Grand Central Training

An old subject—centralizing the training & development function—gains renewed steam

YOU MAY HAVE NOTICED that *T+D* has a new editor. You may have also noticed the magazine's new look. To keep current with all this newness, I've got a new column. Dubbed "The Enterprise," this bimonthly column will explore various issues affecting workplace learning—with a bent toward large organizations or enterprise-level themes.

Enterprise. The word is an interesting one. When most people think about enterprise-level learning, there's often an assumption that training is centralized, or controlled, from one primary department or person. In reality, many companies don't operate that way, traditionally employing a dizzying array of training departments. Something that's decidedly not new is the debate on what approach is best: centralized or decentralized. I imagine experts have been talking about that since the inception of training itself.

A movement

But lately, it seems there's renewed movement toward centralization. Several large organizations, particularly Fortune 500 companies, have taken significant steps to unify their disparate training groups, with some common catalysts driving that movement. Dare we call it a trend?

"My organization has recently changed from a decentralized approach to a centralized one. I've spoken with [more than] a dozen peers who have either completed or at least started the same journey. So, with that limited sample, I'd say it's a trend," says George Selix, chief learning officer of the Cendant Real Estate Franchise Group. Cendant is number 106 on the Fortune 500 list. With well-known but diverse brands—such as Century 21, Coldwell Banker, ERA, Sotheby's International Realty, Orbitz, Avis, Budget, Days Inn, Howard Johnson,

Ramada Inn, and Super 8, Cendant is exactly the kind of company you'd expect to have decentralized training and development. But the centralized model doesn't need to be impersonal, explains Selix.

"Our new division of labor within the Real Estate Franchise Group leaves each of our real estate brands with a 'learning leader,' someone who is the voice of learning for the brand and keeps instructors in the brand," Selix notes. "Everything else, by and large, is centralized: needs analysis, content development, fulfillment, e-commerce, and tech support. And, a funny thing happened as we built the larger core: We began to be recognized as a group that could deliver training on a large scale. So, now we're also the deployment group for software and technology rollouts for both our franchise affiliates and internal staff."

Cendant is one of many companies that have made this shift. In one of the larger initiatives recently, Boeing also moved to a centralized model less than a year ago.

"The training in Boeing used to be decentralized, primarily based on geography. There was no common or core curriculum, other than for leadership," relays Bonnie Stouffer, Boeing's chief learning officer. Boeing, the world's leading aerospace company and the largest manufacturer of commercial jetliners and military aircraft, is the 21st largest company on the Fortune 500.

"In June of last year, the learning, training, and development function was centralized at Boeing for the first time as part of an overall corporate strategy to centralize certain functional areas," Stouffer explains. "It was done in an effort to give overall process ownership and policy to one organization; we had too much variation in the system, as well as duplication. Within the learning,

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training, and development organization, the intent is to drive stronger alignment to the business strategies, streamline and consolidate processes and systems, gain some economies of scale, and aggregate our buying power. We're also implementing scorecards to measure and report rates, quality, delivery, and other related metrics."

Like those who argued for centralized learning long ago, economies of scale and control over spending continue to be strong catalysts for centralization.

"The centralized approach allows for a lower total cost of operation for the business because technology platforms are shared, standard authoring and reporting tools are used, and content is shared across teams, minimizing redundancy," notes Rob Lauber, executive director of learning services for Cingular Wireless, the largest wireless company in the United States. "Because of its centralized nature, our business knows exactly how much it spends on formal learning each year."

"In the last six months of 2004, we achieved [more than] $4 million in cost savings and productivity improvements," Stouffer adds. "We did that by discontinuing some redundant training, migrating some classroom training to web-based training, and renegotiating some vendor contracts among other things."

The tech difference

One element that makes this debate decidedly different from years past is the role of technology in training. Technology is often at the core of most training departments' strategies to centralize. It not only provides opportunities for cost savings, but also gives the organization the control it needs when dealing with large, diverse, and distributed audiences.

"By centralizing, we're hoping to gain standardization, efficiency, scale economics, and avoidance of legacy systems. Such things can often result from decentralized structures," states Carl Castrogiovanni, director of business development at Harley-Davidson, the only major U.S.-based motorcycle manufacturer and number 355 on the Fortune 500. "It makes no sense to have more than one LMS just because you have more than one training target group. A single technology platform that allows for separate training domains should ultimately cost the firm less money yet still allow the divisions or departments to control their own programs."
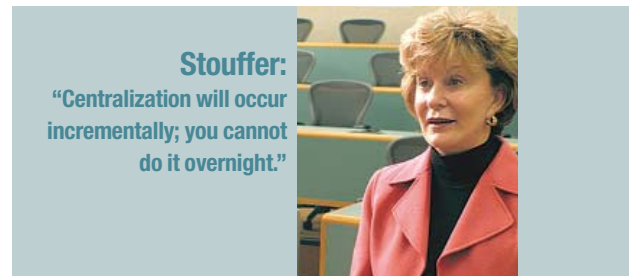
"We were able to cut the cost of training by nearly half when we centralized and implemented e-learning," says Cheryl McConnaughey, president of Schwan's University. Schwan is a worldwide leader in branded frozen foods and a top winner of the ASTD BEST Award for the past two years. "It's not as effective as we'd like, but it's only been three years. We're still in our infancy—trying to be adults—but with the experience level of teenagers. It's getting there."

"Technology enables a centralized model to work for another big reason: culture," advises Lauber. "We're able to drive a common employee experience across our business through this approach. That ensures that managers across a largely dispersed audience and functions in the business are receiving the same messages and can speak the same language."

Leadership and learning

Over and above technology, the involvement of senior management in learning and the increased recognition of learning's role in the strategy of the organization are also key catalysts to a shift away from decentralization. For those executives, what clearly drives a shift to centralization is a desire for bottom-line performance.

"While technology is a critical component, the reasons to centralize learning have everything to do with senior leader-

ship," Selix comments. "When we started, we worked at the margins, trying to find ways to drive performance through learning. Key learning technologies were the enablers, and we couldn't have done it without them. But, ultimately, it wasn't really about the technology. We had to drive business results."

Once one group experiences success, it's not uncommon for the expectations to rise for other groups. Selix explains that was exactly the case with Cendant:

"After a few years, it became pretty obvious that there was a disparity in the learning results across Cendant's real estate brands. Through technology, one group was generating millions of dollars of increased revenues; others weren't. That's why ultimately we were able to centralize all of the back-end operations in the company. The technology scaled to

allow us to run an enterprise-wide system, but it was the business results that the senior leaders cared about—and now expected—across all of the brands."

Despite the benefits of a centralized model, most will admit it's not an easy transition.

"Moving from decentralized to centralized is a political hair ball," cautions McConnaughey. "Ownership of the different business units is usually the sore subject."

"Impediments include organization momentum, turf wars, and the breadth of requirements needed to meet stakeholder desires," says Castrogiovanni. "At Harley-Davidson, there was initial skepticism about all groups working together to find a single solution and groups fearing a loss of control over their domains."

"Many organizations are struggling with how to make the case for a centralized organization. They struggle with funding models and governance the most, from what I have seen," says Lauber. "But the biggest impediment to overcome is to ensure that executives still feel in control of the learning organization. In many cases where a corporate university has been established, there's a disconnect from the business. Paying attention to business alignment is critical to sustained success."

"We had some resistance from within the training community on becoming part of a centralized system and moving to billing rates with affordability targets," admits Stouffer. "There was also some resistance from the business unit leaders who wanted to continue having dedicated resources, even though they were part of corporate overhead and the costs were more invisible. Objections can be overcome through ongoing communications to all key stakeholders outlining the business case, the strategies, and the long range business plan."

For organizations that have been running under a decentralized structure, the shift often takes patience and planning.

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"Centralization will occur incrementally; you cannot do it overnight," Stouffer advises. "The strategies and work need to be staged, and, in many cases, infrastructure needs to be put in place first—which takes time and money and isn't always that obvious to the system. I believe we will reap the full benefits in about a three-year time period. Once we hit steady state and critical processes, [and the] systems and tools are in place, then it may make sense to do some decentralization—a hybrid model. But to get the system in place and drive the change, a centralized approach is critical."

"Although it's been an up-and-down ride, right now it's up," observes Selix. "The only thing we haven't been able to do is get the incremental revenue that derives from learning back into the learning budget. Right now, it drops to the bottom line. But that's really okay; we usually can get initiatives—even headcount—authorized because of our track record of driving results."

Measurable, positive results usually make a pretty strong argument. In the near term, I suspect many other organizations will tolerate the up-and-down rollercoaster of converting to a centralized model, as long as senior leadership recognizes the strategic benefit to the organization.

That's an observation that never grows old.

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