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Report At a Glance

Point, Counterpoint is based on the 1999 ASTD State of the Industry Report, by ASTD research officers Laurie J. Bassi and Mark E. Van Buren. Here are some highlights.

- U.S. companies are spending more money on training than ever before, but the spending gap between leading-edge and average companies is widening.

- From 1996 to 1997, most firms in the study increased the amount of money they spent training employees by about $150 per employee. By contrast, leading-edge firms increased their investment in training by $300.

- Typical total training expenditures per average company in the 800-company sample grew from $1.4 million in 1996 to $2 million in 1997. Leading-edge firms increased their spending from $3.4 million to $4.1 million in the same period.

- The average firms in the study spent less training money on each employee than did leading-edge firms and trained fewer of their employees—74 percent for the average companies, compared to 86 percent for the leaders.

- Information technology, transportation, and public-utility companies in the sample spent the most on training overall and the most per employee.

- Outsourcing of training grew by 20 percent in 1997 for the companies studied.

- Job-specific, technical-skills training, including the use of technology, was the most frequent kind of training delivered (17 percent), followed by management and supervisory training (12 percent), computer literacy and applications training (12 percent), professional-skills training (12 percent), executive development (4 percent), and basic skills (2 percent).

- The use of technology to deliver training increased 50 percent in 1997, but its overall use was low. Leading-edge firms reported that training delivered via technology accounted for only 12 percent of total training time for the year. They predicted, however, that by 2000, their use of technology for training would increase to 27 percent of training time.

To purchase a copy of the 1999 ASTD State of the Industry Report, *contact ASTD Services at 703.683.8100.*

Is the glass half empty or half full? Robert B. Reich, former U.S. Secretary of Labor, and Daniel Goleman, researcher and author of *Working With Emotional Intelligence*, debate the pros and cons of the trends revealed by ASTD's research on the state of the training industry.

Training leaders gathered recently at the Disney Institute in Lake Buena Vista, Florida, for a press conference announcing the results of annual research conducted by the American Society for Training & Development on the state of the training industry. The event, co-sponsored by ASTD and the Disney Institute, included a debate between Robert B. Reich, former U.S. Secretary of Labor, and Daniel Goleman, author of Working With Emotional Intelligence. *Laurie Bassi, ASTD's director of research, moderated the press conference and discussion, which included questions from the audience.*

Photo by Alain Boniec

Goleman: The ASTD State of the Industry Report shows that things are getting better, but it prompts some questions for me about the kind of training being offered, the people to whom it is offered, and how we are offering it. The report suggests that training is becoming more focused on technology and that technology is becoming a more common medium for training. And it shows that training goes more to the haves than the have-nots.

From the point of view of emotional intelligence, which is my field of expertise, these trends have some inherent dangers. It's great to have people who can understand and use new technologies, but if we focus too much on machinery, there's a danger we will have technically competent people who can't lead, motivate, or collaborate with others. I fear we will lose touch with the importance of people skills.

My book, *Working With Emotional Intelligence*, reports on studies in hundreds of organizations around the world. These studies look at what sets an outstanding worker apart from someone who is just average, and the answer is very interesting. In the three domains of ability—technical skill, cognitive ability or IQ, and emotional intelligence—emotional intelligence is twice as important for outstanding ability as technical skill and cognitive ability combined. And this is as true for entry-level workers as it is at the top of the organization.

Technical skills are important; they will help a person get a job and keep it. But what helps someone move ahead once hired are

Counterpoint

emotional-intelligence traits such as adaptability, self-confidence, and motivation. If we offer only technical-skills training, we neglect the abilities that make people succeed and that help them advance in their organizations. We need to train people in emotional intelligence, too.

I also think there's a danger in trying to use technology to teach people skills. With a CD-ROM or an Internet-based training program, you don't have the face-to-face contact that is so invaluable in learning and practicing people skills.

I'm co-chairman of the Consortium for Research on Emotional Intelligence, which analyzed the literature on training in soft skills. We found that there are 16 practices that need to be included in training for it to have maximum effect. They include things like tailored learning plans and a supportive environment in which people can practice newly learned skills on the job.

As ASTD's research suggests, there's a direct correlation between the market value of a firm and how much it values its human resources.

Reich: I want to commend ASTD. For many years, it has blazed the trail in benchmarking good practices, and its current work on measuring the outcomes of training is very important. Without such measures, we can't even begin the enterprise of making sure that [the American] workforce is second to none.

I was struck by a couple of things in the ASTD report. It has the aspect of a glass both half empty and half full. Like Dan, I'm gratified that more training is

Questions From the Audience

Q: *Mr. Goleman, what impact do you think more widespread emotional intelligence might have on gender equality at work?*

Goleman: Emotional intelligence isn't one thing. It's a profile of self-awareness, of managing your feelings, of motivation, of empathy and social skills, and so forth. There are large data sets that tell us that there are gender differences in these traits. Women on average tend to be better than men at empathy. And that is a crucial skill for customer service, coaching and mentoring, persuasive communication, and so on. Men, on the other hand, tend to be better than women at managing distressing emotions.

I think that, on average, the differences level the field. But if you look at skills that are particularly important for leadership, women in general might tend to have an edge. If people were selected on the basis of actual competence, more women would gravitate to leadership positions.

Q: *With all of the resources available today, do you believe that any functional illiteracy is voluntary and, if so, what percentage?*

Reich: I don't think very much functional illiteracy is voluntary, but there is some combination of personal motivation and environment behind success and failure. I'm concerned about the quality of the education given to young children. There are day-care situations where young children get almost no interaction with adults. If we miss giving three- and four-year-olds the attention and nurturing they need, can we really expect emotionally intelligent adults who are not just functionally literate but also capable of whole lives and good judgement?

Goleman: That's an important question. I think we should be teaching kids emotional-intelligence skills as part of their regular education. The brain is the last organ to mature anatomically. It shapes itself through repeated experiences. The more you practice something, the stronger its underlying circuitry becomes. Emotional intelligence depends on regulatory circuits that are the last part of the brain to mature, at about age 13 or 14. That gives kids a wide window for learning how to manage impulses, how to handle anger and distressing feelings, how to empathize, how to collaborate, and so on.

There's data suggesting that emotional-intelligence skills have been on the decline for a generation—especially in the group that is just now entering the workforce. Companies are having to do remedial work on skills that should have been taught in school. I'd like to see an enlightened collaboration between business and education to help schools teach these skills.

Reich: I'm concerned that businesses will train only in firm-specific skills. They have an economic incentive to do that. The more that skills are 'generalizable' to an industry or to an entire economy, the less businesses can appropriate the benefits of training people in those skills. Businesses really don't have an economic incentive to bring a generation of employees up to minimum levels of competence.

Goleman: I think it's obvious that companies have to take responsibility for teaching emotional intelligence to employees who don't have it. The data I've seen from companies suggests that these are the abilities that make outstanding employees. Firms definitely benefit from teaching any skills that help people become more productive.

Reich: Of course, companies benefit from providing generalizable training, including training in emotional intelligence. But a chief financial officer going on and that companies are, apparently, taking their employees' development more seriously than they did before. But I'm a half-empty kind of guy, and I want to focus on some of my concerns.

I was also struck by the growing gap between the leading-edge firms and the average firms—not only in the amount of training they do, but also in its quality. I see a direct relationship between that gap and what's happening in the stock market. The stock of leading-edge firms has been soaring, but, overall, the stock market is not doing nearly as well as the Dow Jones Average suggests because many, many medium-sized and small firms are not training as they should. They're not developing their human resources. Their market values aren't nearly as high as they could be. As ASTD's research suggests, there's a direct correlation between the market value of a firm and how much it values its human resources.

Average firms are challenged to make sure that people are considered assets to be developed. Part of this is the way balance sheets are shaped. Instead of putting human resources on the asset side of the balance sheet, too many companies consider people a cost of doing business. The word goes out to minimize the cost of doing business—to minimize labor costs, including employee training.

This is not the way to do business in the new global, high-technology economy. People are a company's most precious asset. You sustain and develop competitive advantage by having people who are not only skilled, but are also fired up, inspired, imaginative, creative, and able to do even more than required.

The ASTD report also helps explain why, despite huge investments in information technology over the past five or six years, productivity gains in the United States are still rather modest. This has been a continuing puzzle for economists. When the gap between technology investments and productivity gains first opened up, many people said, "Well, it'll take some time for

would say, "It's cheaper for us to put the training money into recruiting people who already have a degree of emotional and analytic intelligence. It's more efficient than trying to lift everyone up to a minimum level of competence."

Goleman: I think it alienates people when companies look outside rather than help improve the skills of the people they already have. As the ASTD report shows, training is becoming an incentive for retaining talented people.

Reich: We may be talking past each other on this topic. I'm saying that a great company will recruit people who are at the 96th percentile in terms of analytical and emotional intelligence and maybe even move them up to the 98th percentile as an inducement to stay. But what about people in the 20th percentile? They're the ones who really need a lot of help. Who is going to do it? I'd like to hear an argument as to why companies would do it.

Goleman: I'm not sure I have that argument. It's a tough one because we don't have the data yet. But when we can show the ROI on training, we will be able to make that argument.

Reich: Not long ago, I worked with a Canadian company in the hospitality industry. It did something remarkable that I think is a lesson for us in this discussion. It was having trouble getting the people who make the beds and clean the rooms to do a quality job, so the company changed its approach. It told the housekeeping staff that instead of being responsible for specific things like making beds, each person was an innkeeper in charge of 10 rooms. And do you know that productivity and quality went way up. People were motivated to learn how to do their jobs better.

What I'm getting at is that I don't think we can separate training from organizational design or from the design of work. I believe that state-of-the-art training is completely integrated into a company's culture. People know that it matters whether they learn or not. They know that if they become better at cleaning rooms or serving customers, it will be noticed and rewarded. They know that the organization supports their taking the time to learn. There's nothing more demotivating than coming back from a training program to a supervisor who doesn't care.

Goleman: Well, there are a lot of emotionally intelligent people working in emotionally dumb organizations. But not for long.

Q: *Wall Street and influential investors such as Warren Buffet are starting to put money into education and training companies. Entrepreneurs are beginning to buy up and consolidate a large number of training companies. What is the long-term implication of this for the training field?*

Reich: Pension funds, institutional investors, and other types of fund managers are just beginning to look at the extent to which companies train their employees and take their human resource development seriously. They are beginning to note that nonfinancial performance criteria have a lot to do with future financial performance. So, instead of simply looking at past financial performance as an indicator of where a company is going, they are starting to see that a more accurate and better indicator of future performance is how a company utilizes its human resources.

That's a very positive trend and, to the extent that there can be better data, I think Wall Street will respond. That in turn will put pressure on laggard companies to do better. There is no better way to get the attention of a CEO than to receive a call from a large pension-fund manager with a question. It's much more effective than a call from a secretary of labor. ❑

those investments to actually affect productivity." When that didn't happen, people said, "Well, maybe our productivity numbers simply don't measure all of the ways in which workers and companies have become more productive." Now, they are scratching their heads and saying, "There must be something else going on."

I think there is an X factor that explains why we are seeing productivity increases of only about 1 to 1.5 percent per year, despite the huge investments in information technology. We aren't investing enough on the human side of the equation in the people who fix the technology, use the technology, sell the technology, and envision its possibilities. Without investing in people as a corollary to investing in technology, you simply have a lot of machinery. You cannot generate the capacity for productivity improvements when people are not adequately trained in technological skills and people skills.

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The ASTD report also alludes to another problem that I think we must face honestly. Most training goes to managerial, supervisory, white-collar, salaried employees. Eighty percent of people at work today are hourly workers; they aren't getting the training they need, and the gap between the two groups appears to be growing. It parallels a gap in wages, earnings, and wealth that, until 1996, was growing wider and wider in the United States. It stopped widening in large part because interest rates came down, labor markets grew tight, and people at the bottom of the gap gained more access to jobs or held more than one job.

People at the bottom of the wage gap are doing better than before, but the gap is still there. I worry that once the business cycle completes its full up-and-down movement, those people will still not have the kind of education and training they need to be full participants in this new economy.

I'm concerned about technological and emotional intelligence, but I'm also concerned about functional literacy. Twenty percent of adults in the United States are functionally illiterate. They can't write clearly, can't communicate clearly, and can't do simple computations. We cannot have a more prosperous society, a fairer and more just society, or a society that is capable of being genuinely competitive over a long period of time if we don't do something about that. To me, that is one of the largest training and educational challenges we have.

Again, the glass is half empty, half full. Let's congratulate ourselves on how many businesses are taking training seriously, but let's be very clear-eyed about the challenges of the future.

Goleman: Bob, you point out that even though ASTD's correlating data shows that leading-edge companies do more to train their people, executive committees and top leaders still see people as a cost, a liability, something to cut. We also know that education, training, and skill development are paths to upward mobility. Given that, how would you make the case to someone in the boardroom to invest in training?

Reich: That's a good question, Dan. I've spent a lot of time over the past 20 years arguing with chief financial officers who still see only that payrolls are 60 to 70 percent of the cost of doing business. They say, "It's cheaper to outsource or subcontract or send work abroad. Why do I have to worry about developing people's skills and competencies?" And I keep saying back to them, "Over the long term, you have to have inside talent and competence in order to understand what customers need, to innovate, and to stay ahead of your competitors. Any competitor can outsource; any competitor can replace people with machinery; any competitor can 'commoditize' his business. But if you want to say ahead, by definition you have to stay ahead of the competition." Then, the chief financial officer replies, "That all sounds very reasonable, but I can't really understand anything I can't measure. Put it in dollars and cents."

Well, that is what ASTD is doing with its research, trying to put it into dollars and cents. It's trying to make clear to financial types how important training is and how screwed up traditional balance sheets are.

Goleman: It's true that this is a hard case to make to a CFO, but I think there's another part of the story. If training is going to sell itself, it has to put its own house in order. I'm thinking of the CEO of a major pharmaceuticals firm. He's an M.D. and a Ph.D. research methodologist, a very crackerjack guy. He's looking at his spreadsheets and sees that the firm spent $240 million in one year on training. But he has no idea what the return was on that investment. So, he mandates, because he's the CEO, that the company do a study of the ROI on its training and that the study have as strict a methodology as though the firm were introducing a new drug on the market.

What did the study find? The premium program, in which executives went away to a resort in the Adirondaks for leadership training with people from a fancy business school, had a negative ROI. It had no effect on leadership. The company's main training program for supervisors also had a negative ROI. After the training, supervisors were less good at the very skills they were supposed to improve. There was also good news: A lot of the training programs *did* work.

My point is that the training field needs to be more rigorous about the evaluations that would help it make the case that training matters in ways that affect the bottom line. It also needs to look harder at the practices that actually result in better performance, and it needs to police itself. There's a lot of training sold to companies, from outside and inside, that ignores what works.

For example, let's take emotional intelligence. It comes from a different part of the brain than IQ intelligence, the kind that goes to school. Emotional intelligence comes from a more primitive part of the brain. The emotional brain learns differently. It doesn't learn in the classroom model; it learns in the behavior-change model. It needs lots of practice.

If you're training people in people skills and you don't give them an opportunity to practice on the job with real people, you're skipping the part of the training that would be the most potent and effective at producing the results you could take to the CFO.

Reich: I think that's absolutely right. The training community has to develop better measures of return-on-investment, but accountants and chief financial officers also have to do a better job. Both groups need to understand better how training creates value.

This can get very complicated in a company that's a real learning organization, where there's no difference between work and learning. To try to extract out of that the value of training is a little bit like counting how many angels can fit on the head of a pin.

At the other extreme, I've seen companies where nobody seems to be learning a thing. Not only is the ROI of training negative, but also these companies cling to old bookkeeping ways that treat hourly workers as fungible costs of doing business. These companies have been successful in the past, and that almost makes it more difficult for them to learn how to do better.

Dan, I have a question for you about emotional intelligence. I'm speaking now as someone who has watched the labor force for many years, but also as a classroom teacher. You draw some very valuable distinctions between emotional intelligence and the way we normally think of intelligence as the ability to take tests and other cognitive abilities of all sorts. As a teacher and as a manager—I managed 18,000 people for four years—I noticed that it is very hard to teach people cognitively unless they are emotionally intelligent. If they're defensive, if they don't have much self-esteem, if they're closed down emotionally, you can try every cognitive learning technique you want and they're not going to learn very much.

The opposite is true as well. People who are emotionally intelligent, to use your term, are quick cognitive learners. Therefore, my question to you, as a practical matter, is it useful to separate the two kinds of intelligence? Shouldn't we design learning systems and learning environments that merge the two?

Goleman: That's a good point. I don't argue for separating them in practice. I separate them theoretically because we tend to ignore one at the expense of the other. In our culture, there's a sort of mystique about IQ, while we ignore the importance of soft skills. That's why I feel it's important to put a spotlight on soft skills.

There's a telling study comparing the test scores of people entering Harvard graduate schools with their career performance in the field: It shows no correlation. When I was at Amherst, there was a freshman in my dorm who had perfect SAT scores and on three advanced-placement tests. This guy was IQ smart, no question. But he couldn't get out of bed before noon, never went to class, and couldn't get his papers done. It took him 10 years to finish his degree. He lacked emotional-intelligence skills.

Reich: At the Department of Labor, I occasionally hired people who were dynamite on paper and who really understood the field they were in. They were very valuable employees, but I couldn't send them to Capitol Hill or to a White House meeting. They had no judgement. They had high IQs and a lot of analytic ability, but in a human situation they couldn't figure out what was appropriate, what was needed to work well with others, or how to apply their analytic prowess in high-leverage ways with other people. They would crash into the wall of their own character.

I would love to have given someone like that the people skills that would make them more valuable. But is it possible? I can see giving somebody the techniques of appearing self-confident, but can you actually get into their souls?

Goleman: Well, that's the good news. Unlike IQ, which basically doesn't change after childhood, emotional intelligence is teachable and learnable. It is a repertoire of learned abilities, and the training industry is the vehicle for delivering this to adults.

There is a particular need for this in technical fields, in which a high IQ is the price of entry. In a field for which you need an IQ of about 120 just to pass the threshold, there is very little variation on the IQ dimension. However, there is almost no selection pressure for emotional intelligence, and technical fields are full of people who can't get along. They're missing a very specific set of skills and competencies, such as persuasion and influence. You can go to Capitol Hill with all of the right data to make a presentation, but how you deliver the data is all about emotional intelligence. It's about reading an audience and knowing what people are feeling. It's about knowing when to switch from a purely rational argument to a telling anecdote. It's empathy.

These skills can be broken down into components and taught. You can show people what they're not doing and give

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them a protected environment in which to practice new behavior. You can help them monitor themselves to know when they're not using the skills, and you can support them for the time it takes to change. At the end of the process, you'll have someone who is better at these skills. It has been done again and again. ❑

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