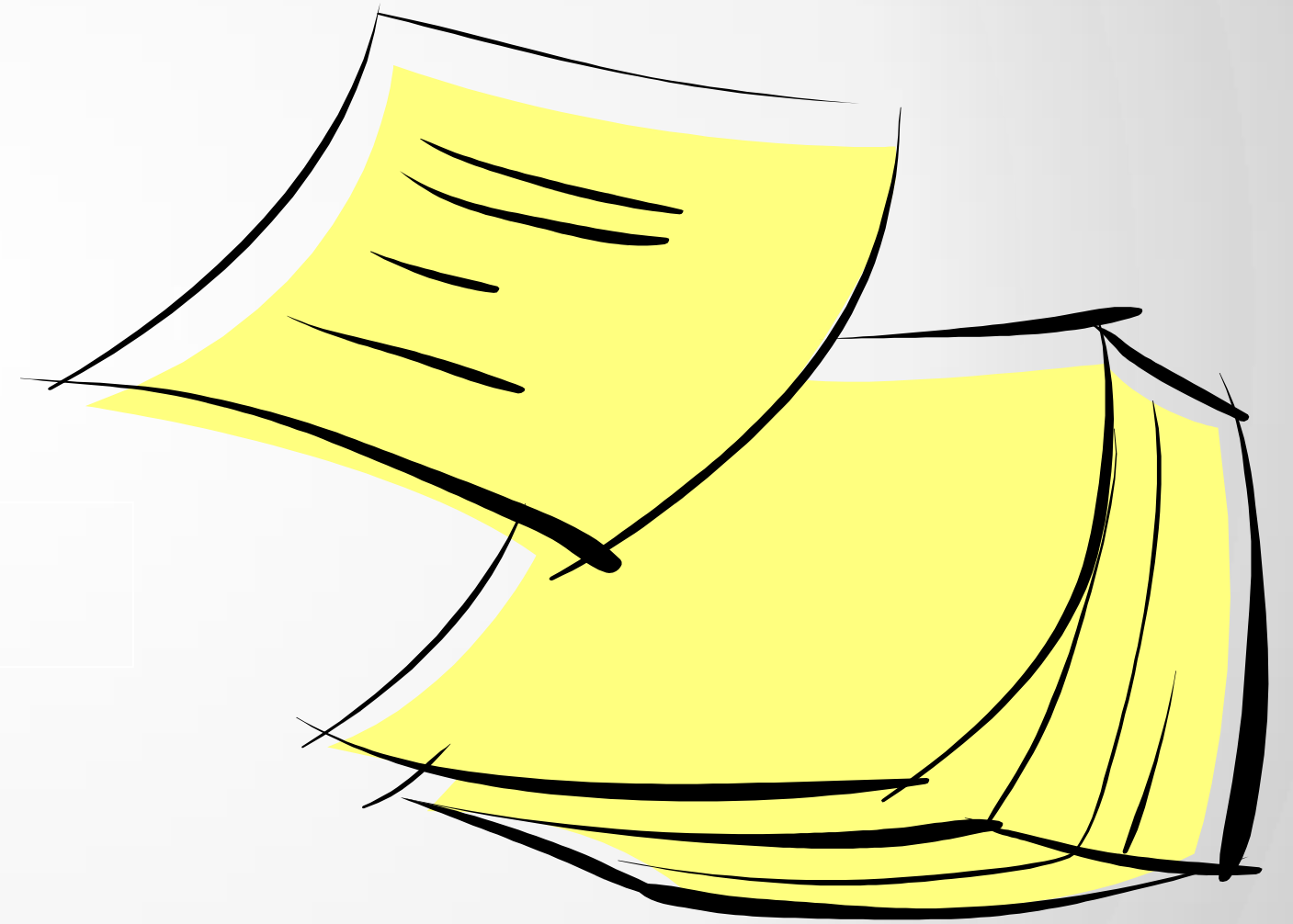- Increased pressure on Learning and Development to be more relevant, reduce costs, and dramatically improve impact

Trolley's Top Training Truths

Truth 1

Enterprise training spend exceeds $300 billion globally - $100 billion in the U.S. and $200 billion in rest of world

TrainingIndustry.com, Think Equity

Truth 2

Very few senior executives can answer the question, "How much are you spending on training?"

… And even fewer can answer, "What value are you getting from your training investment?"

"96 percent of executives want to see the business impact of learning; yet only 8 percent receive it now and 74 percent of executives want to see ROI data, but only 4 percent have it now."   2009 ROI Institute

Truth 3

The lack of skilled workers poses the greatest threat to current and future economy

"Europe lacks 20 million skilled workers…this trend will only worsen…workers are not being trained quickly enough"   Business Europe 2010

"Eighty percent of U.S. manufacturers cannot find educated, skilled workers for their entry-level jobs   2009 WorkKeys National Conference

"America has a large middle-skills gap. Nearly 50 percent of the jobs in America demand middle skills obtained through education or training beyond a high school diploma"   2009 Workkeys National Conference

"more CEOs are changing talent management strategies than, for example, adjusting approaches to risk : 23% expect 'major change' to the way they manage their talent. And skills shortages are seen as top threat to business expansion."   …" One in four CEOs said they were unable to pursue a market opportunity or have had to cancel or delay a strategic initiative because of talent. One in three is concerned that skills shortages impacted their company's ability to innovate effectively."

15th Annual PWC Global CEO Survey
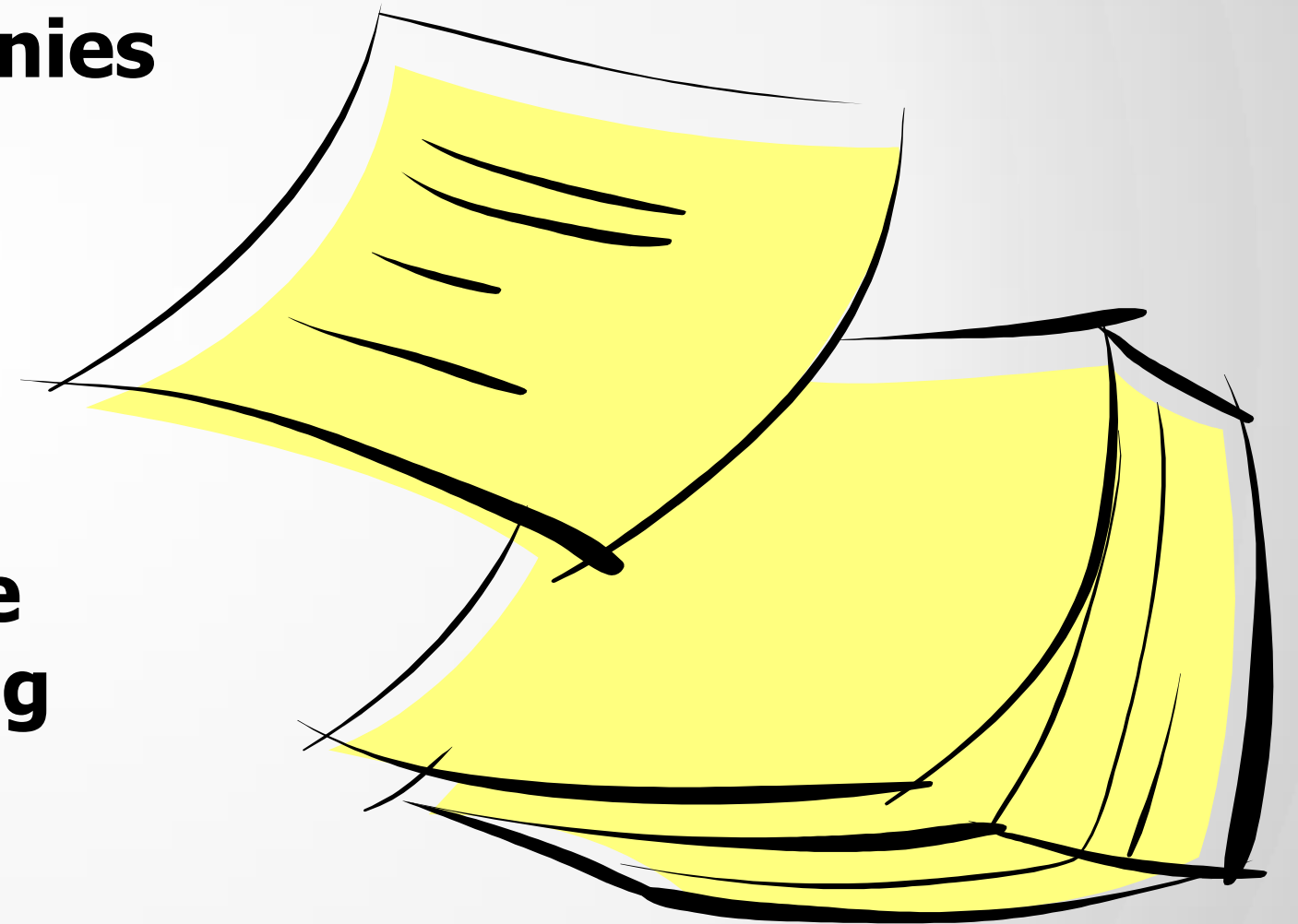2012

Truth 4

Less than 40% of U.S. and European employees are loyal to their companies

70% of the reasons customers defect relate to staff turnover at their supplier companies …

… And employee development is one of the most significant factors driving employee loyalty.

Ipsos Loyalty Study   Walker Loyalty Study

Kelly Global Workforce Index, 2010

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Truth 5

A 1% increase in productivity yields

... More than <u>10 times</u> the business impact of a 1% reduction in training costs.

... While research consistently shows that training is a major factor in improving employee productivity.

"96% of companies with strong learning cultures reported high employee productivity"
        Bersin & Associates 2010

"Spending 10 percent of a company's revenue on capital improvements increased productivity by 3.9 percent. But investing that same amount in developing the employee capital more than doubles that amount, to a whopping 8.5 percent"   University of Pennsylvania study

Truth 6

And yet…

… When times are tough, training is the first thing that gets cut!!
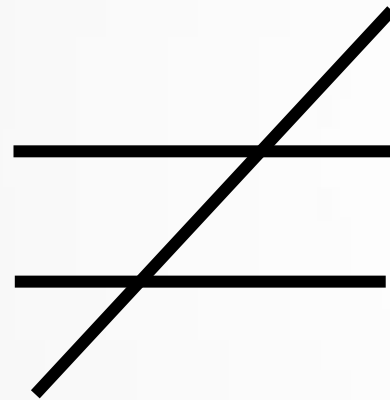
It's not about …

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It's about Results!

A Broken Equation

Training Value $\neq$ **Investment**

A Function **with** an Opportunity to Improve

- Backroom activity
- A big cost item
- Staff is highly technical and "speaks a different language"
- Questionable value
- Focus on the activity, not on its application
- Not perceived as strategically linked
- Focus on building your own

Sound Familiar?

Information Technology Circa

1985

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FAST FORWARD 2013

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What's Possible?

- Important strategic player
- Considered a source of competitive advantage
- Focused on the application not the activity
- Viewed as an investment
- Demonstrates tangible value
- Outsourcing considered a strategic enablement tool

Where Is Training Today?

Here?

Here?

1985

Here?

2013

Here?

Where Is Training Today?

Here?

Here?

1985

Here?

Here?

2013

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The Paradox: Business Leaders Are Sold on Learning

"Our people are the most valuable asset we have."

—Most Annual Reports

"Sooner or later, traditional forms of competitiveness … cost, technology, distribution, and product features can be copied. They do not guarantee you will be a winner."
—Harvard Business Review

"Learning is a strategic imperative. It is our only sustainable source of competitive advantage."

—Jack Krol, Former Chairman, DuPont

"Development of people is one of the three most important priorities of executives"
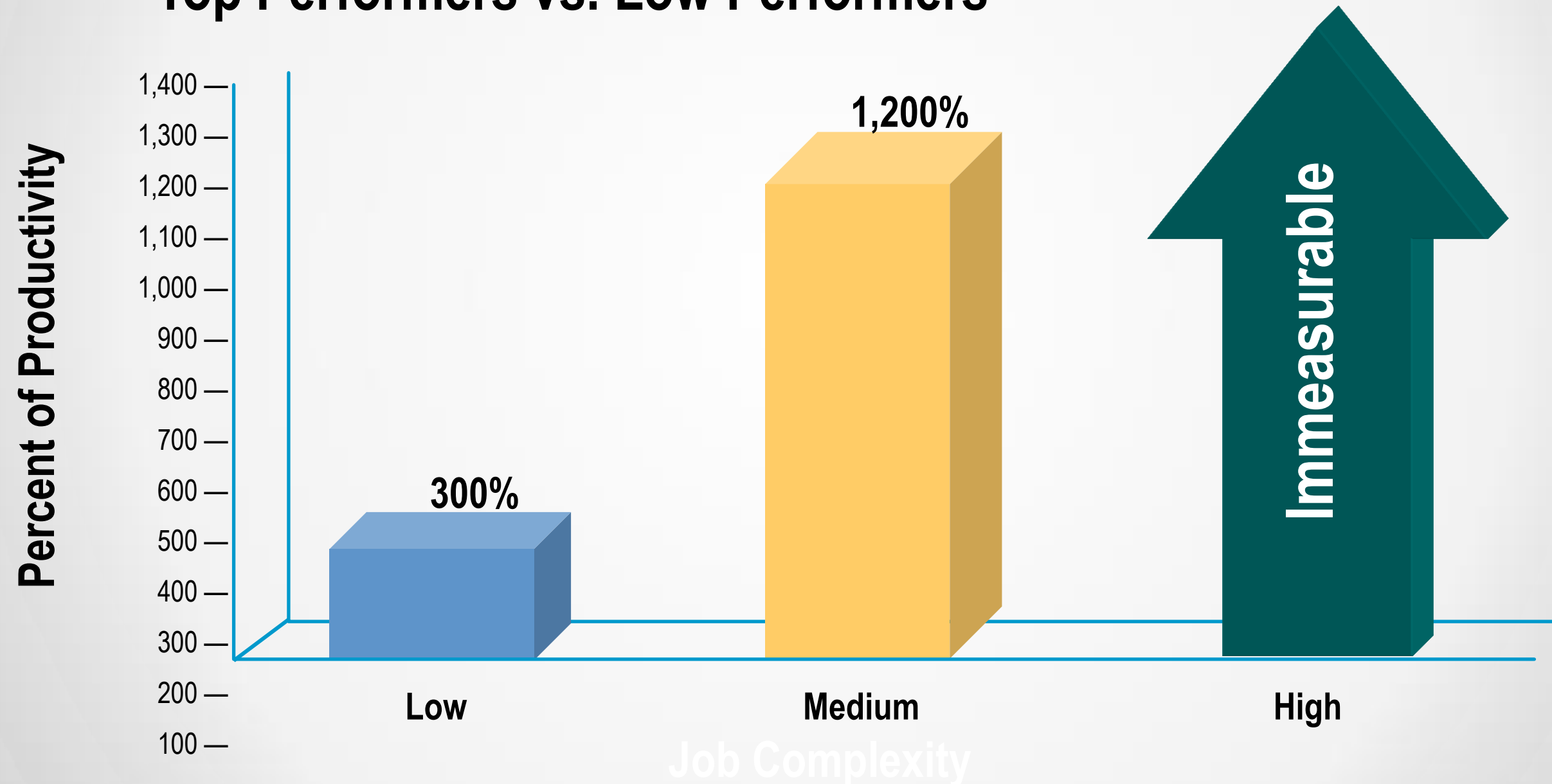
—ISA Study by Yankilovich

The Paradox: Business Leaders Are Sold on Learning

"In the end, I believe the desire and ability of an organization to continuously learn from any source anywhere, and rapidly convert this learning into action, is its ultimate competitive advantage."

—Jack Welch, CEO,
General Electric Company

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The Paradox: Business Leaders Are Sold on Learning

Top Performers vs. Low Performers

Percent of Productivity

Job Complexity

- **Low** — 300%
- **Medium** — 1,200%
- **High** — Immeasurable

Source: *Harvard Business Review,; Journal of Applied Psychology*

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The Paradox: Business Leaders Are Sold on Learning

$old on €earning

The Paradox: But They Are *Not* Sold on Training

- Skeptical of people and processes
- Fixing a problem
- Intrinsically tactical
- Improved performance … sometimes

96 percent of executives want to see the business impact of learning; yet only 8 percent receive it now.

74 percent of executives want to see ROI data, but only 4 percent have it now."

ROI Institute 2009

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The Paradox: But They Are *Not* Sold on Training

Training's traditional focus is on …

- Training content
- Cost
- Skills
- Programs
- Volume
- Participants

Business executives' focus is on …

- Business results
- Return on investment
- Performance
- Initiatives
- Value
- Markets
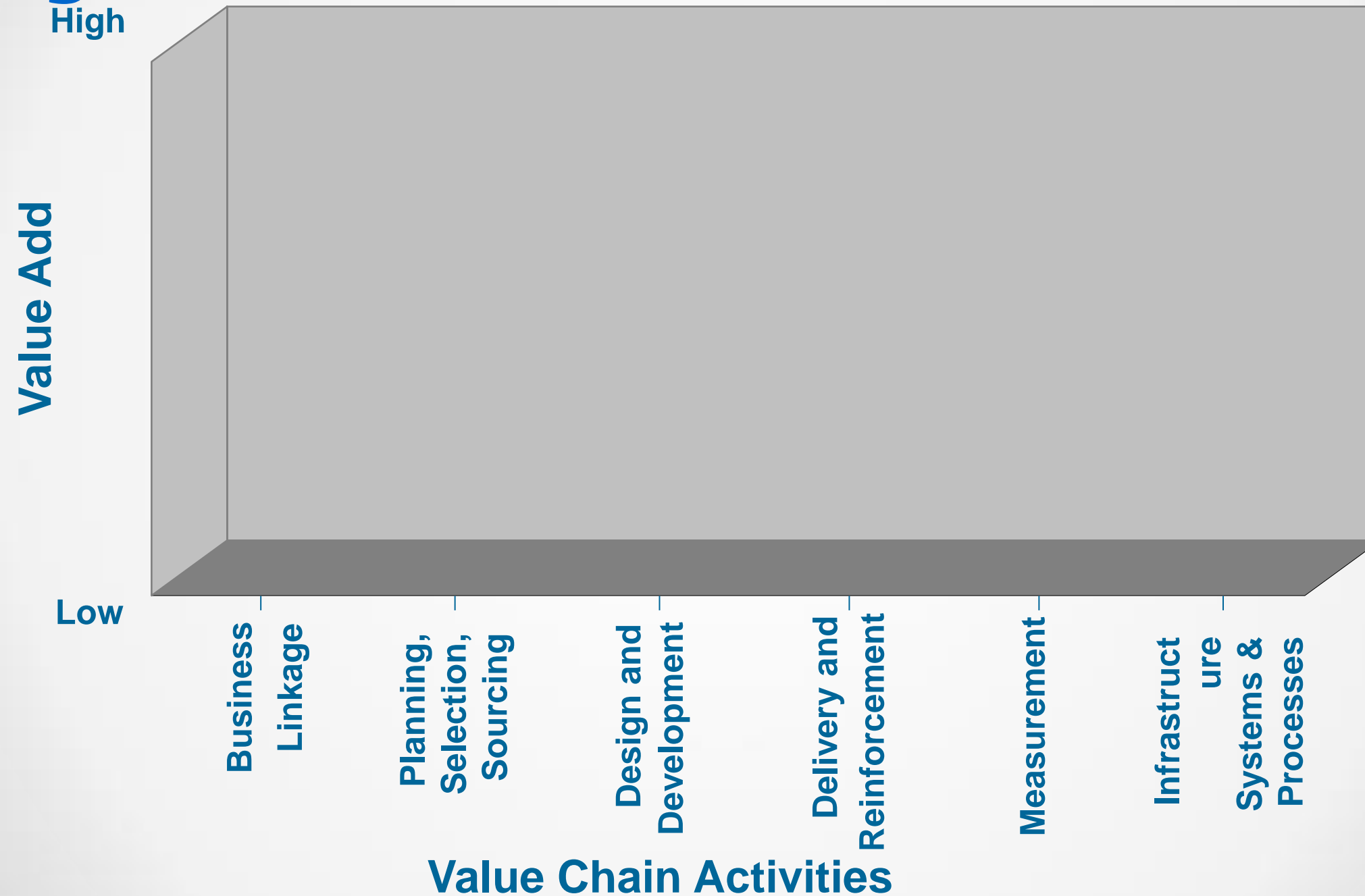
The Paradox: But They Are *Not* Sold on Training

Training's Traditional Operating Premises

- Demand for training is assumed
- Must operate within budgets
- Sustained by corporate edict
- Fixed cost: Business units pay corporate allocation for training, even if they don't use it
- Job is to convey content, teach skills, build competencies
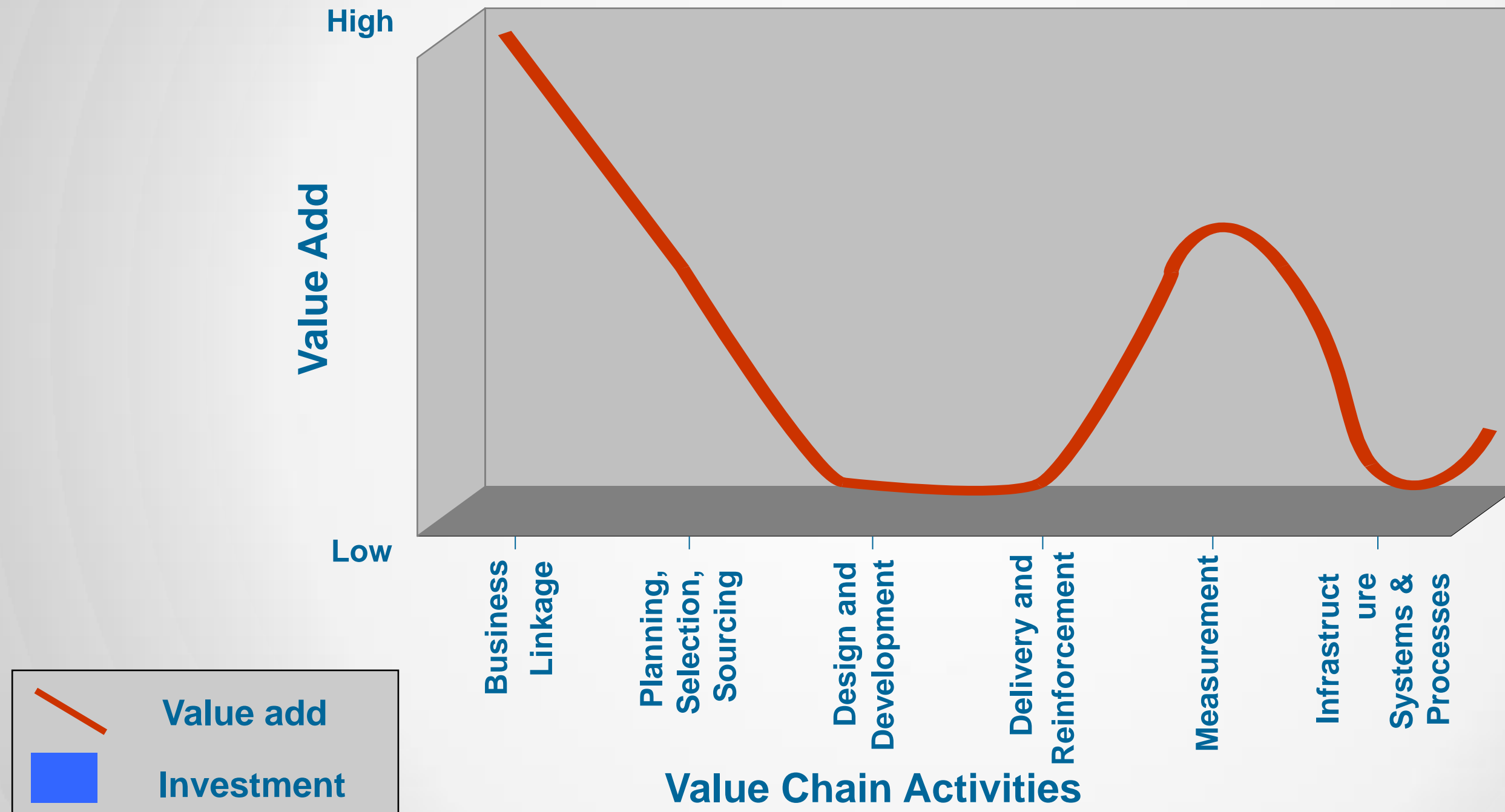- Measure success by activity and budget compliance

Free-Market Business's Operating Premises

- Live with risk
- Must maximize profits
- Sustained by customers
- Variable cost: Customers pay only for services they use
- Job is to meet customer needs
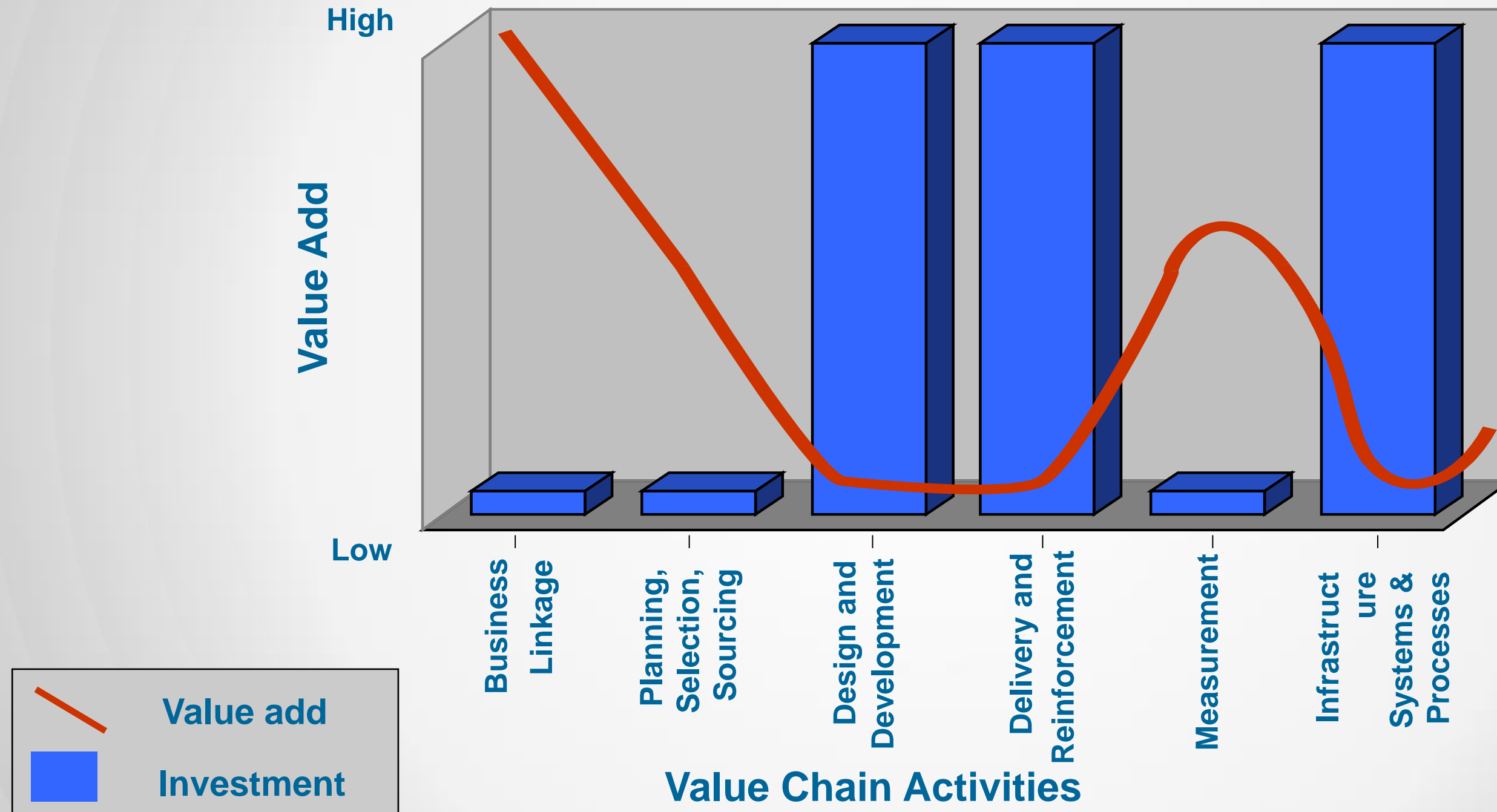- Measure success by customers' success and profitable growth

The Paradox: But They Are *Not* Sold on Training

Value Add

High

Low

Business Linkage

Planning, Selection, Sourcing

Design and Development

Delivery and Reinforcement

Measurement

Infrastructure Systems & Processes

Value Chain Activities

31

The Paradox: But They Are *Not* Sold on Training

High

Value Add

Low

Value add

Investment

Business Linkage

Planning, Selection, Sourcing

Design and Development

Delivery and Reinforcement

Measurement

Infrastructure Systems & Processes

Value Chain Activities

It's Time for Training to Transform Itself

FROM → **TO**

FROM	TO
Training Department	→ Training Enterprise
Cost of Training	→ Investment in learning
Attendees	→ Customers
Measuring Activity Levels	→ Measuring results
What Training do you need?	→ What business issues are you trying to solve
Training as the end result	→ Business results as the end result
Mastering Content	→ Improving performance
Allocation of expense	→ Pay for use
Activity	→ Application
Smile Sheets	→ Customer success

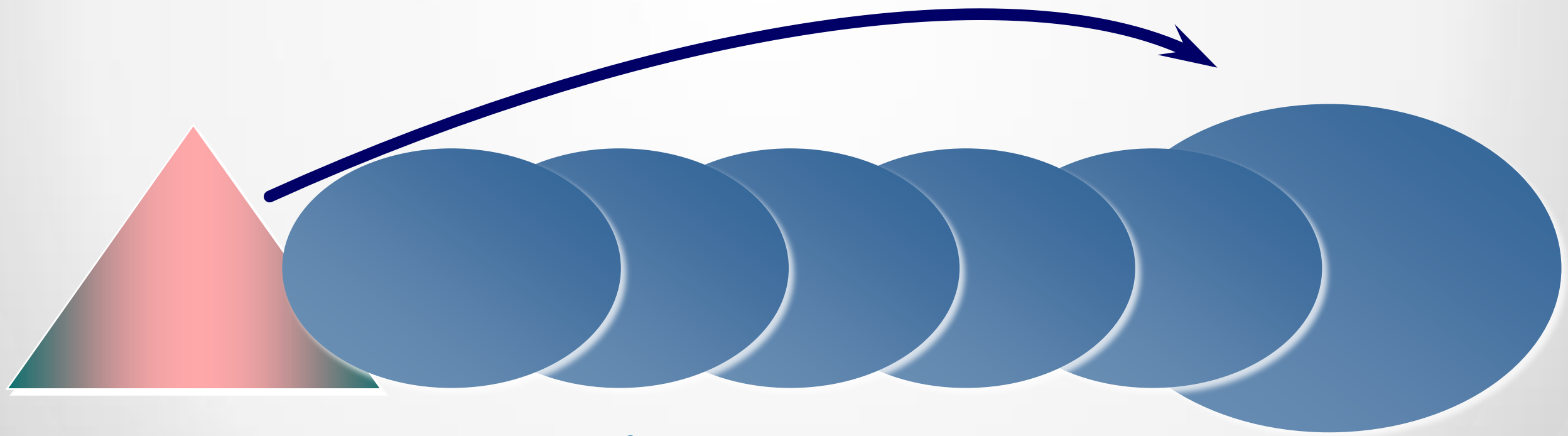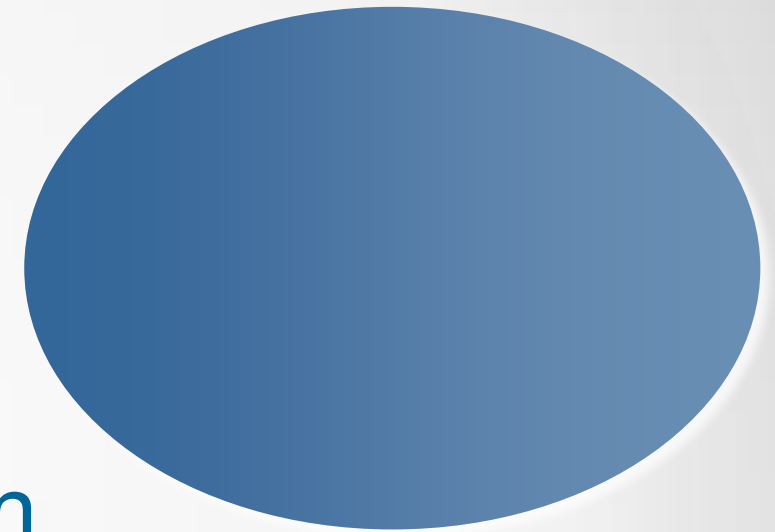# It's Time for Training to Move Forward

Circa 2013

Function

?
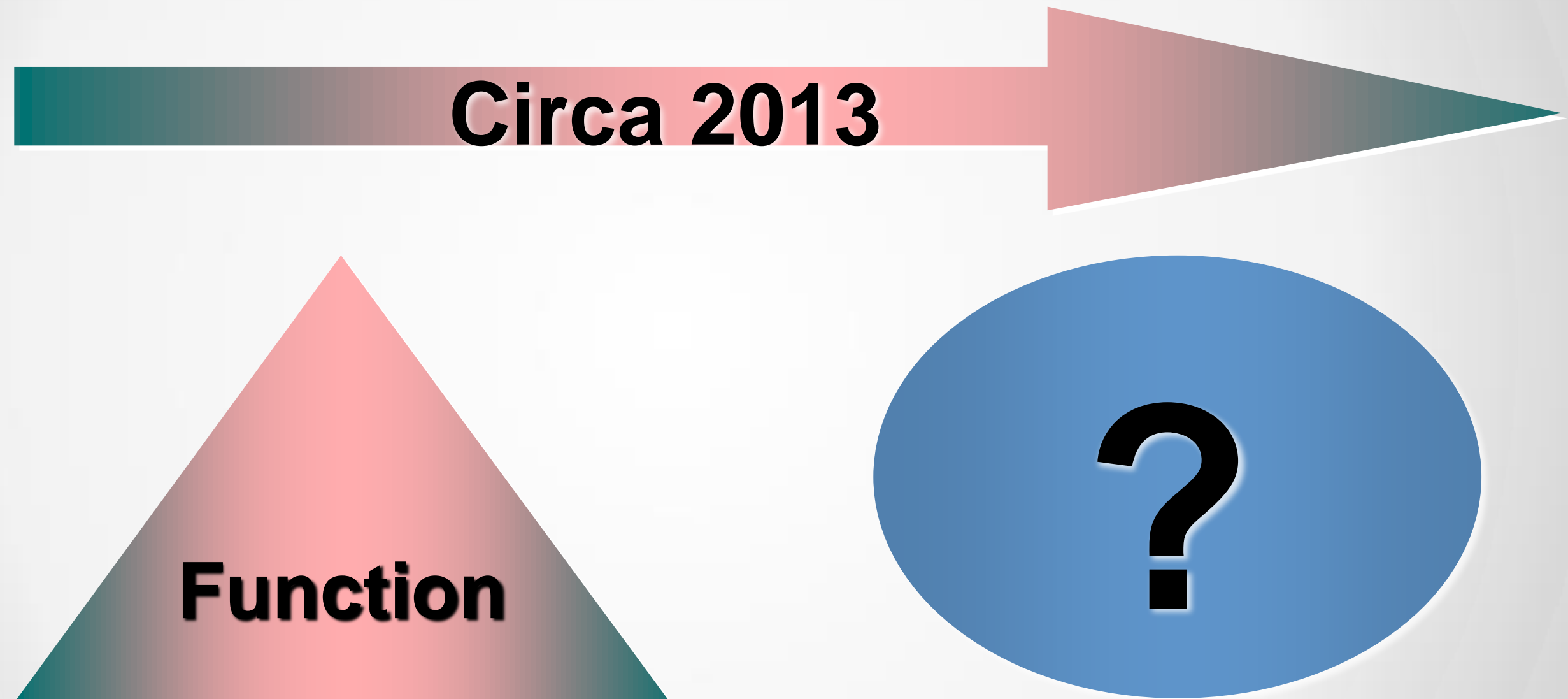
Transformation Requires a Leap
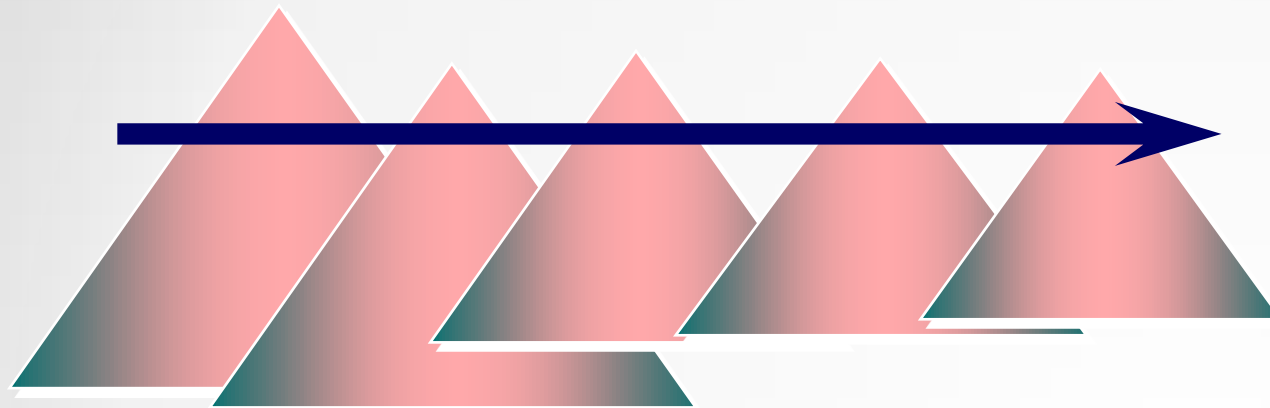
Can't transact your way to transformation

Must think from the goal back

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Transformation Requires a Leap

Early advances are often seen within the context of the past;

Mainframe → **Desk-top Computer** →
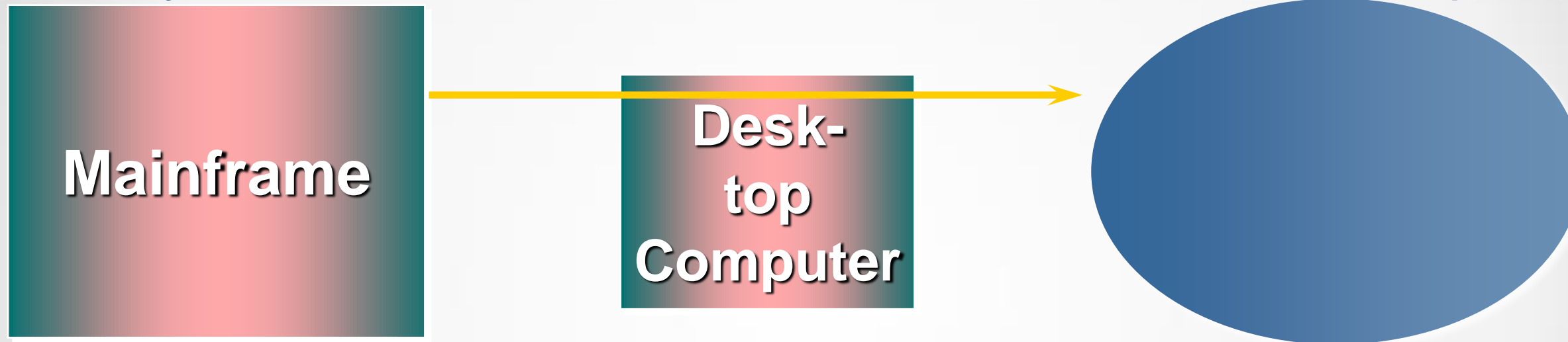
seeing them from the future context is critical to understanding the transformation.

Mainframe ← **Beginning Network** — **Networked Information Systems**

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Making the Leap for Training

- **Strategically linked**

- **Well run and cost effective**

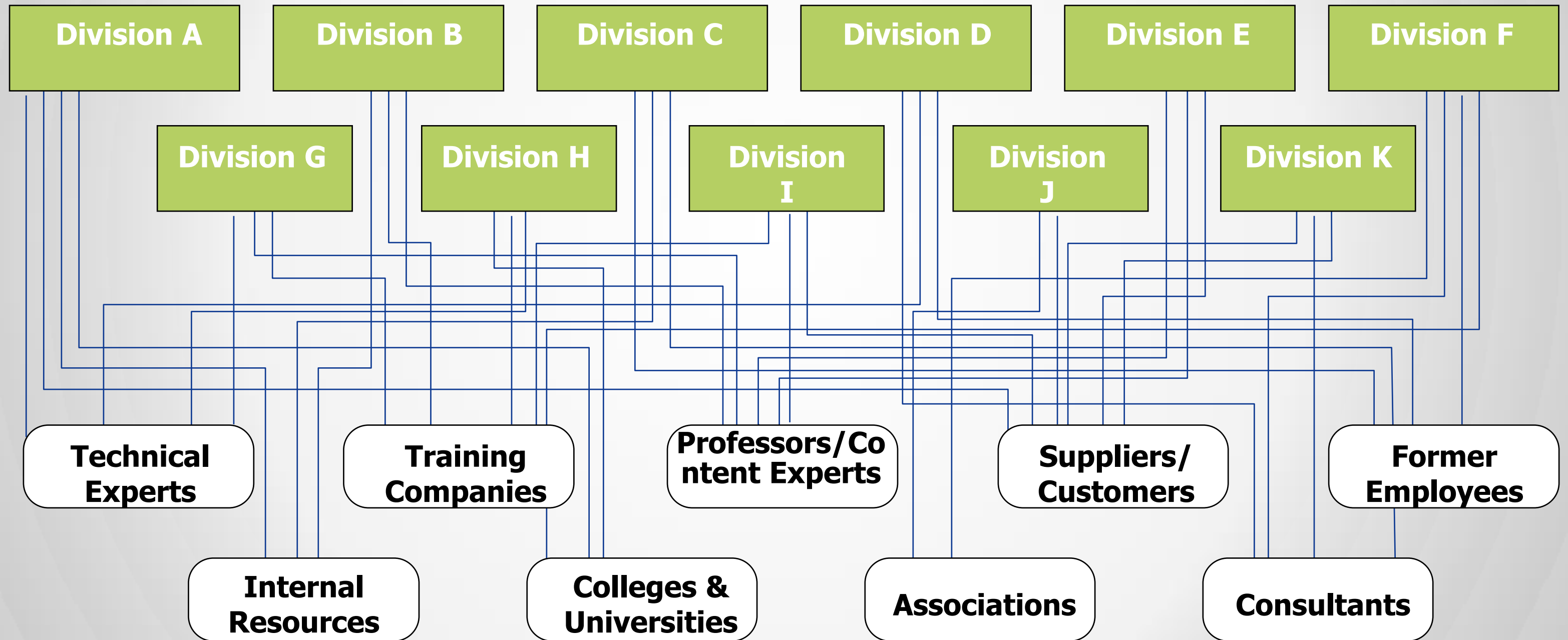- **Flexible and responsive**

- **Adding tangible value/ROI**

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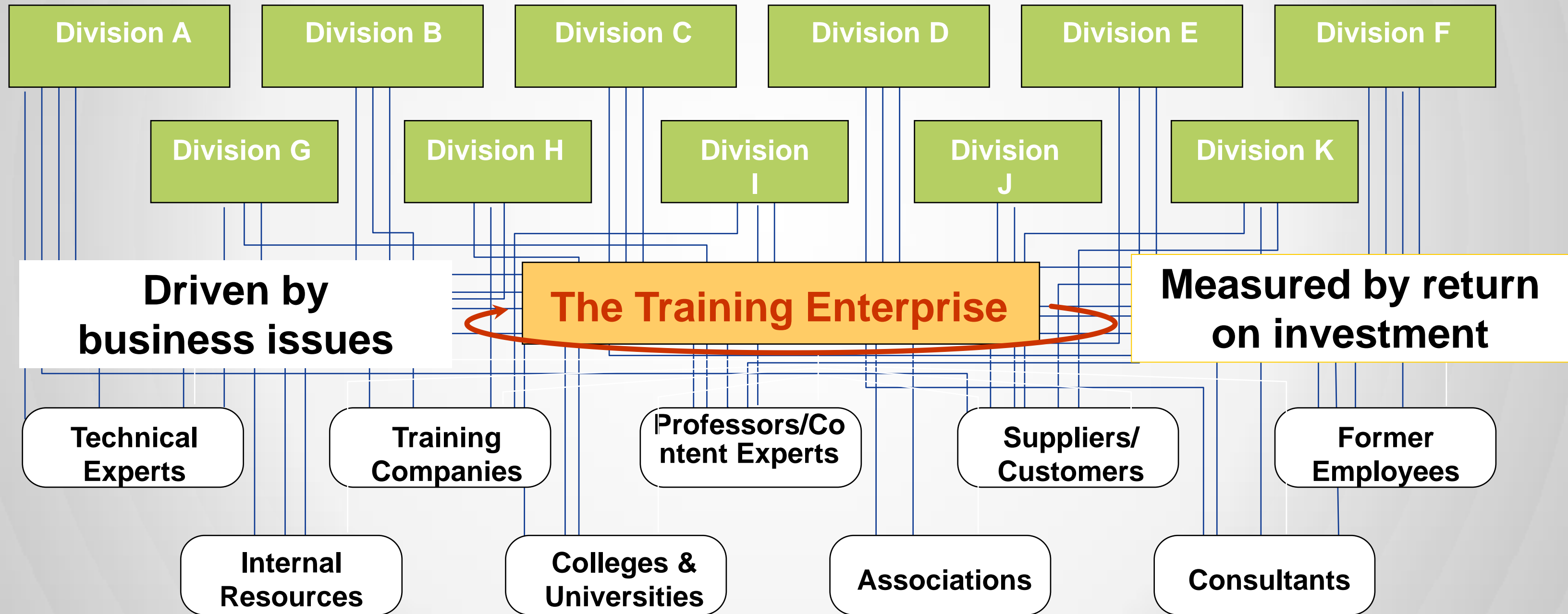# Making the Leap for Training

Running Training Like a Business

Running Training Like a Business Is About …

- Link T&D to business strategy
- Focus on business issues rather than training content
- Let customer demand shape T&D's offerings
- Clarify T&D's business mission
- See T&D as an "enterprise," not as a "function"

- Expose hidden costs
- Aggressively reduce costs
- Build and maintain reliable systems and processes
- Operate as variable, not fixed cost
- Be flexible and opportunistic in sourcing

Effectiveness

Efficiency

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How You Run It Really Matters!

The Training Enterprise

Driven by business issues

Relationship Management

O

- **Assigned to specific business unit**
- **Understands business issues**
- **Determines need**
- **Translates needs into solutions**

Measured by return on investment

The Training Enterprise

Driven by business issues

- Determine best solution
- Create, contract, or customize learning system
- Integrate appropriate technology
- Deliver impeccably
- Measure what matters

Delivery

...tions

Measured by return on investment

The Training Enterprise

Driven by business issues

Relationship

Delivery

- **Register and track participants**
- **Source internal and external resources**
- **Report costs and expenses**

Operations

Measured by return on investment

Delivering More Value

Carve Out a Strategic Role

Build a strong relationship with senior and line management in terms of planning, engaging, and positioning learning as essential to achieving results.

Create a World-Class Learning Curriculum

Implement curricula that is relevant and linked to the needs of each customer group (business leaders, line managers, and training participants). Utilize flexible delivery methods as appropriate.

Improve Efficiency

Streamline operations, eliminate non-value adding activities, install reliable processes, and optimize partnerships with outside training providers.

Delivering More Value

Improve Cycle Time
Reduce the amount of time from needs identification to delivery so that the value and impact of the learning is derived more quickly.

Demonstrate Impact
Install a measurement process that demonstrates tangible value from the training investment.

Leverage Fixed and Variable Costs
Understand the right mix of fixed and variable costs for specific environment and situation.

- Identify optimum level of fixed resources (internal or external) based on requirements and areas of application.

- Identify opportunities to source, on an as-needed basis, from outside experts (curriculum design/ development, training administration, etc.)

RTLAB Self-Assessment

1=Little/No Extent
4=To Some Extent
7=High Extent

Item	Rating	Rate the extent to which Training and Development is:
Business Linkage		Hardwired to strategy and key business issues
Measurable Impact/ROI		Measured by its impact and return on investment
Quality		Relevant and of consistently high quality
Speed/Responsiveness		Fast, responsive, and timely
Cost Effectiveness		Fixed and unit costs are leveraged and commensurate with the value derived
Pay for Use		A variable cost to users … they only pay for what they use
Leveraging Resources		Accessing and leveraging the right resources to meet the needs of its clients
Access and Service		Providing a clear point of contact and high level of service for clients
Accountability		Providing clear accountability for both operational efficiency and impact of the work
Operational Excellence		Utilizing efficient and effective systems and processes
		Bonus Question:
Competitive Advantage		Providing you with competitive advantage

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RTLAB Self-Assessment

1=Little/No Extent
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Item	Mean	Rate the extent to which Training and Development is:
Business Linkage	**2.0**	Hardwired to strategy and key business issues
Measurable Impact/ROI	**2.0**	Measured by its impact and return on investment
Quality	**4.1**	Relevant and of consistently high quality
Speed/Responsiveness	**3.1**	Fast, responsive, and timely
Cost Effectiveness	**2.8**	Fixed and unit costs are leveraged and commensurate with the value derived
Pay for Use	**2.7**	A variable cost to users … they only pay for what they use
Leveraging Resources	**3.5**	Accessing and leveraging the right resources to meet the needs of its clients
Access and Service	**3.3**	Providing a clear point of contact and high level of service for clients
Accountability	**3.4**	Providing clear accountability for both operational efficiency and impact of the work
Operational Excellence	**3.4**	Utilizing efficient and effective systems and processes
		Bonus Question:
Competitive Advantage	**2.1**	Providing you with competitive advantage

Rating Scale: 1=Little/No Extent   4=To Some Extent   7=High Extent

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Running Training Like a Business
2011 Research Update

1999

2010

The more things change…
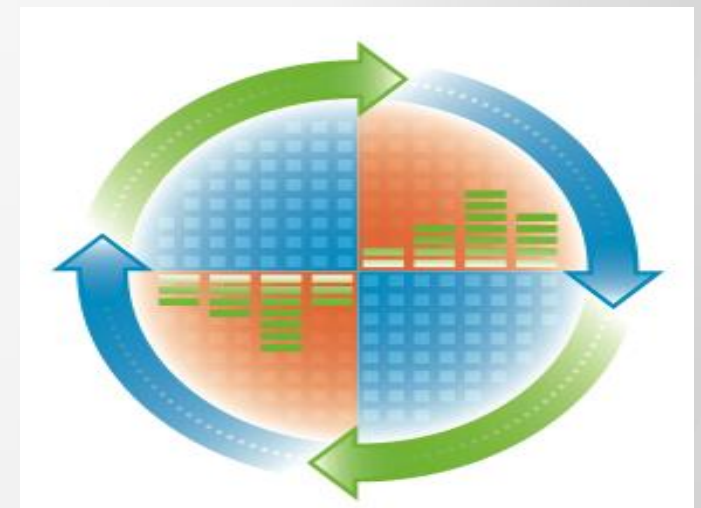# The more they stay the same

The Core Principles
"A Professional Service Firm Model"

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Principles

Uncover & Satisfy Critical Market Needs

- Strategic company direction
- Tactical business operations
- A method to meet future needs

Deliver and Satisfy Customers – "*Service Delivery Model*"

A) Define and quantify needs
B) Propose and sell solutions
C) Deliver and satisfy customer

RTLAB Principles
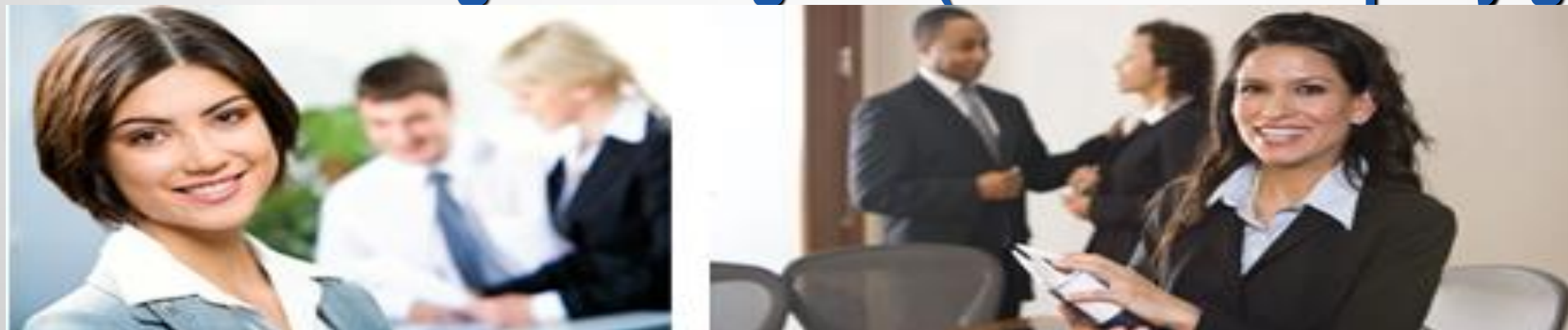## *"A Professional Service Firm Model"*

Governance

— Strategic (Governing Board)

- Ensure alignment with business goals
- Measure learning organization performance against its goals (linked to company goals)

Running Training Like a Business
2011 Findings

2011 Findings:

Of 150 Global Learning Organizations studied…

…We found only 18 that meet our top performer criteria "prove demonstrable value"

18 out of 150

Key Top-Performer Practices

11 Key Practices

1. Measure against customer expectation

2. Integrated Measurement Systems

3. Single IT infrastructure

4. Have Effective Strategic Governing Board

5. Driven by business Goals/Measured against goals

6. Interact with Advisory Board Regularly

7. Debrief process after programs to capture lessons learned

8. A Process to Select & Measure vendors

9. A Governing Board Measures Results

10. A Dynamic Process to Understand Needs

11. Propose training linked to results AND customer authorization to proceed

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3 Big Gap Lows

"Top Performers are NOT effective in the following critical practices…Yet… They are 4 times better than average performers".

Optimize Variable Spend
• Top Performers lean more towards variable spend model
• Only 6% are highly effective

Execute Effective Strategic Governance
• Only 10% have an effective governing board

Measure the Value of the Learning Enterprise
• Only 14% have a governing board that measures
the performance of the Learning Enterprise
• Only 12% have an integrated measurement system

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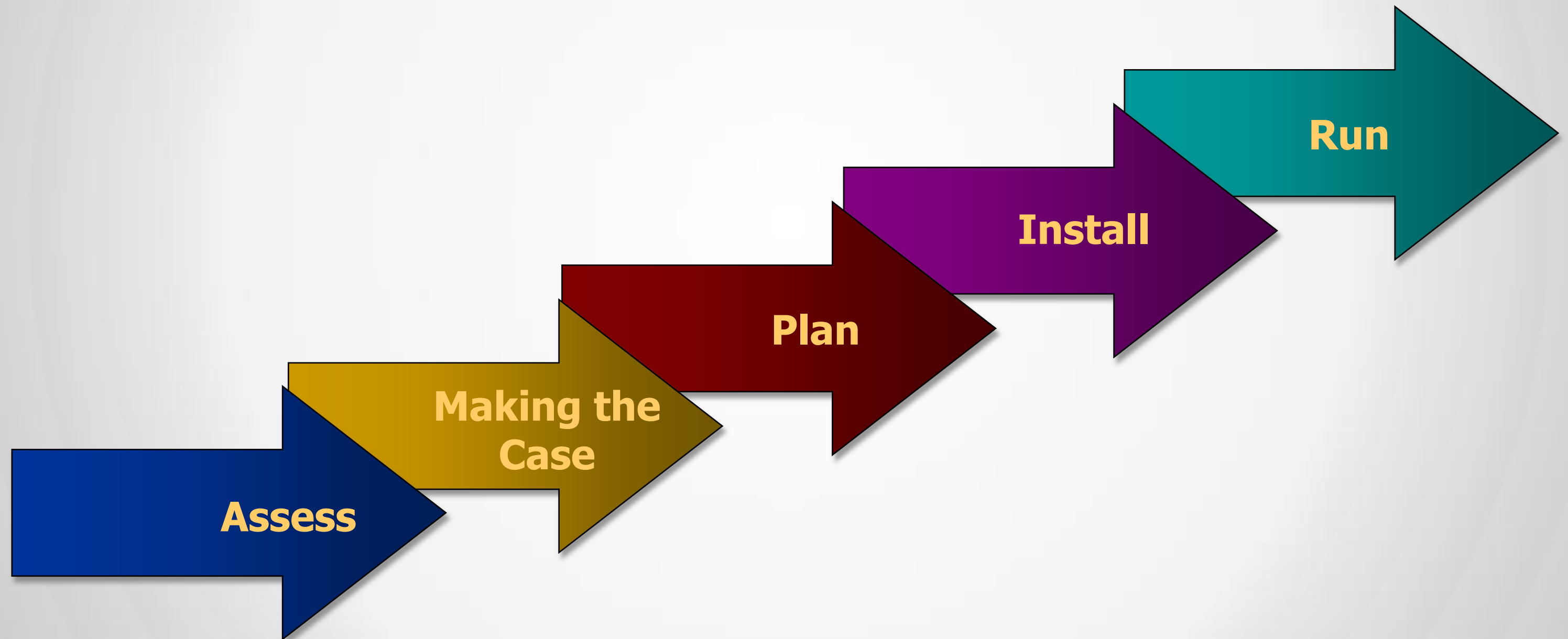# Running Training Like a Business 2011
"Must Do"

"Must Do"

- **Run at the Speed of Business**
- **Be Lean and Agile**
- **Ensure a Laser Focus on Business (to drive business value)**
- **Provide Data Driven Analytics (to prove business value)**
- **Drive Innovation**

The Transformation

Assess → Making the Case → Plan → Install → Run

Running Training Like a Business

Making the Transformation

Assess

- Understand Business Issues, Strategies, and Organization
- Assess Training Offerings, Processes, People vs. Best Practices
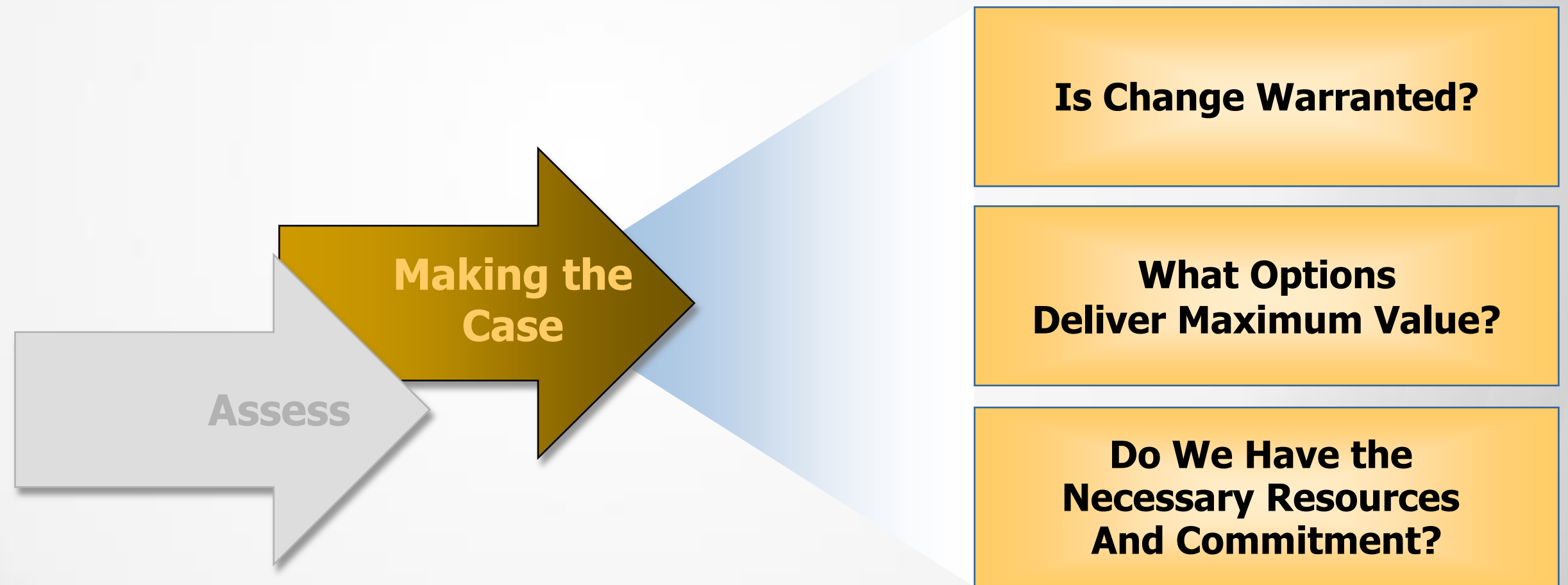- Identify Customer Expectations and Level of Satisfaction
- Conduct Financial/ Vendor Analysis and Technology Assessment
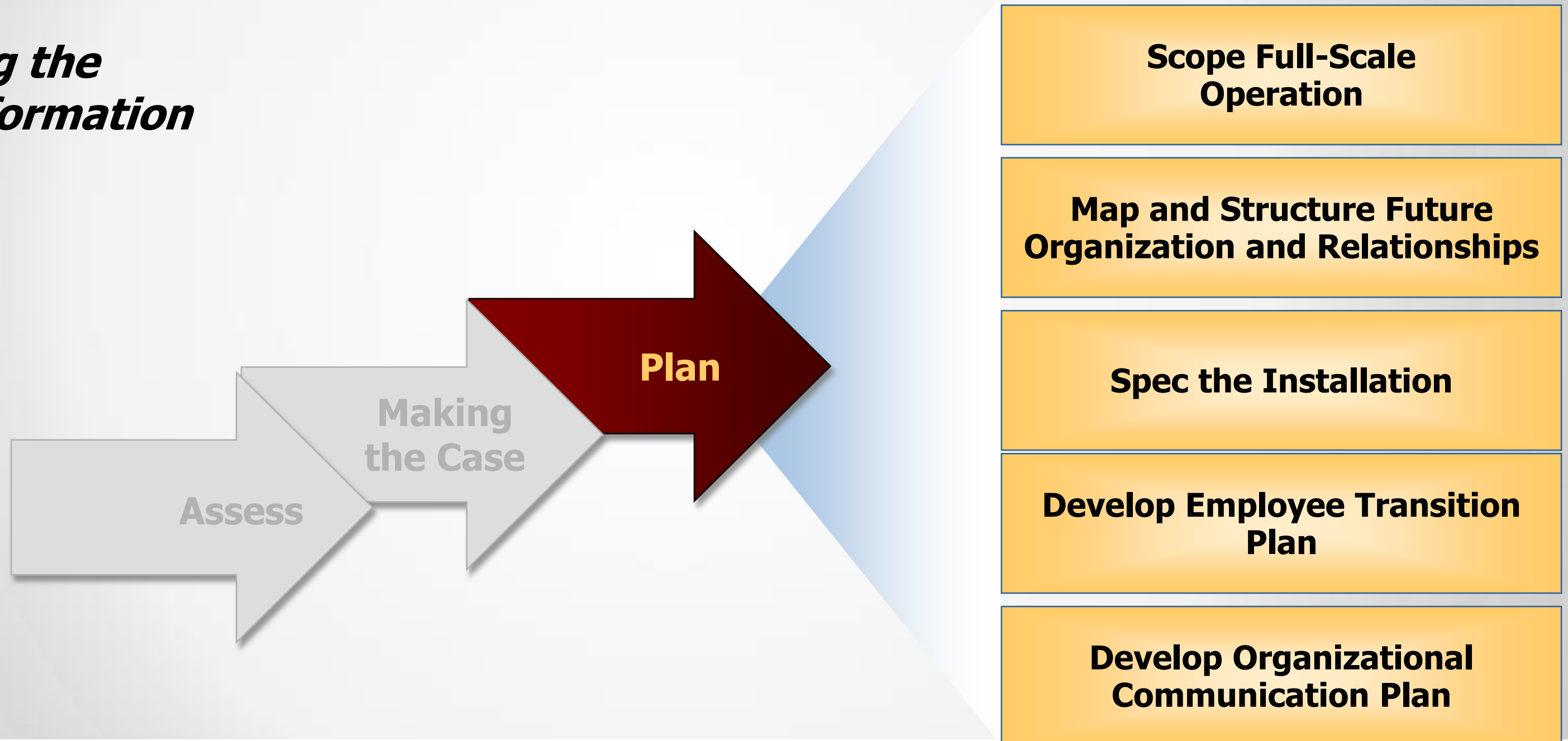- Develop Recommendations, Vision, and CSFs

Running Training Like a Business:
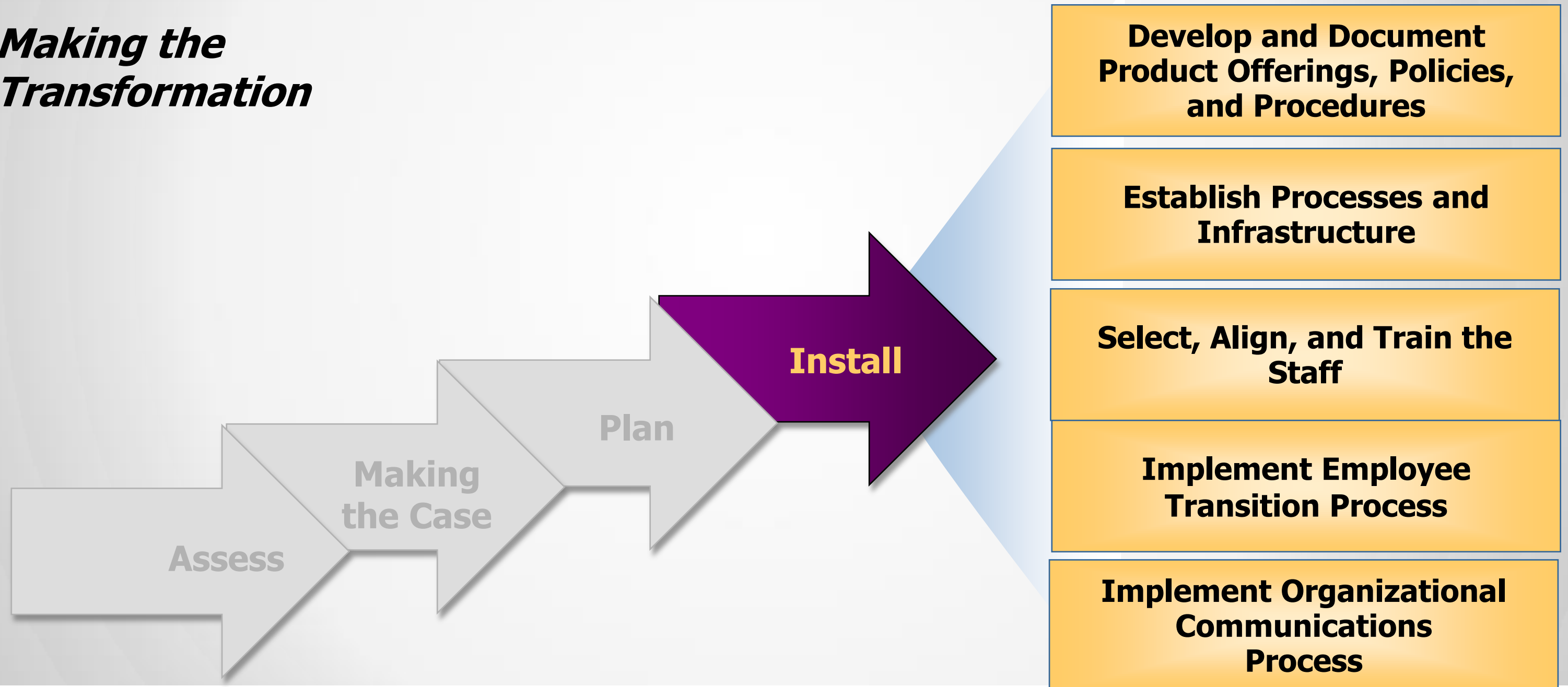
Making the Transformation

Assess → **Making the Case**

- Is Change Warranted?
- What Options Deliver Maximum Value?
- Do We Have the Necessary Resources And Commitment?

Running Training Like a Business:

Making the Transformation

Assess → Making the Case → **Plan** →

- Scope Full-Scale Operation
- Map and Structure Future Organization and Relationships
- Spec the Installation
- Develop Employee Transition Plan
- Develop Organizational Communication Plan

Running Training Like a Business:

Making the Transformation

Assess → **Making the Case** → **Plan** → **Install**

- Develop and Document Product Offerings, Policies, and Procedures
- Establish Processes and Infrastructure
- Select, Align, and Train the Staff
- Implement Employee Transition Process
- Implement Organizational Communications Process
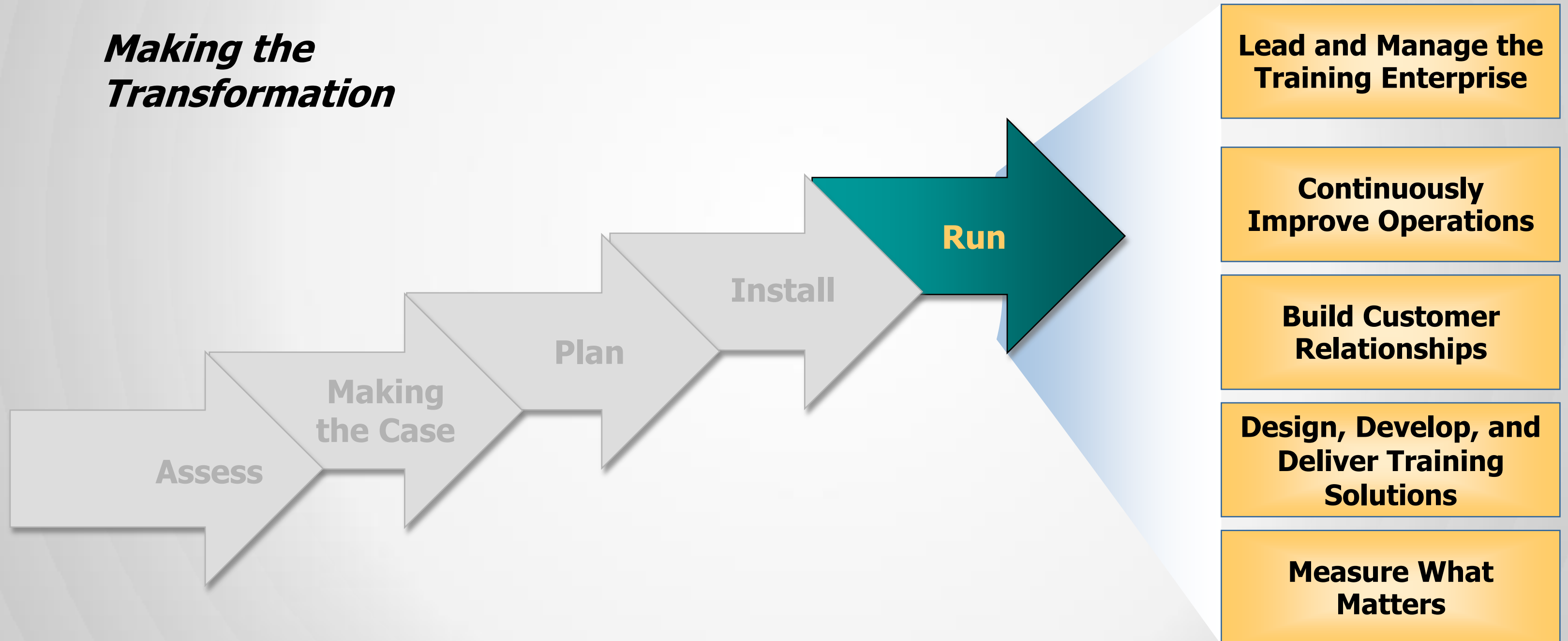
Measure What Matters

The Training Enterprise

> **Customer Satisfaction**
> **Cost**
> **Responsiveness**
> **Quality**
> **Continuous Improvement**

The Work of the Training Enterprise

> **Level 1 – Reaction**
>
> **Level 2 – Learning**
>
> **Level 3 – Behavior**
>
> **Level 4 – Results**

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The Power of Running Training Like a Business

Strategically Linked

Increased Profits

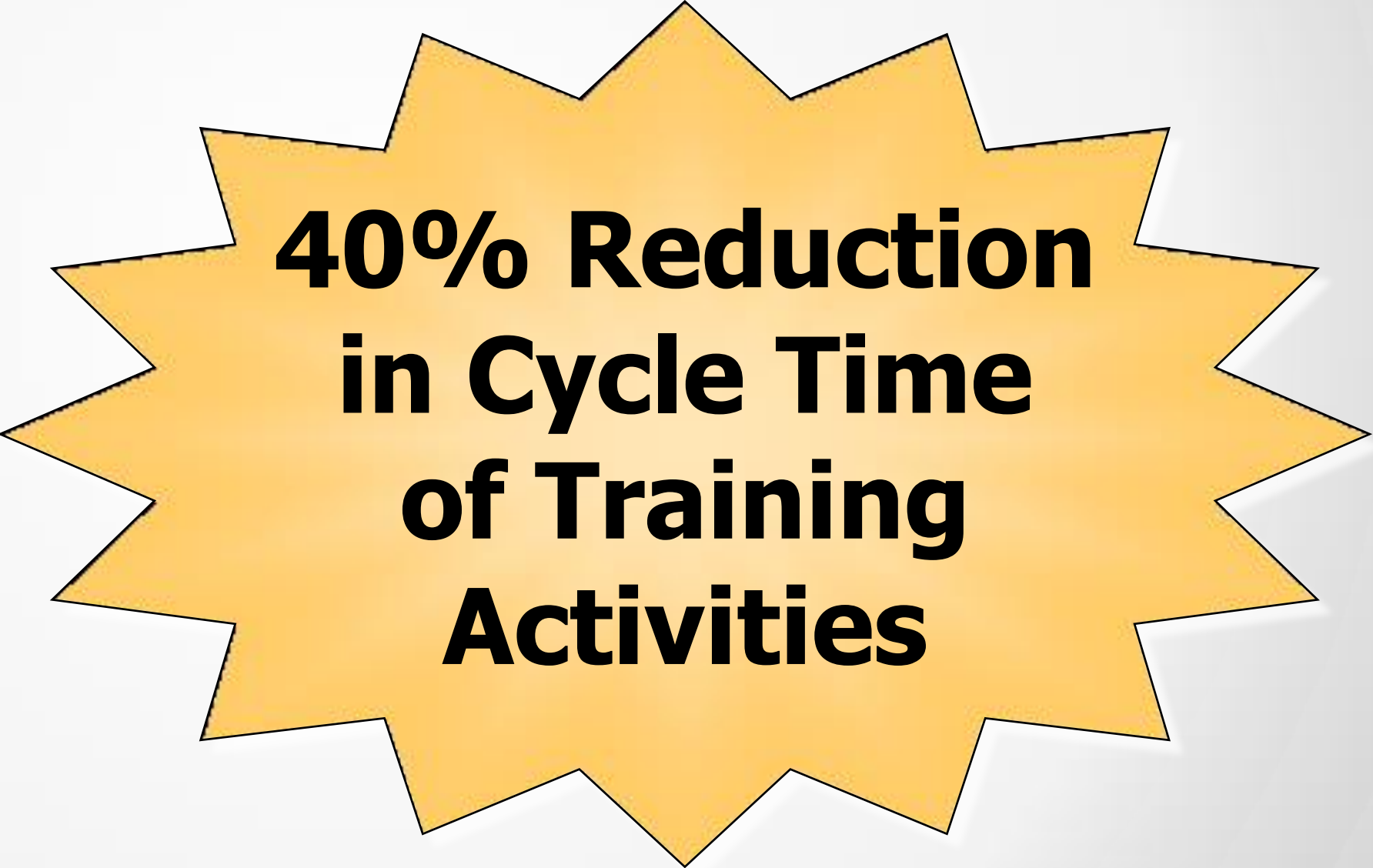# The Power of Running Training Like a Business

Well Run and Cost Effective

35%
Reduction in
Unit Costs

The Power of Running Training Like a Business
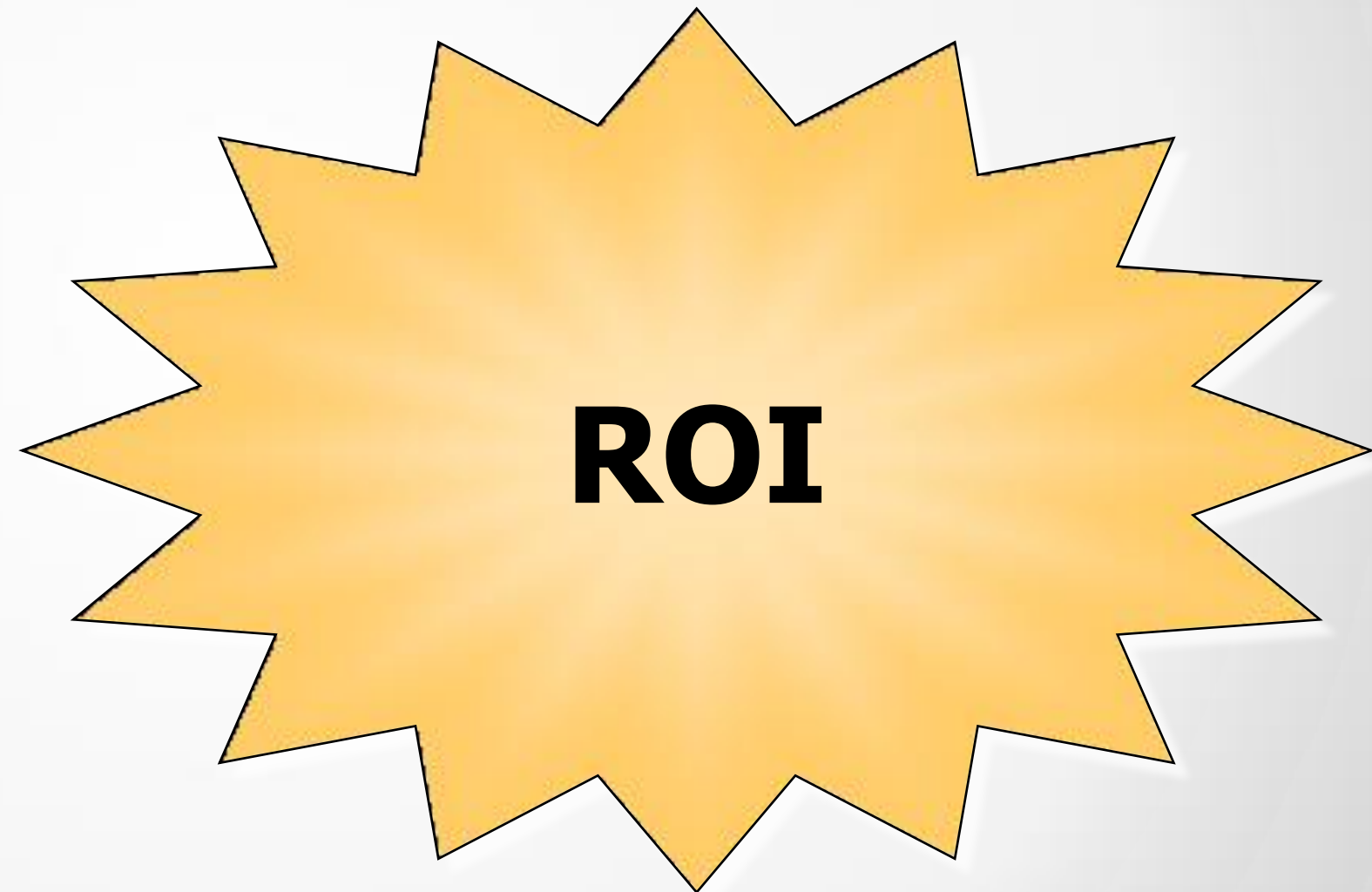
Flexible and Responsive

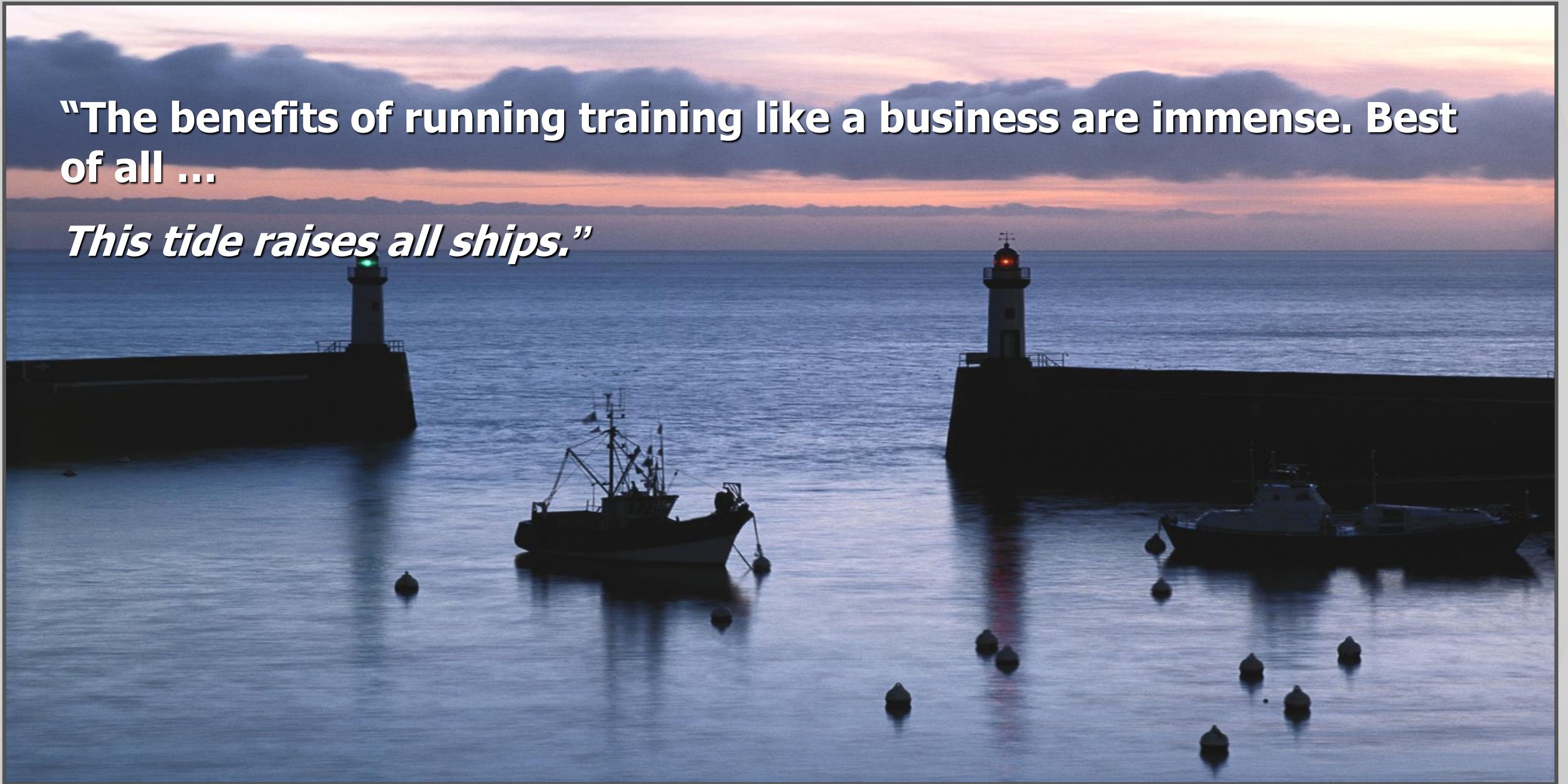**40% Reduction in Cycle Time of Training Activities**

The Power of Running Training Like a Business

Adding Tangible Value

ROI

"The benefits of running training like a business are immense. Best of all …

This tide raises all ships."

"**...moving training and development from a 'nice thing to do' to a serious force for competitive advantage**"

--Leonard Schlesinger, Senior Vice President for Development, and Professor of Sociology and Public Policy, Brown University

Running Training Like a Business

Questions?

Thank You

Edward A. Trolley
Vice President of Managed Training Services
NIIT
630-989-3301
edward.trolley@niit.com

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