

# ASTD RESEARCH FINDINGS

## 2009 ASTD STATE OF THE INDUSTRY

### SUMMARY

For more than a decade, the *State of the Industry Report* continues to present insightful, actionable findings on the strategic and operational activities of learning functions across the globe. This annual compendium provides a variety of data points against which organizations may benchmark their learning investments and practices. For learning executives and business leaders, obtaining accurate and actionable information about learning remains a critical aspect of sound decision making. The data in the current edition includes responses from users of the WLP Scorecard® (Workplace learning and performance), ASTD Benchmarking Forum (BMF) organizations, and ASTD BEST Award winners. Results from the 2009 *State of the Industry Report* reveal workplace learning and performance has withstood the challenges of the difficult economy. Investment in employee learning and development remained steady through the end of 2008. Although many organizations were forced to cut costs wherever possible, workplace learning and performance did not suffer disproportionately to any significant degree. Formal learning activities that fostered the acquisition of important knowledge and skills remained a fixture in the daily experiences of millions of professionals. Instructor-led learning continues to be vital- most formal learning still occurs in the classroom.

### INVESTMENT IN LEARNING IS STABLE

Despite the worst economic conditions in several decades, business leaders continued to allocate substantial resources to the learning functions in their organizations. While many organizations were recently forced to cut expenses in all areas of the business, most maintained a strong financial commitment to employee learning. The consolidated figure for average learning expenditure as a percentage of payrolls actually increased from 2.15 percent in 2007 to 2.24 percent in 2008 and has remained very stable over the years. For example, nearly two-thirds of the U.S. total was spent on the internal learning function such as for salaries, administrative learning costs and non-salary delivery costs. Organizations slightly reduced spending on learning on a per-employee basis but served more employees than in the past with the funds available.

Another consistent trend in recent annual data has involved outsourcing, or spending on external services such as consultants, workshops, and training sessions from outside providers. Since 2004, organizations have relied less on outsourcing each year. The average percentage of the learning budget allocated to external services was 22.0 percent in 2008, down from 25.2 percent the previous year. Instead, organizations are relying on internal resources more than in the past. Many learning departments have become firmly established within organizations over the past two decades, often including a sophisticated management and operational plan. Building a competent internal team of learning experts requires a solid commitment.

### STILL EFFICIENT LEARNING OPERATIONS

Any cutbacks on resources for the learning function have minimally impacted its output. Learners are able to consume learning content at high levels, and learning departments are still releasing and managing content in efficient ways. Furthermore, organizations are achieving these outcomes after reducing average production and delivery expenses. Employees in the organizations surveyed accessed an average of 36.3 hours of formal learning content in 2008. Although the average dipped slightly from 2007, it still represents a meaningful amount of resources allocated to each employee for workplace learning and performance. Learning professionals successfully found ways to manage learning content while cutting costs in 2008. On average, there were 353 hours of formal learning content made available per WLP staff member. And learning content usage was managed without incurring additional overhead. After taking into account variations in the percentage of budgets spent on outsourcing, the average number of employees per learning staff member was 253 in 2008, up from 227 the previous year.

### NO MAJOR CHANGES IN CONTENT EMPHASIS

The breakdown of learning content by topic area did not deviate much from the pattern of recent years. Profession/industry specific content remained the most needed, accounting for 16.0 percent of formal learning hours made available. Delivery of technology-oriented learning content in the IT and systems category was the second-largest content area in 2008 at 11.5 percent. Business leaders likely emphasized IT knowledge during a tough economic year because it tends to facilitate efficiency. Other top content areas from the past few years that remained in demand in 2008 were managerial and supervisory training; mandatory and compliance training; and processes, procedures, and business practices. The “other” content category rose slightly, fueled by increases in the amount of product knowledge content made available. Business leaders likely wanted their employees to focus on methods to drive the bottom line during tough economic times, which often starts with intimate knowledge of their products. Along the same lines, sales training content increased from 5.4 percent to 6.1 percent. In addition, the percentage of content for interpersonal skills, which are crucial for organization and sales success, increased from 5.6 percent to 7.4 percent. Some of the

categories that registered drops in 2008 included executive development, new employee orientation, customer service, and basic skills.

## **INTERESTING FINDINGS FOR TECHNOLOGY-BASED LEARNING**

Surprising results emerged regarding e-learning trends. After several years of consistent growth, the proportion of formal learning hours used and made available through technology-based methods decreased in 2008. This reversal is puzzling considering all of the advances in technology-based learning in recent years. E-learning has become an integral component of organizations' delivery of training. Self-paced online consumption continues to be the most frequently-accessed e-learning method for all groups. Learning hours received through live instructor-led delivery increased slightly in 2008.

The economic difficulty likely contributed to a "holding pattern" for the deployment of new technology-aided offerings. With a reliable e-learning system already in place for many organizations, business leaders might have been hesitant to invest in new courses or functionalities because of financial strain. Learning professionals may have experienced pressure to maximize attendance at live instructor-led sessions. Since the costs associated with those sessions are mostly fixed around the instructor fees, employees likely were encouraged to attend as many in-person learning events as possible for the organization to break even on its investment.

However, it would be reasonable to expect the use of e-learning for formal learning activities to rebound. Technology-based learning solutions have become widespread for many reasons, such as centralization, flexibility, reach, and efficiency. Learning events are no longer a one-time proposition because technology-based platforms allow for easy deployment on multiple occasions. Furthermore, the use of technology-based solutions for informal self-directed learning is occurring at an unprecedented rate. In particular, emerging Web 2.0 technologies are transforming the way that people communicate by sharing information through social networks and collaborating in online communities. The immense potential of peer-to-peer social media portals as learning and collaboration tools has not yet been realized, because many professionals are just becoming familiar with them.

## **CONCLUSIONS**

No one needs to be reminded that both the private and public sectors are enduring some of the most difficult economic times. In 2008, it was difficult to avoid the effects of the sputtering economy, but the learning profession was able to weather the early stages of the storm. Much of the success can be attributed to building a solid foundation for several decades. And, business and government leaders now understand that an ongoing financial and operational commitment is required to leverage human capital to the fullest, especially in difficult times. As economic uncertainty persists, there is an opportunity for the learning function to play an even more important role in preparing for the recovery. Contemporary professionals are demanding as much learning content as they can get, and there are a host of new technologies available to deliver it to them formally and informally. The coming years will provide plenty of opportunities for the learning profession to broaden its role.

## **CHARACTERISTICS OF THE BEST LEARNING ORGANIZATIONS STUDY**

The 2009 BEST organizations have formal processes to align business strategies with learning initiatives and priorities. They exhibit the following:

- ❖ The BEST map learning resources to competencies, individual development plans, roles, and corporate goals.
- ❖ Most of the BEST have visible support from senior executives and involve leaders as teachers.
- ❖ The BEST maximize the efficiency of the learning function by balancing centralized and decentralized aspects of the learning function, internal process improvement, use of technology, and strategic outsourcing.
- ❖ The BEST maximize the effectiveness of learning by aligning learning activities with business needs and providing timely access to relevant learning opportunities.
- ❖ In general, the BEST spend more, but many spend less than the norm.
- ❖ The BEST provide a broad range of internal and external formal and work-based learning opportunities, including knowledge-sharing systems, coaching, and the ability to attend conferences.
- ❖ The BEST demonstrate effectiveness by monitoring individual and organizational performance indicators and linking changes in performance to learning and non-training performance improvement activities.
- ❖ The BEST demonstrate the efficiency of the learning organization by monitoring time, usage, and cost indicators, and linking decreases in these to changes in the processes and practices of the learning function.
- ❖ The BEST devote a large portion of their resources to non-training performance improvement activities, particularly organizational development, process improvement, and job-specific resources.

## **NONTRAINING SOLUTIONS/ PERFORMANCE IMPROVEMENT STUDY**

Nontraining performance improvement solutions accounted for an average of 38.6 percent of the learning function's resources in BEST organizations in 2008. The majority of the BEST organizations' non-training initiatives involved organizational development, performance process analysis and talent management. Other nontraining initiatives included job-specific tools and resources, performance feedback, knowledge management, performance expectations, and non-incentive motivational strategies, as well as other specific initiatives. In BEST organizations, some of the specific methods used to support nontraining initiatives included analyzing existing processes and providing recommendations, identifying gaps and methods of minimization, fielding surveys and analyzing responses, and conducting focus groups and awareness and improvement sessions. Learning staff were also given the opportunity to be more creative with organizing social responsibility initiatives, designing user-friendly learning materials and portals, and designing internship programs.

## **TALENT MANAGEMENT STUDY**

In 2008, ASTD and the Institute for Corporate Productivity (i4cp) reached out to learning professionals to gather in-depth knowledge about their experiences with talent management. A survey on talent management practices, challenges, and lessons learned was completed by 518 high-level business, HR, and learning professional contacts. The results were compiled into the ASTD/i4cp *Talent Management Practices and Opportunities Study*. The study found that integrated talent management is a relatively new practice that will become increasingly emphasized in organizations over the next three years. Respondents also admitted that there is much room for improvement. Only one in five organizations reported that, to a high or very high degree, they manage talent effectively. More than half (57.8 percent) said their organizations manage it effectively to a moderate extent. Respondents revealed that a variety of factors drive their decisions on talent management. More than two-thirds of respondents cited the need to compete in the marketplace, emphasizing the strategic level at which talent management is perceived to contribute to organizations. Other factors that the majority of respondents said were highly important drivers of talent management were the need to execute strategies, the need to retain talent, the need to provide better customer service, and organizational changes.

## **EXECUTIVE DEVELOPMENT STUDY**

Executive development is a multi-billion dollar business endeavor and a critical component of an organization's long-term growth and survival. A new study *Executive Development: Strategic and Tactical Approaches* by ASTD, sponsored by Booz Allen Hamilton, examined how organizations handle executive development, how much they spend on the programs, who is involved, how the participants are selected, what makes these programs most effective, and lessons learned. Executive development was defined by the research team as "an ongoing systematic process that assesses, develops, and enhances one's ability to carry out top-level roles in the organization." The primary focus of the study was to investigate the development of these top level employees and not the general development of leaders and managers at lower levels. The study included survey data collected in 2008 from 397 WLP professionals and executives. One of the key findings was that survey respondents reported varying approaches to executive development in their organizations. More than one-third of the respondents (38.1 percent) reported that their organizations have an active, current executive development program. Slightly less than one-quarter of the respondents (22.7 percent) reported that their organization has an executive development program that is activated only when needed but were not currently active. An additional 5.6 percent of respondents noted that their organization previously had some kind of executive development initiative that has since gone dormant. A sizeable portion of the organizations surveyed actually had no formal program devoted to executive development: 33.6 percent of respondents reported that their organizations never had an official executive development program.

Another significant finding was that survey respondents considered C-level (corporate level and high level executives) support critical to the success of executive development programs—and most programs do in fact receive it. It is encouraging to find that 70.8 percent of responding organizations have a high or very high degree of such support. Only 5.2 percent reported no support at all. Recognition and endorsement from upper management and other high-level staff is especially crucial for success with executive development because of the nature of the initiative. Executive development requires the top leaders in an organization to actively participate in the planning and execution because they possess the skills that are critical for the knowledge transfer to the participants in the program.

## **BRIDGING THE SKILLS GAP STUDY**

In 2006, ASTD published its first white paper about the skills gap, the impact on organizations, and what managers and learning professionals could do to address skills shortages in their workforce. While there were many other reports describing the reasons for the skills gap—changes in workforce demographics; the loss of jobs in many industries, the startling numbers of unprepared high school and college graduates; and more jobs in the knowledge economy requiring workers to have increased knowledge,

training, and skills. And, some experts predict that skills shortages will intensify in the coming years as employers find they need to hire more knowledge workers for high-skilled jobs that will help their organizations grow as the economy rebounds.

Government has an important role as a partner in this discussion of skills shortages. Organizations in the private sector and the publicly-funded workforce system at the federal, state, and local levels in the U.S. should collaborate even further to identify cost-effective and creative solutions to help workers access the training and skills development they need to find meaningful employment and progress in their careers.

## **WHAT IS A SKILLS GAP AND WHY DOES IT EXIST?**

ASTD defines a skills gap as a significant gap between an organization's current capabilities and the skills it needs to achieve its goals. It is the point at which an organization can no longer grow or remain competitive because it cannot fill critical jobs with employees who have the right knowledge, skills, and abilities. It is not just individual organizations or sectors that are feeling the consequences of the skills gap. Communities, states, regions, and entire nations pay a heavy price when they cannot find or equip workers with the right skills for critical jobs. In reality, organizations will always experience a skills gap if they are staying ahead of shifting conditions in their environment and changing expectations from their constituents, shareholders, or customers. The key to achieving success under such circumstances is to harness skilled talent to strategy and goals—a task that has become more and more challenging in an increasingly global, virtual, and changing world.

In a 2009 ASTD Skills Gap poll taken by 1,179 organizations, 79 percent of participants noted there is a skills gap in their organization now. Fifty-one percent said that the number one reason for a skills gap in their organization was that the skills of the organization's current workforce did not match changes in strategy. Other reasons included a lack of bench strength in the company's leadership ranks; the effects of a merger or acquisition; and cuts in training investments. Inability to find qualified candidates for certain types of jobs was ranked number one by 25 percent of organizations.

However, despite some signs of growth in the economy, companies remained reluctant to begin hiring. Anthony Carnevale, director of the U. S. Center on Education and the Workforce at Georgetown University, observes that in the U.S. the last three recessions have been followed by jobless recoveries in which there was GDP growth without job creation. Instead, companies create jobs requiring more education and skill. But growth of these jobs is slow in part because they require paying higher salaries and providing costly technological infrastructure for these workers. He predicts that pressure to fix skills gaps will intensify again, probably by 2013, when the economy has added back the millions of lost jobs and will need to create many millions more to produce growth. However, until there is job growth, organizations will have to address skills gaps by other means than hiring.

When jobs are created again, actual hiring patterns will vary by industry and by geography, but one pattern is already clear according to Lisa Belkin in an October 2009 *New York Times* article. Many of the low-skill, low-wage jobs lost during the current recession were held by men. Many of the jobs that will be created during the recovery will be filled by women because they cost less to hire and because they are concentrated in industries, such as healthcare and education, which are expected to grow.

## **IMPACT OF THE SKILLS GAP**

Unprepared workforce can hamper the performance and growth of an organization. In their book, *The Chief Learning Officer: Driving Value Within a Changing Organization*, authors Tamar Elkeles and Jack Phillips write that "Nothing is more devastating to an organization than not having a fully prepared workforce...An unprepared workforce can reduce profits, impede market share, create inefficiencies, lower morale, and/or increase attrition. More importantly, it can affect the quality of service provided to customers." A lack of skilled workers also harms the economy, according to many sources. "Eighty percent of U.S. manufacturers cannot find educated, skilled workers for their entry-level jobs. Without a skilled workforce, our manufacturers cannot continue to be the drivers of innovation and will not be successful in the global economy," says Emily Stover DeRocco, president of The Manufacturing Institute and senior vice president of the National Association of Manufacturers.

## **THE CHANGING NATURE OF WORK**

Peter Drucker, deceased global expert, was the first to identify the productivity of knowledge workers—people who think for a living—as a significant management challenge. In the decades following that observation, jobs involving transactions such as exchanging information, products, and services have come to dominate economic activity in developed countries. In the U.S., nearly 85 percent of work involves transactions. The remaining 15 percent involves growing or making things. In *Thinking for a*

*Living*, author Tom Davenport describes knowledge workers this way: “Knowledge workers have high degrees of expertise, education, or experience and the primary purpose of their jobs involves the creation, distribution, or application of knowledge.”

Whatever their actual number, knowledge workers have grown more important to the economy because they contribute significantly to the value of a company. Companies with high numbers of knowledge workers are among the fastest growing in the economy. Often the market value of their human capital is greater than their book value or the value of their tangible assets. Managing, motivating, and engaging knowledge workers to solve problems and update their knowledge independently are important parts of closing skill gaps. But generations of employees vary in how they seek their knowledge. Younger employees - born after the introduction of the Internet—have these characteristics in common: they depart from convention; they seek knowledge on the fly using everyday web technology; and they work collaboratively. But many methods for managing, developing, and improving the performance of younger workers are out of synch with their defining characteristics, and that has added to the skills gap. The National Study of Business Strategy and Workforce Development, conducted by the Boston College Center on Aging and Work, found that more than one quarter of U.S. organizations had failed to plan for the Baby Boom (middle age) exodus from the workplace.

According to the 2009 Skills Gap poll from ASTD, organizations are experiencing gaps in these skills:

- leadership and executive skills
- basic workplace competencies such as literacy and numeracy that are the building blocks of successful performance in any job
- professional or industry-specific skills
- managerial and supervisory skills
- communication and interpersonal skills
- technical, IT, and systems skills
- sales skills
- process and project management skills.

In addition, most experts agree that these additional skills are needed for sustained high performance in the knowledge economy:

- Adaptability—the capacity to change in response to ever-shifting conditions in the economy and the marketplace, and to quickly master the new skills that such changes require.
- Innovative thinking and action—the ability to think creatively and to generate new ideas and solutions to challenges at work.
- Personal responsibility for learning—the willingness of individuals to take responsibility for continually improving their work-related capabilities throughout their careers.

## **THE NEED for MORE WORKFORCE EDUCATION and TRAINING INVESTMENTS**

A decade ago, studies showed that increases in educational attainment were responsible for 11 to 20 percent of growth in worker productivity in the U.S. according to a white paper from the National Center for Education and the Economy. “For 20 years, we have experienced extraordinary productivity in the private sector, and the increases in productivity have been supported both by technology improvements and a better educated workforce.” But now, the white paper continues, “New investment in workforce education and training will have a more important function: to meet the demand for higher skilled positions.”

In a 2009 *Time* magazine article on the likelihood of continued high unemployment and a decade of low job growth in the U.S., Harvard professor Roberto Mangabiera Unger stated “Making cheap low-end jobs won’t deliver a workforce capable of sustaining a competitive advantage.” The article pointed out that training helps break the cycle of low skills, low productivity, and low wages.

## **ROLE OF LEARNING PROFESSIONALS**

Faced with the reality of rapidly changing skill needs and the increasing shortages of skilled people in the labor pool, many organizations recognize that old ways of thinking about talent no longer apply. These days it is not enough to hire smart people and develop their knowledge and skills. It is not enough to have a succession plan just for the top tier of leaders. It is not enough to work with the institutions—the schools and workforce development programs—that feed the labor pool. It is not enough to capture the knowledge of departing workers.

None of these actions taken alone will close the skills gap to the extent needed. Learning professionals should prepare themselves to determine what skills the organization needs, fully understand current employees’ capabilities,

and lead the way in closing any gaps. They should be open to the great variety of methods and tools that exist today for employee development.

ASTD recommends an integrated approach to managing talent in an organization that strategically unites all human capital functions to maximize organizational effectiveness. Such an approach integrates the processes for acquisition, recruiting, and development into one effort with a common goal: a workforce capable of optimal performance. What can learning professionals do?

Learning professionals can work with their partners in the business to identify critical skills needed in every job in the organization. By understanding the organization's goals and strategies, and working with managers, learning professionals can map skill needs to business requirements and manage learning and development opportunities, create individual development plans, and help measure performance. They can undertake an Action Plan to:

- ❖ Understanding the organization's or unit's key strategies, goals, and performance metrics.
- ❖ Identify competencies that map to strategies and performance metrics.
- ❖ Assess the skills gap.
- ❖ Set goals and prioritize the path to filling gaps.
- ❖ Implement solutions.
- ❖ Monitor and measure results and communicate the impact. |

## **ROLE OF GOVERNMENT**

Traditionally, government has assisted people who face challenges finding work. More recently, it also plays an important role in coordinating programs that help organizations find knowledgeable, skilled workers and assists industries by funding partnerships to develop the skills of the current and future workforce. Through fair policies and resources, the public sector can assist organizations and individuals who need to embrace a new mindset in which learning is seen as a continual process during the course of one's lifetime.

Through a publicly-funded workforce investment system, organizations can receive incentives such as tax credits and grant opportunities to train and upskill their workforce. To more effectively assist individuals and organizations to narrow skills gaps, the public sector can provide more guidance in navigating complex training programs and policies by simplifying the steps to access the publicly-funded workforce investment system and increasing awareness about the services available to workers (both incumbent and dislocated individuals) and organizations.

Here are several recommendations:

- Link more closely regional economic development, education, and workforce development, and directly tie their programs and services to the needs of employees.
- Authorize a workforce investment initiative by requiring better local representation by the education, economic, and workforce development communities, and by providing greater flexibility in allocating national and local training funds.
- Simplify and standardize processes for accessing public sector training funds so that stakeholders can navigate the workforce system more easily, and better coordinate their use of its training programs.
- Provide support to individuals for lifelong learning programs through training tax credits, like education savings accounts and access to training opportunities.

By addressing these skills gaps in the current workforce, organizations will equip themselves for better performance and increased effectiveness in the short term. If the whole workforce development system addresses them, long-term success will be within reach of most organizations in the future.

## **EVALUATION STUDY**

Measuring the impact of learning continues to be one of the most challenging aspects of the learning function. The tough economy demands that business leaders scrutinize costs to find even greater efficiencies, but it can be difficult to show hard savings for areas like training and development that have so many intangible processes. Companies employ myriad strategies to identify and quantify the results of training, but most are not satisfied with their evaluation efforts.

A 2006 ASTD/IBM report titled *C-Level Perceptions of the Strategic Value of Learning* noted that while chief learning

officers and chief executive officers have different needs with regard to learning evaluation, at a high level they agree learning is strategically valuable. Both groups also agreed that isolating and measuring learning's financial contribution to business are difficult, and often perceptions of stakeholders (employees, business unit leaders, and executives) are a key indicator of learning's success. Both CLOs and CEOs recognized the need for strong governance processes for planning, allocating, and managing learning investments, and that efficiency of the learning function can be increased by streamlining and standardizing processes, leveraging technology, and right-sourcing the function.

Agreement on these broad topics is important because it means common ground exists on which to build a better, more effective learning evaluation process, which will in turn positively affect business goals. A recent study takes a close look at the value of learning. *The Value of Evaluation: Making Training Evaluations More Effective* explores the complex issue of learning evaluation, the techniques being used, barriers to effective implementation, and strategic use of learning metrics. Only about one quarter of the survey respondents reported getting a solid return from their training evaluation efforts.

### What are the Barriers to Effective Evaluation?

Respondents cite numerous barriers to the evaluation of learning. For example, metrics such as business results and return-on-investment (ROI) are sometimes seen as too complex and time-consuming to calculate. Difficulty in isolating training as a factor that affects behaviors and results also impedes learning evaluation. Perhaps most disturbing is that many training professionals claim that leadership isn't actually interested in training evaluation information. This is worrisome in an age when employee skills are more critical than ever, being one of the few differentiators among businesses in a global economy. Learning professionals need to gain a better understanding of the roots of such apathy toward evaluation.

### What are Companies Spending on Training Evaluation?

Depending on their size, companies can spend anywhere from a few thousand dollars to tens of millions of dollars on training annually. Most of the money is spent on internal resources, but the smaller the company, the higher the external expenditures. Organizations tend to spend the largest share of their evaluation budget on Level 1 (reaction) evaluations and then less on subsequent levels. On average, companies spend half of their evaluation budget measuring the reactions of participants. The question for learning professionals is

### What Evaluation Techniques are Companies Using?

The five-level Kirkpatrick/Phillips model of learning evaluation is the most common practice. The five levels include participant reaction (Level 1), level of learning achieved (Level 2), changes in learner behavior (Level 3), business results derived from training (Level 4), and the ROI from training (Level 5). Ninety-two percent of respondents said they measure at least Level 1 of the model. The study found that, in most cases, using Kirkpatrick/Phillips (K/P) levels is associated with greater success in the area of learning metrics. That is, if respondents said their organizations used a given K/P level of evaluation, then they were also more likely to give their organizations a higher score in terms of learning evaluation success. The exception to this rule is when organizations only use level 1 evaluations.

Companies also employ the Brinkerhoff Success Case Method, which can be described as "evaluation studies with successful trainees." That method, developed by Robert O. Brinkerhoff, professor of education at Western Michigan University and author of several human resource development books including *The Success Case Method*, entails identifying successful learners and interviewing them to find out what made the learning experience work for them and what they achieved as a result. It can also be applied to unsuccessful candidates to determine what went wrong. These case studies can then be used to communicate the value of learning throughout the organization, identify what works and what doesn't, and help improve learning programs.

When study respondents were asked about other types of learning evaluation techniques, their answers included a variety of responses, including:

- Action learning projects
- ADDIE Model (assess, design, develop, implement, evaluate)
- Alignment measures
- Balanced scorecards
- Benchmarking, often against local metrics, ASTD metrics or other industry standards
- Bloom's taxonomy
- Cost avoidance
- Customer/client assessments
- Employee engagement

This study also looked at specific practices. It found, for example, that firms using evaluation to gauge whether employees are learning what is required or to calculate learning's effects on business outcomes are far more likely to view their evaluation efforts as successful and to have better market performance. Other important actions include making sure learning positively influences employee behavior and demonstrating the value of learning to others in the organization. The most valuable use of evaluation, however, is to improve overall business results. Companies that say they do this to a high extent tend to see results, as this action was the most positively correlated to market performance.

### How Can Organizations Improve Training Evaluation?

But so far few organizations think they've mastered the evaluation process. But organizations are not giving up on successful measurement of the learning function. They continue to explore ways to communicate and document the value of the training and development they provide to employees. The key findings suggest that today's organizations do not need to settle for learning evaluations that are done as more of a ritual than as a business-improvement strategy. Good evaluation techniques are available, and they can be used to make the whole organization stronger. Whether this is the best use of their limited resources, this study suggests otherwise. One of the most important purposes of evaluations should be to determine what is most and least effective and then to invest more resources in what's most effective. Evaluation is a feedback tool intended not only to help employers meet their learning goals but also to make learning itself more efficient.

With these findings in hand, learning professionals in many companies clearly need to take a hard look at their evaluation programs. If they don't think they're getting a solid return on investment, then they should conduct a rigorous analysis of how, in the future, this can be achieved.

## EXECUTIVE DEVELOPMENT STUDY

Every organization faces an ongoing challenge to retain the talent needed to meet its goals, and that challenge is even greater when focusing on the executive level. Successful implementation of executive development programs requires strong direction from the top. When organizations watch promising employees walk out the door, it creates the need to either fill top positions with external candidates or promote an internal candidate they have developed. And companies with low turnover rates may have a different set of challenges with the executive level of employees. Many organizations face difficulties in selecting the right methods to continually develop executives who rose to the top years ago and to develop the leaders of tomorrow. What steps can an organization take to help current and future executive-level leaders realize their full potential?

The *ASTD-Booz Allen Hamilton Strategic and Tactical Approaches to Executive Development Study* takes a deep look into the executive development practices of today's organizations. There is a noticeable gap in published literature on the topic, so this study truly represents a first-of-its-kind collection of survey data, best practices, and lessons learned from organizational leaders who have gained valuable experience in executive development. The study aims to differentiate the elements in corporate approaches to executive development.

The study found executive development to be generally idiosyncratic, using a combination of formal and informal learning approaches, and therefore difficult to summarize and measure. A handful of experts argue that executive development promotes a variety of benefits for organizations. For example, Edward Verlander (1988) claims that a program that encourages executives and high-potential employees to take personal responsibility for their own learning can create a community of "knowledge" workers who are more flexible, creative, and adaptable than "traditional" executives. However, studies directly investigating these links are scarce.

In the study, *executive development* was defined by the research team as "an ongoing systematic process that assesses, develops, and enhances one's ability to carry out *top-level roles* in the organization." The researchers intended for this working definition to be clearly distinct from leadership development, which was defined as "an ongoing systematic process that cultivates the learner's capacity to lead people *at all levels of management*." Thus, this study is one of the first to explore the following key components:

- who is involved
- how employees are selected
- what content is included in a program
- amount spent on programs
- lessons learned from established executive development programs.

## ORGANIZATIONS WITH ACTIVE EXECUTIVE DEVELOPMENT PROGRAMS

The executive development "playground" is dominated by "the big kids"—large organizations with substantial revenues. Without sufficient funds allocated to executive learning, it is difficult to provide employees with the learning opportunities necessary to

cultivate skills for running a successful organization. Clearly, as revenue increases, so does the likelihood of having an executive development program. In the U.S. more than half of the organizations with active executive development programs spend more than \$7,000 per employee on executive development each year. Among different industries in the U.S., manufacturers spend the most on executive development at an average of \$22,164 per learner.

Only 38 percent of the organizations that participated in the study have active executive development programs. An additional 23 percent have a program that is activated as necessary. More than one-third of the organizations surveyed (34 percent) do not have an active program at all. Organizations with intensive programs tend to operate at a global or multinational level, have large revenue, and report better-than-average organizational performance. They do the following:

- spend more on each participant in learning
- include a higher percentage of the workforce in executive development
- rely more on outsourcing for executive development.

Some organizations find a variety of opportunities for their employees to take part in executive development, while other organizations consider executive learning an employee's responsibility to be conducted on their own. Most of the responding organizations indicated that the organization holds at least some responsibility for an employee's executive development. Nearly half (46 percent) reported that they consider *both the individual and the organization to be equally responsible for developing executive level skills*. To cultivate executive-level competencies requires dedication to stay on a path of self-development, so most organizations consider a mix of responsibility—both individual and organizational—necessary to steer the learner in the right direction.

## **OBJECTIVES FOR EXECUTIVE DEVELOPMENT**

Organizations have recognized that continuous executive development plays an integral part in building competitive advantages for employees and the organizations alike (Vicere, 1996). The broad goal of executive development programs is to promote the long-term success of the organization, but there are several particular reasons for implementing executive development programs. The most frequently endorsed organizational objective was the *ability to engage and retain individuals with high-potential*, cited by many respondents to a high or very high degree. Other important organizational objectives included the *ability to improve general bench or pipeline strength for executive level positions* and *succession planning*.

In particular, the organizational objectives that received the highest ratings of success were *improving general bench strength for executive-level positions* (60 percent reporting success to a high or very high extent), *engaging and retaining individuals with high potential* (58 percent), and *succession planning for specific positions* (52 percent). Individualized objectives for executive development were also assessed for success. *Increasing self-awareness as a leader* received the highest rating with 82 percent of respondents reporting success to a high or very high degree. Roughly two-thirds of respondents reported high or very high success for their participants in *developing leadership competencies*, *increasing understanding of the business model and strategy*, and *developing a better understanding of all aspects of the enterprise*.

On the individual level, the most frequently endorsed objective was *developing leadership competencies*. *Increasing self-awareness as a leader* was endorsed to a high or very high degree, and *developing strategic thinking skills* ranked third. The identification of these key objectives by responding organizations reveals that expectations for executive development participants involve obtaining skills and perspectives needed to maintain their roles as top-level leaders.

## **EXECUTIVE DEVELOPMENT PRACTICES**

Identifying the right employees to take part in executive development programs can be a difficult task for organizations, but it is a critical step when building or maintaining a program. The most frequently cited screening methods to select potential participants for executive development programs are

- identification by managers
- job performance reviews
- inclusion in succession planning.

Traditional corporate learning practices may not always be the best fit for executive education. The basic premise of executive development is transformation of high-potential individuals from focusing on a functional specialty to using broad knowledge to make upper management decisions (Moulton & Fickel, 1993). There is consensus that the process of executive development is intended to enable a learner to become an independent and self-directed top-level leader. However, experts have proposed a variety of specific approaches. According to Verlander (1988), executive education programs should be learner-centered, involve participant learning design, be experiential, applications-oriented, and center on participants' needs and concerns to anticipate the real-world issues of an executive. As a typical budding executive has been out of school for many years, the long absence from a formal learning environment makes adult learning principles especially relevant. Programs must center on strategic

thinking, creativity, flexibility, and continuous learning to cultivate adaptive executives. Through a variety of challenges issued at the beginning of an executive development program, a participant gains emotional and intellectual insight into their management style and learns to make sense of an often ambiguous organization. Unlike other corporate learning programs, executive development often requires a series of cohesive and comprehensive learning events that cover a range of topics. Ideally, strategic learning facilitators from every sector of the organization lead these events with a specific goal or skill achieved at the end. The resulting set of successfully completed sessions combine for a comprehensive executive learning experience.

According to the study, traditional delivery methods for executive learning are still utilized frequently in today's organizations; however, they are usually accompanied by modern elements. The study participants reported that: *Classroom-based learning* is utilized by 65 percent of respondents to a high or very high degree, while *experiential learning* is employed to a high or very high degree by 53 percent. Other important delivery methods for executive learning include *coaching* (61 percent), *action learning* (56 percent), and *360-degree feedback* (54 percent). In 2007, the average number of executive development-related training hours that were made available to employees was 256. On the individual level, the average participant consumed 45 hours of content related to executive development from formal programs annually. Additionally, the average figure for informal hours spent per year on executive development was 42 hours for each participant.

To determine success, the most frequently used methods include *tracking participants after completion*, *follow-up interviews*, *feedback from current executives*, and *assessment of overall employee satisfaction*. Each of these measurement tools was utilized to a high or very high extent. The majority of respondents reported at least some success in their executive development efforts. Nearly half (45 percent) rated their success with executive development to a moderate degree, while 39 percent reported success to a high or very high extent. Only 16 percent reported a low degree of success.

The majority of respondents (71 percent) reported either high or very high support from the Corporate-level suite for their executive development efforts. Several interview participants stressed the importance of securing buy-in from upper management as a critical factor for a successful program. Most of the responding organizations have highly or very highly centralized executive development programs. Centralization was also viewed as beneficial by interview participants.

Action learning appears to be a critical component of many executive development programs. According to Tom R. Knighton, a partner at consulting firm Oliver Wyman-Delta Executive Learning Center, global growth and organizational change are shaping the content and delivery of executive development. Specifically, he added that organizations want executive development programs to focus on high-potential employees who can progress quickly from a learning mode to an action mode. In an action learning paradigm, required concepts are taught in classroom settings, then acted out through actual business projects tied to company goals. While attempting to solve those business issues, learners often work under the supervision of coaches who offer insight into particular leadership and business practices. Putting the executive in a position to learn and then immediately translate those skills into behavior is essential. Companies such as Nike, Coca-Cola, Bank of America, and Johnson & Johnson have relied heavily on this principle with their executive development practices.

Several global corporations have taken action learning even further by utilizing "consciousness-raising" experiences in their programs. These events take high-potential employees out of the workplace and into new social settings with the intent of stimulating reflection on their company's role in the world and their own lives. For example, Ford Motor Company has designed an event where executive development participants spend the day at an adoption service in inner-city Detroit, Michigan (USA). The intent is for the employees to leave the experience with powerful and relevant lessons that could not be gained from a typical business setting. The ability for these different elements of executive development to relate to each other is valuable to executives and allows for self-awareness, consideration of others, and connection to society and the global marketplace. Other corporations that have reported success through consciousness-raising experiences include Novo Nordisk, which send staff to a children's hospital in Sao Paulo, and Unilever, which sends employees to tropical rainforests to interact with native communities.

Action learning is not the only technique utilized in executive development programs. Most executive development programs settle on some kind of mix of methodologies and practices through trial and error (Ott & Motherwell, 2007). While Ford takes a somewhat unique approach to executive development, their executives are also involved with project-based learning, team development, and business-related simulations and deliberations. With the recent technology boom allowing for instant online learning, the virtual environment makes it possible to administer executive education immediately and consistently across the organization. Classroom learning is still a popular method in executive development, but the ability to pull up the content of the program at any time as a refresher through e-learning is critical for the latest generation of high-potential employees. Another method that has been linked to success is the Leaders-as-Teachers model (Hollis, 2007; Betof, 2009). In this arrangement, C-level executives are active participants.

## **OUTCOMES AND LESSONS LEARNED**

Executive development requires a significant commitment from an organization in a variety of domains: funds, alignment with corporate strategy, considerable staff time, and even ongoing support from top leaders. It is therefore not surprising that executive development tends to be the domain of the "big kids on the block." Large, multinational organizations with financial strength and

sufficient infrastructure are more likely to have a more regimented approach to executive education than smaller organizations with a narrow operational focus.

Organizations around the world allocate substantial resources toward executive development programs to further the growth of high-potential employees. However, many corporate leaders have little insight into what comprises a dynamic executive development program, yet they continue to send their high-potential employees into pre-existing programs, often with little evidence that they are providing value. In contrast, there is a multitude of publications on *leadership* development which to some degree overlaps with executive development. Both need further investigation.

Executive development efforts are not necessarily the easiest initiatives to implement and administer, but most of the participating organizations claim that the programs provided some value. Some of the key components for success included strategic alignment with organizational goals, strong buy-in support from the CEO and other top leaders, and a realistic focus among participants and stakeholders. Challenging some of the most talented people in an organization to reach their full potential on a continued basis will require extensive effort from many key personnel. Many organizations have reported that all of their efforts does in fact lead to a variety of benefits for an engaged leadership and workforce.

*For the actual studies, visit the ASTD website at: [www.astd.org](http://www.astd.org). Their web site has copies for purchase.*