

Making the Commitment

The 2000 ASTD State of the Industry Report
identifies "Training Investment Leaders."

By Daniel P. McMurrer, Mark E. Van Buren, and William H. Woodwell Jr.

What does it take for an organization to become a leader in workplace training?

The answer, according to the *2000 ASTD State of the Industry Report*, is an organization-wide commitment to training and development, as shown in how many employees receive training, how much training they receive, how much the organization spends on training,

and how much training is delivered via learning technologies.

Those types of measures of commitment and innovation were used to identify "Training Investment Leaders" among the 1,200 organizations that either participated in ASTD's 1999 annual Benchmarking Service survey or were members of ASTD's Benchmarking Forum.

The Gist

- ❑ It's possible to become a Top Training Investment Leader no matter what your organization's size or industry.
- ❑ Such leaders have made learning a core element of their overall business strategy.
- ❑ The dollar amount spent on training says nothing about the quality of the training, but it does indicate an organization's commitment to employee learning and development.
- ❑ The use of learning technologies is leveling off.

The Training Investment Leaders are firms that provided data to ASTD indicating they had made a dedicated commitment to developing the knowledge, skills, and abilities of their employees. The report focuses on Training Investment Leaders located in the United States, a group whose training-related strategies and investments offer important insights into what it takes to create a world-class learning organization.

Findings at a Glance

Here are some of the key findings from the *2000 ASTD State of the Industry Report*, which includes figures on the firms' training activities in 1998:

Spending continues to grow but at a slower pace. The key finding was a continuing increase across all firms in employer-provided training in the United States, as measured by the amount spent on training. Among the figures: Total training expenditures jumped from 1.8 percent of payroll in 1997 to 2.0 percent for 1998. Asked about anticipated increases in expenditures from 1998 to 1999, Benchmarking Service participants projected a 14 percent jump on average.

Nevertheless, those increases slowed from the breakneck pace of years past. From 1996 to 1997, for example, firms went from spending about 1.5 percent of payroll on training to spending just over 1.8 percent—a 20 percent increase. In contrast, the 1997 to 1998 increase in spending as a percent of payroll was 11 percent. In addition, the 14 percent projected increase in expenditures for 1998 to 1999 was significantly lower than the actual and expected rates reported the previous year, suggesting that the recent increases in spending may be unsustainable over time.

Growth in payments to outside companies is down. The participating firms' projected rate of growth in payments to outside companies is down for the 1998 to 1999 period—9 percent compared with 13 percent a year earlier. Other findings support that these firms increasingly are interested in bringing more of the training function in-house.

For example, the *2000 ASTD State of the Industry Report* shows that firms are spending an increasing percentage of their training expenditures on wages and salaries (45.6 percent in 1998 versus 41.4 percent in 1997) and a decreasing percentage on outside companies (24.4 percent in 1998 versus 27.1 percent in 1997).

Use of learning technologies slows. Last year's survey showed that the average firm in ASTD's Benchmarking Service delivered 77.6 percent of its training in a classroom setting and 9.1 percent via learning technologies. In this year's survey, those figures changed little, with the percent of training delivered via classrooms up to 78.5 percent and via technology actually *dropping* slightly to 8.5 percent.

The 1997–1998 decline followed a 50 percent increase in the percent of training delivered via technology from 1996 to 1997. This leveling off in the use of learning technologies suggests that organizations are encountering obstacles in implementing technology-based training.

Many of the trends identified for the larger group of Benchmarking Service participants were also reflected in the data provided by the select group of participants that ASTD identified as Training Investment Leaders.

The Training Investment Leaders separated themselves from the pack by making learning a central focus of their efforts to stay competitive and deliver results.

“The way we view training, it's a business investment,” observes Robert O'Neal, director of human resources development for training investment leader Sears Credit. “It's not seen as an employee benefit but as something that adds measurable value to the business.”

The criteria

To identify the Training Investment Leaders, ASTD ranked firms participating in the Benchmarking Service according to these specific measures:

- percentage of employees eligible for training who received training in 1998
- total training hours per employee eligible for training in 1998
- percent of training time in 1998 delivered via learning technologies
- total training expenditures in 1998 per employee eligible for training
- total training expenditures in 1998 as a percent of payroll.

Looking at the list of some of the firms identified by ASTD as U.S. Training Investment Leaders, it's immediately clear that they come in all sizes and from all sectors of the economy. No specific type of organization dominates, proof that it's possible to become a Training Investment Leader no matter what industry you're in.

These cutting-edge firms employed 10,600 employees on average in 1998 at an annual payroll of \$362 million. Approximately 35 percent had fewer than 500 employees, and 74 percent were for-profit companies.

The Training Investment Leaders differed from the larger sample of Benchmarking Service participants in several ways.

- Training Investment Leaders were more likely to come from the technology, nondurable manufacturing, and transportation or public utilities industries than would be expected based on the industry distribution of the larger sample.
- For-profit organizations were slightly more likely to be cited as Training Investment Leaders than one would expect based on the larger sample.
- Training Investment Leaders also reported lower spending on tuition reimbursement as a percentage of overall training expenditures than all organizations in the 1999 Benchmarking Service, as well as higher use of product suppliers and a larger percentage of training content devoted to technical processes and procedures.

What it takes to lead

The main difference between the Training Investment Leaders and the rest of the Benchmarking Service participants centered on the level of commitment to learning. A case in point is the Wisconsin Public Service

Corporation, a utility company that views employee training as a cornerstone in its efforts to adapt to a new era of utility deregulation.

"We are entering a time when we will be offering a lot more products and services, not just electricity and gas," says Kathy Now, senior learning systems leader. "And we are looking at training as a way to retool our employees and get them ready for the transition so the company can take advantage of all these new opportunities that now exist."

In short, the Training Investment Leaders have made learning a core element of their overall business strategy. The following areas reflect the key differences between the Training Investment Leaders and other participants in ASTD's Benchmarking Service.

Number of employees that received training. In 1998, the average Benchmarking Service organization provided training for about 76 percent of employees eligible for training. In comparison, the Training Investment Leaders provided training for nearly 97 percent of eligible employees on average. Translation: At the leading firms, few employees are not being trained.

Catalyst International, a software development company based in Milwaukee, Wisconsin, typifies the Training Investment Leader approach. With a staff of 260 employees in the United States, the firm makes training available to everyone. On joining the company, all new employees participate in a three-week course that includes a full five days of training in the use of the company's software.

"This is a very technical field, and we need to push training so we know our people are at the top of their skills," says Lisa DeMartino, manager of employee education.

DeMartino adds that Catalyst's commitment to training and employee development has made an important contribution to worker retention. "There is a shortage of graduates coming out of school who are eligible for these jobs, so you want to do whatever you can to hold onto the workers you've got. And I think they appreciate the fact that we are investing in their skills and their development, and so they tend to stay with us."

Also providing training for 100 percent of its employees is Sears Credit, the credit card arm of Sears Roebuck & Co. O'Neal explains that Sears Credit's practice of constantly changing and improving its products means that employees have to be constantly learning what's new.

Another factor in Sears Credit's enthusiastic embrace of training is technology—or, more specifically, changes in technology. Says O'Neal, "We have front-line associates sitting at \$10,000 workstations tied into a high-capacity data network, and they need to be continuously trained and retrained on how to make the most of this amazing technology."

Amount of training employees received. On average, Benchmarking Service organizations provided 29 hours of training per eligible employee in 1998. The comparable figure for Training

How the Study Was Done

What data is included in the analysis? The data was drawn from two different sources: the ASTD Benchmarking Service and the ASTD Benchmarking Forum. Both groups collect a standard set of information on employer-provided training.

Established in 1997, the Benchmarking Service is an annual process that collects standard information from all types of organizations on the nature of their formal training expenditures, practices, and outcomes. The 1999 Benchmarking Service received valid and comparable data from 501 organizations in the United States on their 1998 training investments and practices. Overall, more than 1,200 organizations submitted data to the 1999 Benchmarking Service, and more than a third were located outside of the United States. Because of its larger sample size, the Benchmarking Service is frequently discussed as the average comparison group for the Training Investment Leaders.

The Benchmarking Forum was created in 1991, and provides a venue for world-class organizations to benchmark and share detailed information on their training, learning, and performance-improvement processes, practices, and services. In 1999, 116 U.S. organizations or subunits reported data to the forum on their 1998 training investments and practices; in addition, nine organizations or subunits outside of the United States submitted data.

There are currently 67 member organizations, drawn from both the private and public sectors throughout the world, representing all major industry groups. Membership in the Benchmarking Forum is determined by application and peer-review process and includes a variety of benefits.

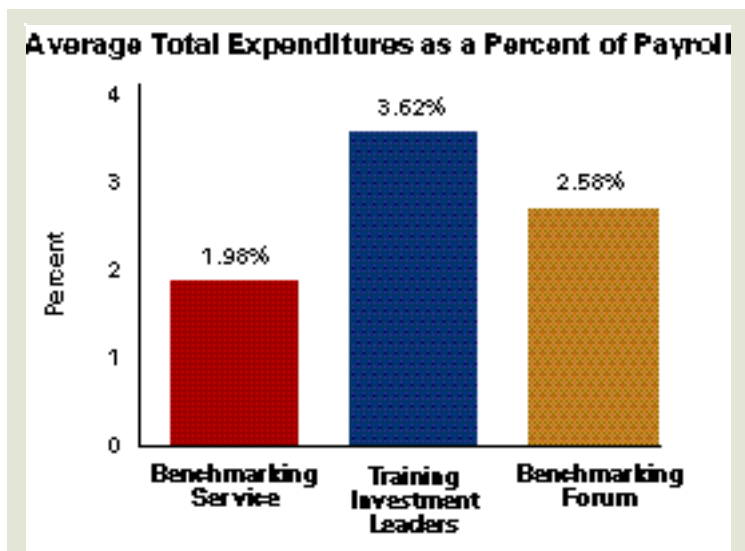
For more information about the forum or to apply for membership, contact Stacey Wagner, 703.838.5840; swagner@astd.org.

How were the Training Investment Leaders identified? In an effort to identify firms exhibiting a significant commitment to training investment and the use of innovative delivery methods, ASTD ranked all U.S. firms with valid data in four different training investment categories:

- expenditures—a combination of two measures weighted equally, 1998 training expenditures as a percentage of payroll and 1998 training expenditures per employee eligible for training
- time—total training hours per employee eligible for training in 1998
- reach—percent of employees eligible for training who received training in 1998
- learning technologies—percent of training time in 1998 delivered using learning technologies.

A maximum of 25 points was possible in each category, with the top 4 percent of organizations in a category receiving 25 points, the next 4 percent receiving 24 points, down to 1 point for the lowest 4 percent of organizations in each category. With four training-investment categories, the maximum possible combined score for all categories was 100 points. The 10 percent of organizations with the highest combined scores were identified as Training Investment Leaders.

For purposes of the report, a subset of that group were 10 organizations with the highest combined scores in each of three organizational size categories. They were identified and invited to share their training-investment data publicly. A few declined to be included.



Investment Leaders was 58 hours.

Leading all Benchmarking Service participants in hours of training provided per eligible employee was U.S. Telecom, a Joplin, Missouri computer telephony firm with a staff of 80 U.S. employees. Among U.S. Telecom's signature products is the PhoneMaster system, which enables schools to create violence-prevention hotlines, as well as other telephone services for teachers, students, and parents.

In 1998, according to data provided to the ASTD

Benchmarking Service, the average eligible U.S. Telecom employee participated in nearly 125 hours of training—or about three weeks' worth. According to HR director John Magnusson, much of the training takes place when an employee first joins the company. Depending on the job, new staff members can participate in 30 to 90 days of “nothing but training”—including intensive sessions with U.S. Telecom technicians on the ins and outs of the firm's telephony products.

U.S. Telecom's emphasis on technical training is typical of the Training Investment Leaders, who reported spending 23 percent of training expenditures on courses in “technical process and procedures.” The comparable figure for all Benchmarking Service participants was 13 percent.

According to Magnusson, however, just providing technical training isn't enough. U.S. Telecom also is committed to offering a wide-ranging program of training on topics such as presentations, teamwork, and EEOC requirements.

“The way we see it, our major product is employee development,” says Magnusson. “When we bring in good-quality people and get them trained over the years in management and leadership and everything else, we know we have the people and the depth of skills we need to support the company's growth. And that means we don't have to hire outside when we want to open a new profit center.”

Amount spent on training. The amount of money

Selected Large Training Investment Leaders (5,000 or more employees)

Organization Name	Reporting Location	Industry	Training Expenditures as a Percentage of Payroll	Training Expenditures per Employee Eligible for Training (US\$)	Average Hours of Training per Eligible Employee	Percentage of Training Time Using Learning Technologies	Percentage of Training-Eligible Employees Who Receive
Los Alamos National Laboratory*	Los Alamos, NM	Government: research/technology	2.58	1,360	50.5	25	100
Arthur Andersen	St. Charles, IL	Business services	4.76	2,440	75.54	8	100
Ernst & Young, LLP	Cleveland, OH	Business services	7.64	3,558	53.34	25	100
Lockheed Martin Astronautics	Littleton, CO	Miscellaneous manufacturing	1.4	891	47.93	30	100
Sears Credit	Hoffman Estates, IL	General merchandise stores	2.51	536	66.31	10	100
AT&T Education & Training	Somerset, NJ	Communications services	3.04	1,629	56.73	22	92

*Employees include 3,000 contract workers

Note: Four organizations declined to be included in this listing.

spent on training, of course, says nothing about the quality of the training, but it does indicate an organization's dedication to learning and employee development.

Training Investment Leaders significantly outpaced their Benchmarking Service counterparts in spending on training in 1998, both on a per-employee basis and when measured as a percentage of payroll. On average, Benchmarking Service participants devoted 2 percent of their payroll to training in 1998, compared with 3.6 percent for the average Training Investment Leader. Though the Training Investment Leaders spent an average of \$1,640 on training per eligible employee, the average Benchmarking Service organization spent less than half of that—or \$770.

Among the Training Investment Leaders that have invested heavily in training is the Realtors Association of Metropolitan Pittsburgh. Based on the knowledge

How to Receive Customized Training Data

You can join the thousands of organizations that have already participated without charge in ASTD's confidential Benchmarking Service. Participating organizations provide data to ASTD on their training investments, practices, or outcomes (or all three), using the standard measures contained in the ASTD Measurement Kit. They receive a valuable detailed customized report showing how their training efforts stack up against those of similar organizations in their industry and overall benchmarks.

This report is completely free if data is submitted before the 2000 deadline. All data is kept strictly confidential. Call or email to receive additional information on how to participate. Phone 703.838.5841; email benchservice@astd.org.

Selected Medium Training Investment Leaders (500-4,999 employees)

Organization Name	Reporting Location	Industry	Training Expenditures as a Percentage of Payroll	Training Expenditures per Employee Eligible for Training (US\$)	Average Hours of Training per Eligible Employee	Percentage of Training Time Using Learning Technologies	Percentage of Training-Eligible Employees Who Receive Training
Mason & Hanger Corporation, Pantex Plant	Amarillo, TX	Miscellaneous manufacturing	3.82	1,727	67.65	28	100
Community Transit	Everett, WA	Local and suburban transit	2.18	871	70	20	100
Serigraph	West Bend, WI	Printing	2.02		43.11	64	100
First Consulting Group	Long Beach, CA	Information technology	3.93	3,112	51.88	15	92
Wisconsin Public Service Corporation	Green Bay, WI	Electric, gas, and sanitation	1.83	1,107	53.9	10	100
GOJO Industries	Cuyahoga Falls, OH	Chemicals and plastics			25.83	25	100
Van Kampen Investments	Houston, TX	Security and commodity brokers, dealers, exchanges and services	2.22	1,153	40.21	57	87
Department of Veterans Affairs Roseburg Healthcare System	Roseburg, OR	Hospitals	1.19	484	77.78	10	100

Note: Two organizations declined to be included in this listing.

that they were going to have to adopt new software exclusively designed for realtor association management, the group started setting aside money in the early 1990s for employee training. When the time came in 1998 to bring the new software online, the association was able to invest what it needed to bring everyone up to speed. In 1998, the realtors group spent more than \$2,200 on training for each of its nine employees; the total training investment for the year represented almost 10 percent of the association's payroll.

"We knew we were going to have to do this and that it wasn't going to be easy, and so we started putting money aside," explains the group's executive vice

president Dennis McClelland. "And because we planned ahead, we were able to get this system up and running and make sure our staff was ready."

Another Training Investment Leader that recently found itself making an unprecedented—but necessary—investment in training to prepare for the future is the Wisconsin Public Service Corporation. With utility deregulation promising to transform the entire industry, the company's top executives decided in the early 1990s to start preparing their staff of 2,500 employees for the changes ahead.

"Deregulation opens the door to a whole different realm of knowledge areas and professional opportuni-

Selected Small Training Investment Leaders (1 to 499 employees)

Organization Name	Reporting Location	Industry	Training Expenditures as a Percentage of Payroll	Training Expenditures per Employee Eligible for Training (US\$)	Average Hours of Training per Eligible Employee	Percentage of Training Time Using Learning Technologies	Percentage of Training-Eligible Employees Who Receive
Catalyst International	Milwaukee, WI	Computer software manufacturing and development	1.59	867	60	20	100
U.S. Department of Energy Strategic Petroleum Reserve Project Management Office	New Orleans, LA	Petroleum storage	3.87	2,304	95.61	10	100
Rohm and Haas-Bayport Plant	La Porte, TX	Chemicals and plastics	3.07	1,752	28.57	10	100
Realtors Association of Metropolitan Pittsburgh	Pittsburgh, PA	Real estate	9.94	2,222	19.56	10	100
U.S. Telecom International	Joplin, MO	Computer software manufacture, computer telephony	5	1,071	124.57	20	75
Lifecore Biomedical	Chaska, MN	Medical devices	1.98	469	24.28	30	100
Tulsa Transit	Tulsa, OK	Local and suburban transit	3.93	1,172	16.67	10	100
Framatome Technologies	Lynchburg, VA	Engineering	5.91	1,971	111.11	5	90

Note: Two organizations declined to be included in this listing.

ties for our employees,” says Kathy Now. “And we all realized that we had to help employees adapt so they could help us make the most of the changes.”

Among other activities, the Wisconsin Public Service Corporation built a strong partnership with the technical college system in the area to create a learning center program. As part of the program, technical college instructors are on site for 10 to 40 hours a week in five learning center locations at company facilities to provide training, assessment, and other services.

The Wisconsin Public Service Corporation’s use of outside training providers is hardly unique among Training Investment Leaders. On average, the group reported that payments to outside companies represented 25.4 percent of all training expenditures in 1998, compared with 24.4 percent for all Benchmarking Service participants.

When asked what types of outside training providers they used, the answers of the Training Investment Leaders corresponded closely with the answers of the larger group. Most frequently used among both groups were “other firms,” including private training and consulting firms. Coming in next were four-year colleges and universities, independent training consultants and contractors, and product suppliers.

Learning technologies, yes or no?

How much training is delivered via learning technologies? For several years now, ASTD’s *State of the Industry Report* has found that organizations are delivering less and less of their training in a classroom setting and relying increasingly on learning technologies. While the 1999 report shows a leveling off in the participating firms’ use of learning technologies, it’s clear that organizations are making tremendous technology investments.

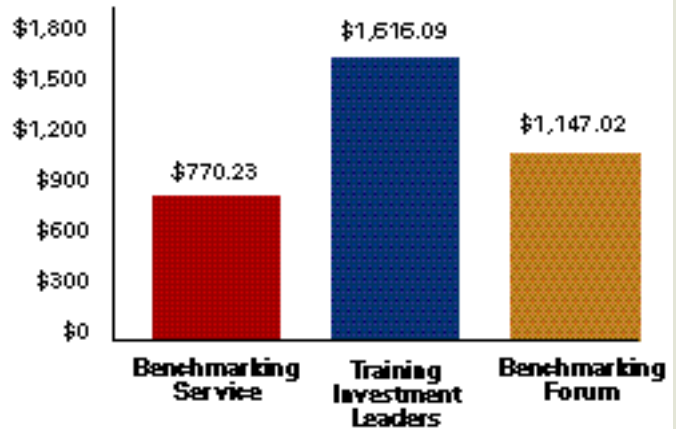
In 1998, the average participant in ASTD’s Benchmarking Service spent \$101,538 on learning technology hardware and software. In comparison, Training Investment Leaders spent more than four times that—\$463,898 on average, or \$64 per employee eligible for training. Other technology investments not included in that category could mean this figure is even higher.

But perhaps the best indication of a firm’s commitment to technology as a learning tool is the percent of training delivered via learning technologies. On this score, Benchmarking Service participants reported a figure (8.5 percent) that was less than half the percentage reported by Training Investment Leaders (18.3 percent).

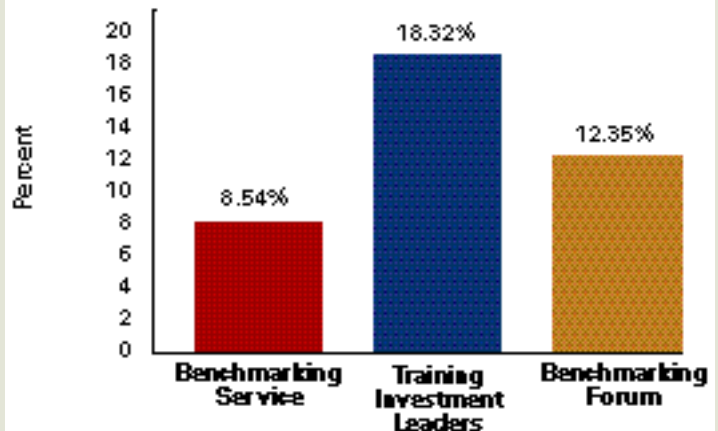
The organization reporting the most extensive use of learning technologies was the mutual fund company Van Kampen Investments, which delivers 57 percent of its training through technology. Stephen Carman, learning center manager, explains that technology allows the firm to provide self-paced training available to employees when they need it.

With more than 1,400 employees, Van Kampen Investments recently created learning centers at each of its three locations in Texas, Illinois, and Missouri. Each center is stocked with PCs and televisions, all

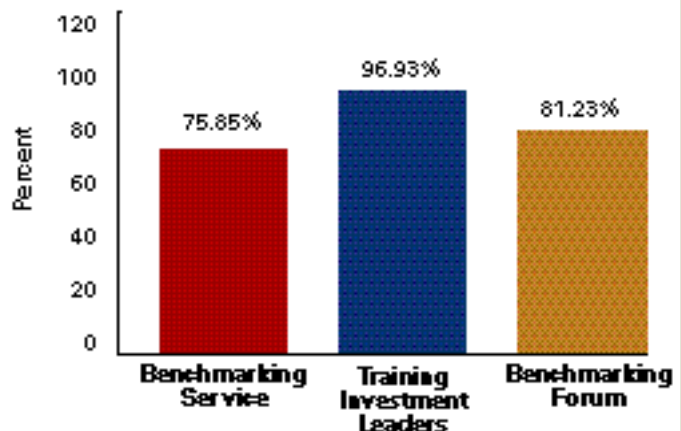
Average Total Expenditures per Training-Eligible Employee



Average Percent of Training Time Using Learning Technologies



Average Percent of Training-Eligible Employees Who Receive Training



hooked up to headphones. "It's a protected environment where you know you won't be interrupted and where you can focus on your training," says Carman.

Among the employees served by the Van Kampen Investments learning centers are the call-center associates charged with answering customer questions about everything from individual fund philosophies to redemptions and account transfers.

"The focus of our training is to meet the needs of employees on the front lines—to give them the knowledge and the skills they require to do their jobs," says Carman. "And technology allows us to put everything in a standardized medium that employees can access on an as-needed basis or whenever their work schedule allows."

How have Van Kampen's technology investments paid off? Carman says he believes the company's training approach is a major reason why Van Kampen Investments consistently wins the top industry award for customer service. Employees have the information and skills they need to meet customer needs as efficiently as possible. He also says training has helped with employee retention, in part by providing opportunities for employees to earn valuable new professional designations.

According to Carman, the top learning technology used by Van Kampen Investments is computer-based training, which, along with multimedia, was among the two most popular presentation technologies among Training Investment Leaders and all Benchmarking Service participants for 1998. Both multimedia and CBT were used by 83 percent of Training Investment Leaders; 65 percent of Benchmarking Service organizations reported using multimedia, and 53 percent reported using CBT.

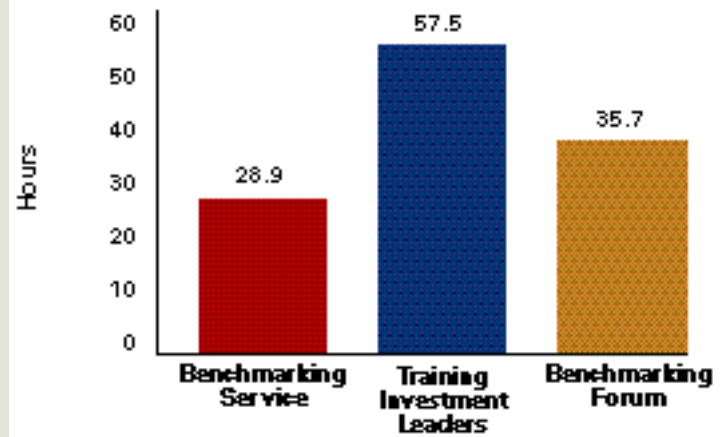
CD-ROMs and company intranets were the two most popular distribution technologies among all companies, with Training Investment Leaders reporting a much higher use of both. Eighty-six percent of Training Investment Leaders use CD-ROMs in some courses and 56 percent use intranets—compared with 56 percent and 32 percent, respectively, for the overall sample.

Commitment demonstrated

The Training Investment Leaders reflect the level of investment that's needed for organizations to put training and employee development at the core of their work to boost performance and profits. Many, if not most, are surely seeing the payoff that comes with making a commitment to organization-wide learning.

Whether it's U.S. Telecom's ability to hire from within when it opens a new profit center or Van Kampen Investments's knowledge that geographically dispersed employees have access to identical, standardized learning opportunities, the clear benefits of becoming a world-class learning organization are obvious if you look at what's happening in these firms. Even if it takes several years to come up with

Average Total Training Hours per Training-Eligible Employee



To Get the Full State of the Industry Report

The *2000 ASTD State of the Industry Report* is available for purchase. It contains a comprehensive picture of training in the United States, including the full results of ASTD's third annual U.S. survey of training and human performance practices. The report is loaded with tables, figures, and plenty of discussion and analysis on training expenditures, course types, evaluation practices, delivery methods, specific learning technologies, and more.

It's available for US\$30 for ASTD members (US\$40 for nonmembers) by calling 703.683.2783 and ordering product #00ASTDIR.

If you need additional information, the *United States Training Market Data Report* is also available for purchase. It's also drawn from the ASTD U.S. survey and is the most extensive report available on training in the United States. It contains industry snapshots, data breakdowns by size, region, and industry group, and, where available, data comparisons over time (1996 to 1998). Detailed data tables are provided for almost every measure that ASTD collects in the U.S. survey. Call 703.683.2783 to request pricing information for product #USTRMKT.

the resources to make the necessary learning investments—as it did for the Realtors Association of Metropolitan Pittsburgh—these organizations are finding that it's worth it.

With technology and the economy changing at an often dizzying pace, learning investments become necessary to keep an organization and its workers up to speed. But the Training Investment Leaders also are showing that learning is an integral and essential part of the day-to-day business of organizations—not just to keep up but to serve customers better, to work smarter, and to grow. □

Daniel P. McMurrer is a senior associate and Mark E. Van Buren is director of ASTD's Research and Enterprise Solutions. William H. Woodwell Jr. is a freelance writer. Contact McMurrer at dmcmurrer@astd.org.