

Learning Governance

How to Cut Training Costs without Crippling your Learning and Development Efforts

Rob Pannoni
Grant Ricketts

LearningGovernance.com
(650) 224-1488

When business indicators turn south, training is traditionally one of the first areas to get cut. Because the perils of indiscriminate cuts in learning and development are now widely recognized, training departments are less of a target than they used to be. But when budget cuts are happening across the board, learning leaders know they will be asked to take their share of the hit.

The problem is that training organizations have already been under pressure to make operations more efficient for the past several years. There's not a lot of blood left in that stone. At the individual department level, many training groups are already quite efficient. Asking these groups to cut further is more likely to lead to a drop in critical learning and development efforts than it is to lead to increased operational efficiency. Simply doing less of what you're doing now is not an effective cost reduction strategy. The answer to training efficiency is not *reducing*. It's *rethinking*.

The fact that many department level or line of business training groups are already relatively efficient doesn't mean that it's impossible to cut training costs. On the contrary, **most sizable enterprises continue to waste anywhere from 20 to 30 percent of their training dollars**. To fully grasp the magnitude of the potential savings, it's useful to look at some numbers.

A learning executive at a \$15 billion life sciences company estimated that the company's total annual budget for learning was \$150 million. He wasn't able to give us an exact number because, as in many large companies, training is carried on by multiple groups spread across the enterprise. Because the budget numbers from these diverse groups never roll up into a single budget, the company didn't know how much it was spending on training at the enterprise level. But using \$150 million as a ball park figure, the potential cost reduction from eliminating enterprise training inefficiencies is \$30 to \$50 million per year. Using the same ratio of revenue to training expenditure (1 percent), a billion dollar enterprise could save between \$2 and \$3 million dollars per year. The ratios for your company may be different. But however you calculate it, the potential dollar savings is likely to be large.

The secret to capturing this potential cost reduction is knowing where to look. In organizations where multiple training groups operate relatively independently, there is nearly always duplicated effort and cost around learning technology, content development, outside vendors and other key training functions. These between-department inefficiencies exist even when individual training groups operate rationally and efficiently. Because the waste doesn't show up in department level training budgets and operational plans, many organizations have no process for locating and eliminating this waste.

We refer to this process of addressing these enterprise-level issues as **learning governance**. Effective learning governance allows an organization to coordinate training efforts, prioritize initiatives, gain economies of scale, share resources, eliminate redundancy, improve business processes and align training with organizational goals. Although the payoff for improving learning governance is obvious, organizations continue to struggle in this area. In a recent *LearningGovernance.com* survey of over 130 organizations,

- Two thirds of learning leaders felt that learning roles and responsibilities were not optimally aligned across the organization.
- Over 80 percent of respondents reported low to moderate consensus on how to evaluate the learning function and its contribution to organizational results.
- More than 70 percent of organizations reported that they do not have an enterprise-wide plan for learning that spans the organization.

Clearly there is much benefit yet to be gained from learning governance efforts.

Each organization is unique. Therefore the source of budget savings and the optimal learning governance strategy for each company will also be unique. But here are five common learning governance issues that many organizations face.

- 1. Lack of a coherent enterprise-wide learning strategy.** In the absence of a well articulated, global training vision with executive-defined priorities, fragmented groups responsible for learning will set priorities and spend resources to accomplish local objectives. While these priorities may make perfect sense at the business unit level, the sum of these local initiatives may not add up to support the strategic objectives of the organization as a whole. Priorities may be skewed and learning resources wasted on initiatives that don't provide sufficient enterprise-level value.
- 2. Ineffective organizational models and decision making processes.** The training industry has largely moved past the debate about whether enterprise learning should be centralized or decentralized. Nearly all organizations of any size have a combination of both attributes. The question becomes what is the optimal blend of centralized and decentralized attributes for a given organization. Many organizations struggle to find this balance and are left with organizational models and decision making processes that are poorly defined, ineffective or don't match the organizational culture.

At the heart of enterprise-level training efficiency is some set of shared services. Figuring out what should be shared and what should be left to local groups takes a significant effort, as does working out new systems and business processes to support these shared services. Since shared services require the design and development of systems that meet the functional needs of all participants, the lack of an effective decision making model can cause otherwise worthy attempts at shared services to fail, often with significant damage to the organization.

- 3. Low impact training.** A *Learning and Development Roundtable* survey of line managers across eleven companies in six different industries showed that only 18 percent believed that existing training efforts in their companies make a significant contribution to business objectives. What is even more striking is the size of the value gap between top organizations and bottom organizations. Managers at top-ranked organizations rated training as four times more impactful than those at low-ranked organizations. This highlights the huge potential positive impact of effective learning governance. Best practice-based learning governance reorients training practices around

measurable business value. This requires a common language for assessing value and a set of tools, templates and processes that create agreement around assessing and comparing program impact.

- 4. Ineffective use of learning technology.** Beyond the obvious cost benefit of consolidating multiple systems, learning technology has the potential to be a significant multiplier for learning and development efforts. The impact of technology can be felt across the content lifecycle—from demand management, to instructional design, content creation, delivery, assessment and program administration. Yet a surprising number of costly learning technology initiatives end up providing little value or ultimately fail. These failures are often not technology problems per se, but organizational governance deficiencies that result in technology initiatives that lack clear, realistic objectives; are poorly designed; suffer from inadequate change management or lack stakeholder buy in.

Budgeting for technology without planning for business process redesign, internal marketing, user support and other organizational change drivers leads to high profile flops that waste dollars and leave participants frustrated and de-motivated. Increasing organizational competency in technology adoption and rebalancing technology budgets to support not just tool acquisition, but also adoption efforts, pays big dividends.

- 5. Over-reliance on formal training.** Organizations are increasingly recognizing that most employee learning takes place informally rather than in a classroom. Employees naturally use a host of learning techniques such as mentoring from colleagues, job aids, internal documents and the Internet. Where learning leaders have previously focused on “blended learning” as a mixture of traditional classroom and elearning, they now have a more important and challenging blend to focus on—formal learning and informal learning.

Much is being written about “learning 2.0,” the adoption of web 2.0 techniques such as social networks, communities of practice, wikis, blogs, podcasts and other tools that facilitate network effects and user-created content. The question of what the training function looks like in an organization that enthusiastically recognizes and promotes informal learning has yet to be fully answered. However best practices and success stories are beginning to emerge. And with them have emerged indications that many learning 2.0 efforts have not gained traction. On the other hand, organizations that are successful in these initiatives report finding huge benefits. As with other types of technology, effective learning governance can help an organization envision ways to benefit from these tools and greatly increase the likelihood of success.

Since the value of learning governance as a cost saving strategy is relatively obvious, why don't more organizations do it? Partially because learning governance is a conundrum of sorts. In essence, improving learning governance requires that an organization already have learning governance. The ability to recognize that there are inefficiencies, discover and prioritize them, put an action plan in place and execute the changes implies that an organization has at least some handle on managing learning at the enterprise (as opposed to line of business) level. It's a complex endeavor. And organizations often don't know where to start. Fortunately, learning

governance is not binary. Most organizations have pieces they are good at and others they are not. This gives them something to build on. Still, there are a number of significant barriers to learning governance efforts.

- **Lack of required organizational roles.** Often, no one in the organization has the charter, authority and capacity to lead the learning governance charge. In organizations with a CLO role, the responsibility is clear, but the time, resources, knowledge and buy-in from other executives may still be lacking.
- **Lack of visibility into current processes across the organization.** If you are in an organization where learning is relatively decentralized (and sometimes even if you're not), it is likely that no one in your organization actually has a broad picture of what's happening on the learning front. Imagine trying to improve the efficiency of a factory you've never seen when you have no information on the manufacturing process, staffing or raw materials involved. Gaining visibility, which is a precursor to serious learning governance efforts, can be daunting, particularly without outside help.
- **Lack of time.** Improving learning governance requires significant time from learning leaders, training staff and workers in individual lines of business and training silos. Even when these stakeholders are supportive, they have day jobs that often prevent them from devoting the necessary cycles to make the effort succeed. If they were to devote the time really required, their primary jobs would suffer and most likely, so would their careers.
- **Lack of models, methodologies best practices and implementation tools.** Unfortunately, there isn't yet much of a literature on learning governance practices. Many of the companies that have been successful don't want to talk too much about what they've done for fear of losing a competitive advantage. There aren't yet comprehensive learning governance software applications or other standard technologies to look into. Unless you hook up with a knowledgeable consultant, getting started with learning governance often means starting with a blank piece of paper and sketching it out yourself.

Despite the challenges, many organizations do make progress around learning governance and end up recovering at least a substantial portion of their wasted training budget. Out of these successes come some cautionary tales of common mistakes to watch out for:

- **Going it alone or using the wrong kind of consultant.** We know of very few organizations that have succeeded in pulling themselves up by the bootstraps with no outside assistance. The barriers are simply too great. The type of assistance an organization chooses makes a big difference. Expertise in learning practice is common among learning consultants. Expertise in learning governance is not. Most learning consultants know training methods, but they don't know organizational development and change management. Conversely, most organizational development and management consultants are familiar with the organizational change process but don't know the intricacies and unique problems of real world training organizations. And to make it even more complicated, technology typically plays a strong role in learning governance and enterprise learning business processes. So learning governance consulting requires strong

expertise in technology, both at the tool level and at the level of technology adoption strategy.

Finding a consultant with expertise in all of these areas can be challenging. Using a team approach can work if the team works together well. However, using a consultant who is too strongly oriented toward one of these domains can be worse than not taking a shot at learning governance at all. It's important to remember that when you're dealing with governance issues, it's possible not only to waste a tremendous amount of effort, but also to make things worse by breaking processes that are currently working. This is doubly painful because if participants have a negative experience with learning governance, it can cripple future enterprise learning progress by making it harder to marshal resources and support to try again.

- **Cookie-cutter approaches and quick fixes.** Like all organizational change, learning governance is complex, challenging and not instantaneous. While there are gains to be had in the short term, it's not as simple as drawing a new org chart and publishing a few global standards and procedures. Enterprise learning is a huge endeavor with tentacles in nearly every corner of the organization. Business units and decentralized training groups have business processes that probably work very well for them. These processes are only inefficient when viewed from a global organizational perspective where redundancies, duplicated effort, and lack of shared processes are more easily seen.

If you propose an enterprise learning plan that breaks working processes or that places additional burdens on employees without a compelling value proposition for these stakeholders, you will face a revolt. Or, more likely, your much ballyhooed plans will simply be ignored. The enterprise learning world is littered with plans and processes that never took hold. Learning governance requires a plan that fits the context of the organization and a serious effort at change management. It's not an initiative. It's an ongoing process. It takes a serious commitment.

- **Trying to boil the ocean.** Given the potential big numbers involved, it's tempting to be ambitious and go after all of the inefficiencies at once. Don't give in to this temptation. If you do your analysis correctly, you will be able to identify low hanging fruit that will yield a big payoff for a modest effort. Better to make sure you actually achieve these results than spread your efforts too thinly. An early win can do wonders for the momentum of later organizational changes that may be more challenging. Set the table for future success by tackling a small number of issues but doing it well.
- **Not letting change evolve from the inside.** It is a huge advantage to understand how other organizations approach learning governance and what has been successful. That's a great reason to bring in an outside consultant who knows the field. But each organization has a unique culture and a unique set of strengths and weaknesses. Trying to apply a solution that worked in another organization without adapting it to the unique context and constraints of your organization is nearly always disastrous. Expecting a consultant to tell you the answers is no better. No consultant can understand your organization as thoroughly as the people who work there. The best way to assure that the solution fits your organization is to let the solution grow organically through a process that thoroughly

engages all relevant stakeholders. Find a consultant who knows how to facilitate this type of process and who will help you find an answer rather than try to sell you one.

- **Not involving all levels of the organization.** Many learning leaders wonder whether it is better to approach change from the top down or the bottom up. The answer is yes. Change happens most effectively when there is top executive support along with the intimate knowledge of how things really get done that can only come from the people doing it.

One mid-sized software company spent over a million dollars on a new Learning Management System, only to have the system scuttled after a couple of weeks because it made the job of the training coordinators who used the system every day too difficult. The failure to involve the lowest people on the organizational totem pole led to an expensive object lesson in what happens if you don't manage the change process correctly.

In most organizations, there will actually be three levels. Executives should set enterprise goals and priorities. Managers should use these goals to assess the impact and rank learning and development initiatives. Once the best short term initiatives have been identified, rank and file employees should be engaged to help create operational plans and validate the new business processes.

- **Ignoring critics.** Don't steamroll the naysayers. Learn from them. They are telling you exactly where your initiative is likely to fail. If you can win them over or find an idea that they too can support, your chances of success are very high. If you can't completely win them over but have at least factored in their concerns when creating your solution, you still have a good chance of success. You may win them over when they see the new process in action. If you don't engage everyday employees or do so superficially just to check off a box, your learning governance initiatives are likely to join the ranks of "it sounded like a good idea at the time" war stories.

No one who has succeeded in cutting costs or improving learning results through learning governance will tell you it's quick and easy. If it were, more organizations would be doing it. But there are actions you can take now that will yield substantial results in the first six months to a year. Once momentum is established, organizations often see a culture change that begins to transform how employees at all levels think about learning, performance and even talent management.

While cost saving is often the initial spur to action, the long term result is even more critical. Organizations that put strong learning governance mechanisms in place end up with a significant competitive advantage that can change the organization's trajectory and fundamentally alter its performance in the marketplace. Those that instead choose to reduce learning and development expenditures through simple cuts end up undermining their ability to attract, nurture and keep the top performers they need to be successful.

ABOUT LEARNINGGOVERNANCE.COM

LearningGovernance.com is a research and consulting firm dedicated to helping organizations improve the impact and cost-effectiveness of their learning and development efforts. The company provides assistance with learning governance, training best practices, learning technology and change management to both enterprises and individual training groups. If you have questions about these topics or would like to find out more about our workshops and consulting offerings, feel free to contact Grant or Rob.

ABOUT THE AUTHORS

Rob Pannoni (rob@razorlearning.com) is a learning executive, technologist and consultant whose unusually broad background provides a unique perspective on enterprise learning issues. Rob has a masters degree in the *Design and Evaluation of Educational Programs* from Stanford University, where he directed a major research project on collaborative learning technology years before the potential for "social technology" was widely recognized. Rob is also a serial entrepreneur who has founded four companies (so far) and provided business consulting to startups and educational ventures. Rob was founder and COO of SERA Learning Technologies, which provided educational products, research and consulting to Fortune 500 companies, public agencies and educational institutions. Later, he built out the training and certification organization at Mercury Interactive (a \$700 million software company now part of Hewlett Packard). Rob then joined Saba, where he created the successful Saba Strategic Services consulting practice. At Saba, Rob worked with Grant Ricketts to develop pioneering methodologies, tools and best practices for assisting organizations with learning governance and technology adoption.

Grant Ricketts (grant@learninggovernance.com) is an accomplished business development and marketing executive and industry thought leader in Governance, Learning Strategy and Human Capital 'best practices.' For the past 10½ years Grant Ricketts served as Vice President Business Development and Founding Member at Saba and was part of the start-up management team that founded the company in 1997. The company had a successful IPO in April 2000 and today employees over 500 people serving over 1,200 customers worldwide. While at Saba, Grant introducing the discipline of Learning Governance as a strategic discipline for the industry. He co-authored the industry's first white paper on the subject, "Governing the Learning Organization in an Era of Strategic Human Capital Management," and speaks frequently on the topic at several industry conferences, customer meetings and webinar events.