

# The C-Level and the Value of Learning

**A groundbreaking study examines CXO-CLO alignment and disagreement on the strategic value of learning.**

LEARNING IS BECOMING an increasingly important function for all companies to develop and maintain the individual and organizational skills needed to create a competitive advantage, increase efficiencies, and improve bottom-line results. IBM's 2004 Global CEO Study revealed that CEOs are focused on accelerating growth, enabling transformation, and increasing productivity. They also recognize that employees' development is essential to achieving these goals. In fact, 75 percent believe that employee education is critical for future enterprise success.

As a result, chief learning officers and other learning executives are increasingly being called upon to play a more strategic role in organizations. But the question remains: Do their strategies for maximizing the impact of learning align with what CXOs, the C-level business executives, perceive as valuable? How should the corporate learning function respond to the strategic business needs of growth, transformation, and productivity? How should it be held accountable for adding value to the business? And, most important, are CXOs and CLOs in sync with the role that learning plays in responding to changing business needs and how that response is measured?

To address these questions, IBM and ASTD Research recently partnered on a study to investigate the CXO mindset and how it compares to that of CLOs. It was the first known study to specifically examine the alignment of C-level and CLO perceptions around the strategic value of learning.

The study included in-depth interviews with C-level executives and CLOs at 26 organizations across 11 industry sectors. At each organization, a CXO and CLO were interviewed separately and asked the same six questions

focusing on the learning function's response to business needs and its performance relative to that response. The questions were based on the assumptions that learning needs to accelerate growth, enable transformation, and increase productivity (chart 1).

Then, the answers were compared to determine where perceptions aligned and where they did not. The findings suggest that there are significant opportunities for CLOs to align more closely with C-level expectations and aspirations, to make learning more strategic and central to the ongoing success of the enterprise.

## **Learning as a provider of strategic value to organizations**

According to the study's results, both CXOs and CLOs think learning provides strategic value in many ways. These value propositions fall into three categories: enterprise strategy, business unit productivity, and individual capability. (Chart 2 indicates the number of times that CXOs and CLOs mentioned particular aspects of learning's strategic value. The green diamonds show areas where there was close alignment, and the red diamonds represent variance in responses.)

CXOs emphasized learning's increasingly strategic role in changing the business at the enterprise and individual capability levels. They see learning's strategic value as building the capability necessary to address the future challenges of the enterprise. For example, according to one CXO participant, "Learning is the major investment to build the capability to drive the business forward." Some CXOs also expressed a desire for the learning function to be more proactive. One participant said, "The learning function should lead, not respond. It should be proactive and be included in the

strategic thought process and data flow of executives.”

By contrast, CLOs emphasized changing the learning function to serve the company at the business unit productivity level. One CLO explained, “Ninety-five percent of our learning is technical and focused on skills and performance. At a basic level, training allows our organization to operate.” CLOs also indicated that they are moving beyond learning to focus on talent and performance issues related to the current needs of business units. According to one participant, “Learning will engage early to analyze and improve the design of jobs, processes, and technology-based performance support tools.”

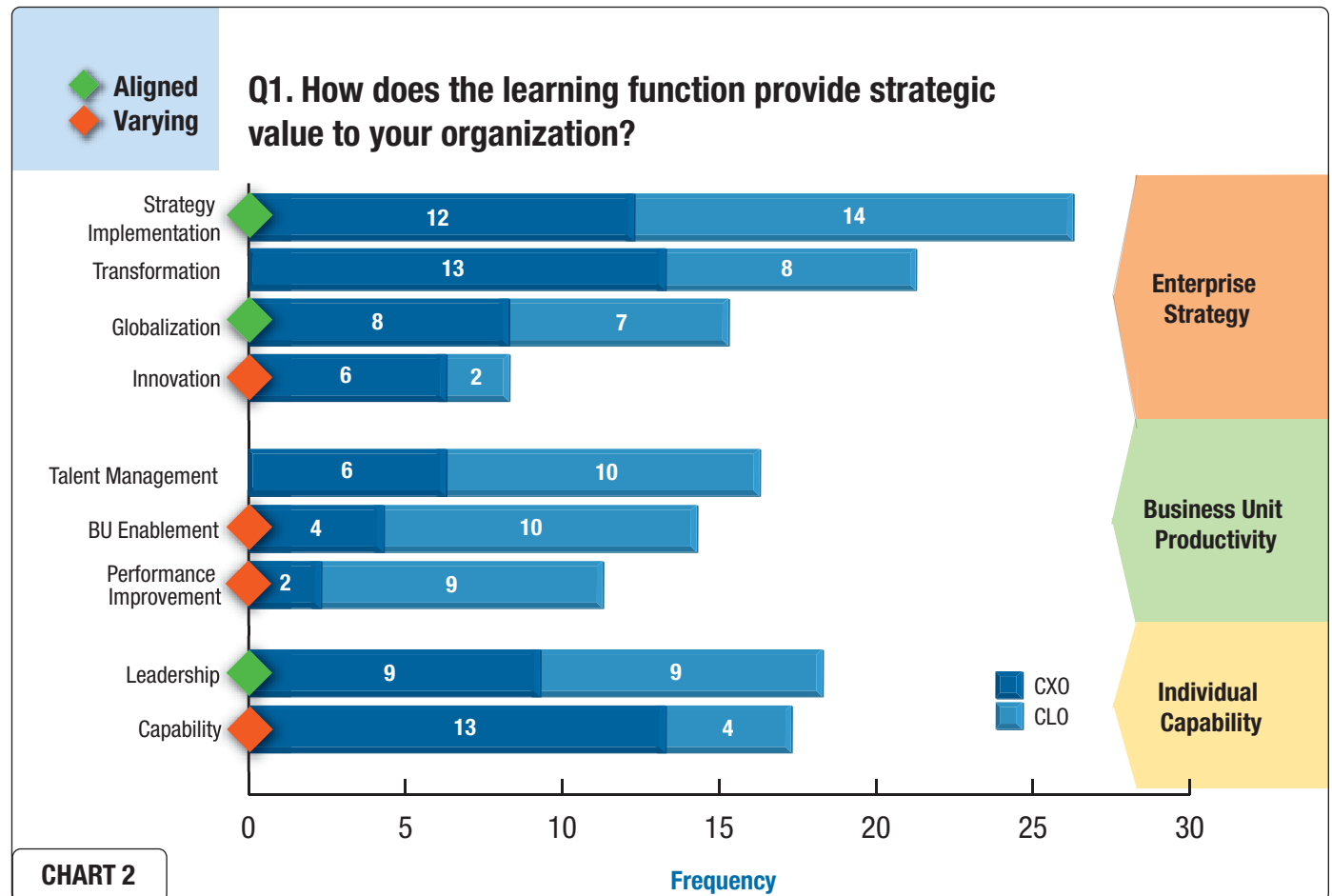
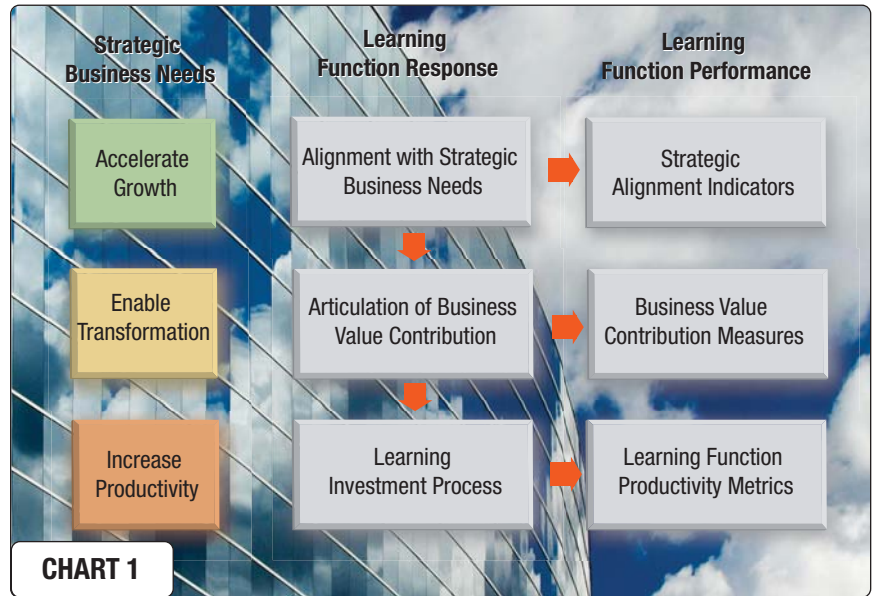
The study’s findings suggest that to more closely align with CXOs on the strategic value of learning, CLOs should articulate learning’s value at the enterprise, business unit, and individual capability levels.

CLOs should also ensure that their senior executives are aware that they are developing learning strategies,

approaches, and infrastructures that simultaneously respond to enterprise-level strategic needs as well as business unit operational needs and individual development needs.

### Translating strategic activity into business results

Learning is viewed by both CXOs and CLOs as having significant impact on business results, including revenue, productivity, turnover, and innovation. These business



◆ Aligned  
◆ Varying

### Q2. How does the learning function's strategic activity translate into business results?

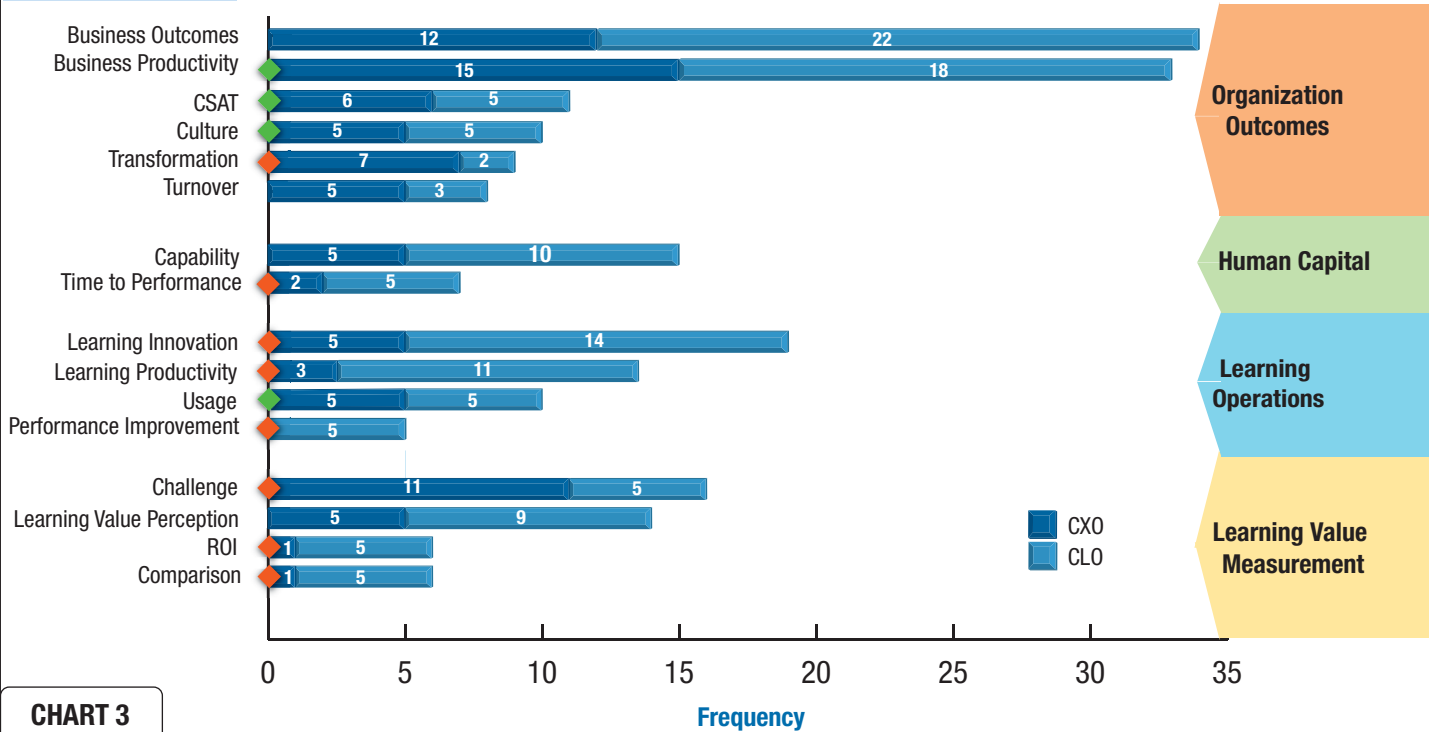


CHART 3

◆ Aligned  
◆ Varying

### Q3. What is your involvement in the learning investment process?

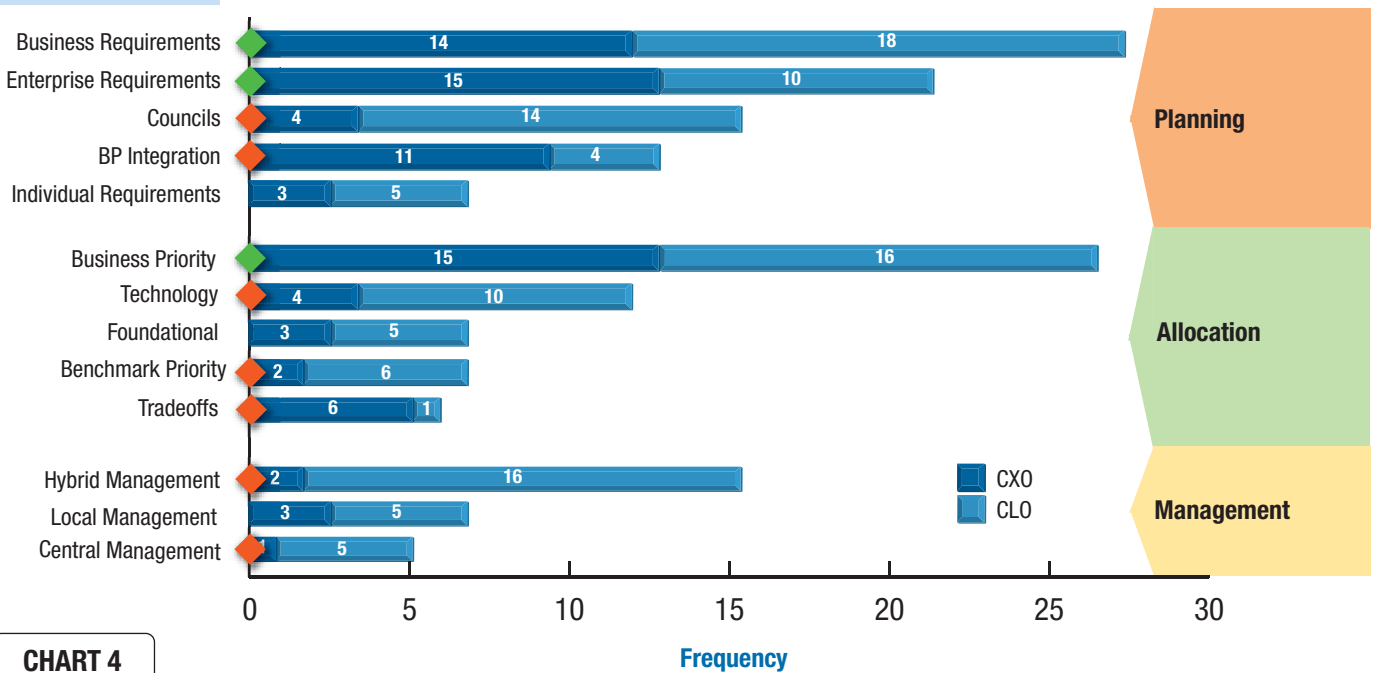


CHART 4

results fall into three categories: organization outcomes, human capital, and learning operations. In addition, both CXOs and CLOs discussed the challenges involved in measuring learning's value

contribution and the data they currently use for evaluation. Chart 3 illustrates the number of times that each group mentioned aspects of the business results categories and learning value measure-

ment.

CXOs emphasized the challenge of linking learning to business results and appear comfortable with correlations and stakeholder perceptions over direct

evidence of learning's strategic value. For example, one CXO said, "I am not concerned with separating out the business value attributed to learning." Another said, "We don't have any hard metrics around effectiveness and ROI. I would rather have an ROI measure, but for now I take it on faith." Yet another advocated a compromise: "You can't measure everything. Some programs should have ROI, but others you just have to invest in on faith."

The results also indicated that CLOs acknowledged that CXOs are not as concerned about ROI and isolating learning's contribution to business results. For example, according to one CLO participant, "Our efforts in tracking ROI for learning are greater than the demands of our senior executives." Another CLO said, "We're striving to come up with better ROI metrics that truly connect to business value. But senior executives are not demanding this from us. They are comfortable with anecdotal observation." Also, some CLOs are providing correlational evidence to CXOs. For example, one CLO participant said, "Our competence index can be tied to business outcomes so I can show correlation between role competence and business impact." Others focus on program-level ROI. For example, one participant said, "We're pretty organized around measuring learning's value at the program level. However, we are aware that ROI analysis is subjective and can be open to judgment."

To more closely align with CXOs on how learning translates into business results, the survey results suggest that CLOs should balance metrics and ROI data with anecdotal evidence. CLOs should also focus on measurement that correlates the learning function's activity with its strategic value at all levels.

**Investing in learning: assessing CXO and CLO roles**

Learning governance is seen by both CXOs and CLOs to be the primary mechanism for aligning learning activity with strategic business needs. Overseen by the CLO, learning investment governance falls into three primary categories: planning, allocation, and management.

- Learning investment planning and al-

location seek to optimize the learning investment relative to the needs of the business.

- Integrated learning investment planning ensures that enterprise, business unit, and individual learning requirements are captured and addressed.
- Learning investment allocation leverages councils to ensure balanced investments across enterprise, business unit, and individual learning needs.
- Learning investment management seeks to optimize control of the investment via centralized, localized, or hybrid management.

Chart 4 shows the number of times that each group mentioned various aspects of learning investment planning, allocation, and management.

According to the study, CXOs emphasized integration of learning investment planning with the annual business planning process, tradeoffs between investment in learning and other business functions, and how to balance enterprise and business unit learning needs. As one CXO explained, "I look to the governance process to match my requirements for learning to the reality of what can be accomplished given the business climate." Another said, "We'll scale back in some areas and emphasize others based on the needs of the business."

CLOs emphasized the bottom-up business planning process to identify and prioritize business unit learning requirements. For example, one CLO participant said, "I see myself as the product manager for learning for the enterprise. I ensure that the money spent per employee is appropriate and that the distribution of that money spent is aligned strategically." CLOs also emphasized the management of learning investment, particularly obtaining the right centralized/decentralized balance. However, there was disagreement among CLOs regarding the best mix of centralized and decentralized management. One CLO summarized this dilemma: "Centralized budgets will get cut during expense challenges. But if you decentralize, you will end up with a cornucopia of solutions and technologies." As a result, many CLOs are using hybrid management

models that seem to incorporate the best of both worlds.

To more closely align with CXOs around learning investment processes, CLOs should engage senior leadership in the development and financial support of future-focused enterprise level learning strategies. Companies should recalibrate their learning function's organizational structure to include a balance of central and local decision making and control as appropriate. There are many variations of centralized, decentralized, and hybrid structures. CLOs need to find the most cost-effective and efficient structure for their particular business context.

**Alignment of learning with strategic business needs**

CXOs and CLOs agree on a number of key indicators that demonstrate learning's ongoing alignment with strategic business needs. Learning alignment indicators mentioned during the interviews fall into three categories: integration, learning operations, and perceptions.

- Integration indicators monitor how well the learning function is integrated with the business goals and work processes.
- Operation indicators monitor how proactive and responsive the learning function is in meeting business needs, the level of learning access and usage, and the talent within the function itself.
- Perception indicators monitor executive, business unit leader, and employee and learner satisfaction.

Chart 5 shows the number of times that each group mentioned aspects of integration, learning operations, and perceptions as indicators of alignment.

The results indicate that both CXOs and CLOs see integration of learning goals with business goals as a critical indicator of alignment. For example, one CXO said, "How the learning investment aligns with the CEO's goals should be obvious to any bystander. The dashboard for global learning should start with the CEO priorities and then map all of the learning activities to those." Both CXOs and CLOs indicated a desire to increase the transparency of the learning function. One CLO said, "Success for learning

◆ Aligned  
◆ Varying

### Q4. How do you know the learning function is maintaining ongoing alignment with your strategic business needs?

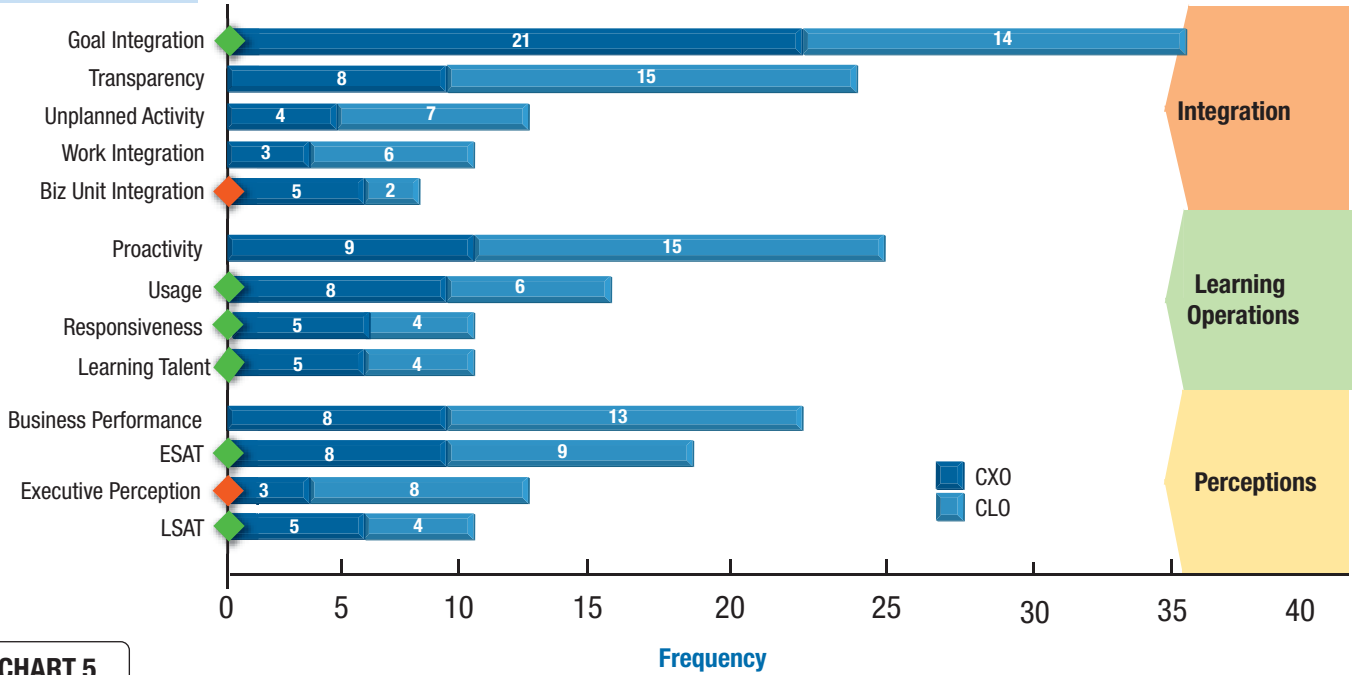


CHART 5

◆ Aligned  
◆ Varying

### Q5. How do you measure the learning function's value contribution to your organization?

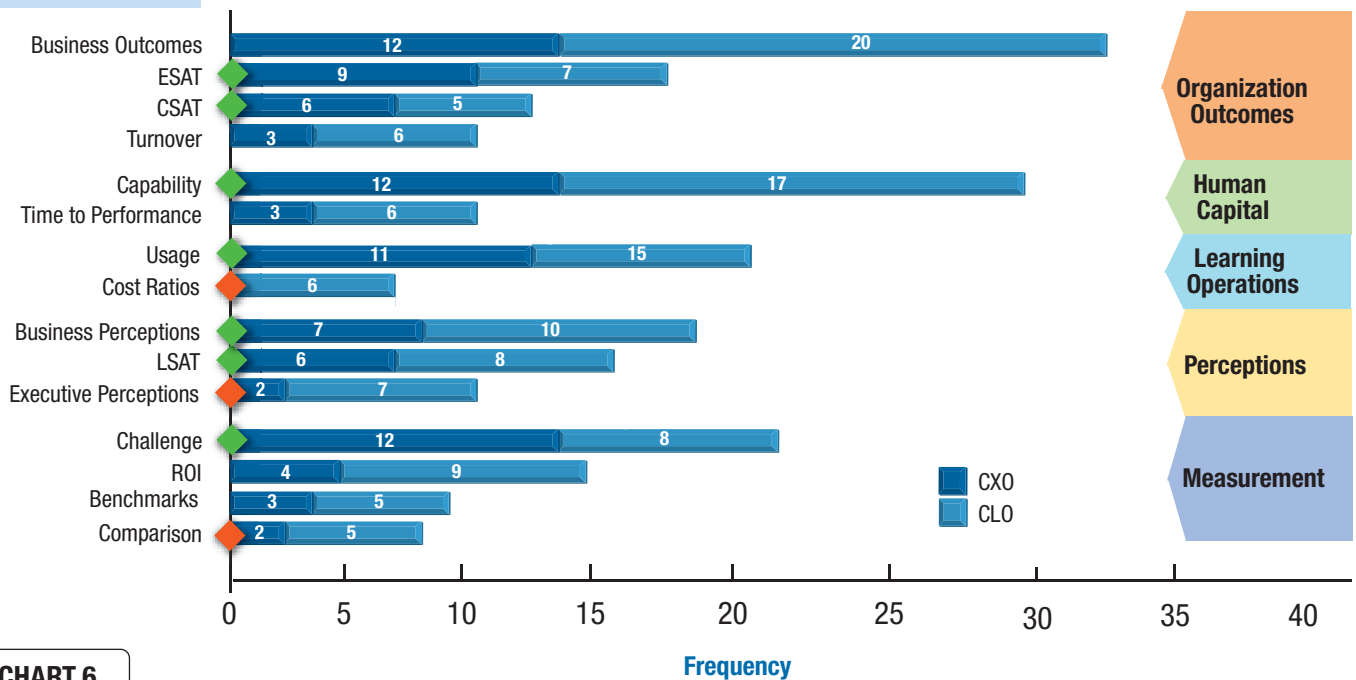


CHART 6

is that we are so tightly integrated with the business that we are almost invisible, but we contribute to such an extent that our efforts are lauded.”

Also, the data revealed that both groups look to stakeholder and customer perceptions for indicators of alignment and misalignment. For example, one CXO said, “When it comes to leading indica-

tors, perception is key. The best indicator of learning alignment is to ask people.”

To demonstrate alignment to CXOs, CLOs should emphasize the alignment of learning goals with business goals and leverage perception data to validate that alignment. CLOs should also highlight how the learning function is proactive and responsive to the changing business needs.

### Measuring learning's value contribution to the organization

Similar to the participants' responses on how learning is maintaining ongoing alignment with their organization's strategic business needs, both CXOs and CLOs placed greater emphasis on perceptions as measures. This fell into the categories of organization outcomes, human



## Q6. How do you know the learning function is performing as efficiently as possible?

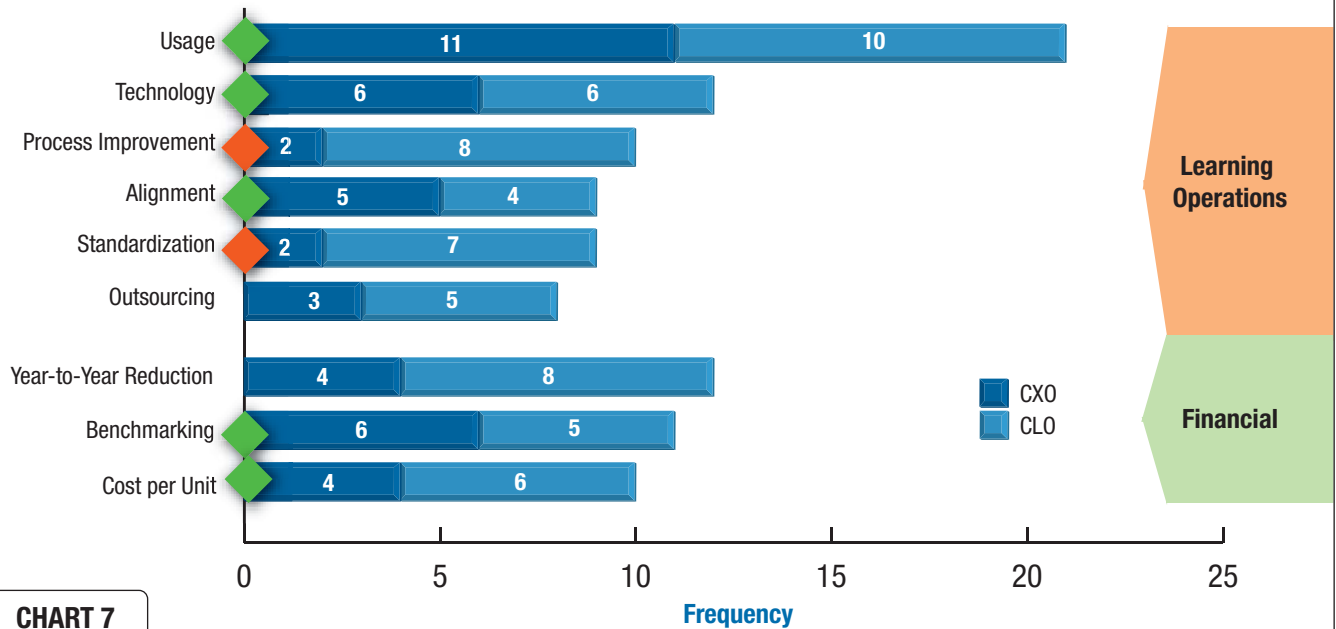


CHART 7

capital, learning operations, and perceptions. Again, the challenge of measurement was identified by both CXOs and CLOs. Chart 6 shows the number of times that CXOs and CLOs mentioned specific measures of organization outcomes, human capital, and learning operations, as well as mentions of measurement approaches.

CXOs indicated that they don't need to know learning's direct business contribution where up-front strategic alignment has been established. One said, "I don't have a dashboard for learning. When we look at things like time to market and customer service, it is clear that many attributes contribute to these measures. If we increase the investment and focus of

learning on innovation, and time to market is reduced and new product sales go up, that is good. I don't need to know how much was attributed to learning."

Many CXOs indicated that they rely on the perceptions of their business unit or line leaders. One CXO said, "My colleagues in the line do not invest in anything unless they get a return. They justify their own investments in learning." Some CXOs distinguished between measurement of learning in different skill areas. For example, one respondent said, "For hard skills I can measure results. For softer skills like leadership, it is more challenging. Yet it is the soft skills that move the needle of business performance to a greater extent."

Some CLOs described their efforts to identify complex causal relationships between learning activity and business outcomes. However, other CLOs were beginning to sound more like CXOs. For example, one said, "We got wrapped around an axle with ROI. Those we play to don't care as much as we do about it. Less is more with metrics." Some CXOs wished they had harder metrics; for example, one said, "Right now I don't know how we measure the value contribution of learning. It is not about hours per employee per year. It is about productivity and results. We need to link learning to these results."

Some CLOs also acknowledged the growing measurement challenge as the

## Elevating Learning Across the Company and Into the Future

Understanding the important role learning plays in a company's success is just the first hurdle. And, as IBM's Global CEO study reveals, many CEOs already acknowledge that employee education is a critical success factor for future enterprise success. So while this is true for many companies, a huge window of opportunity remains.

By taking learning to the next level, CLOs can play a proactive role in driving organizational productivity, transformation, and growth. Our analysis of CXO and CLO perceptions, particularly where they vary, suggests that to increase their role as strategic business partners, CLOs should

- simultaneously anticipate and re-

spond to enterprise, business, and individual development needs

- balance metrics and ROI data with anecdotal evidence, particularly stakeholder perceptions
- combine top-down and bottom-up investment planning processes and emphasize the alignment of learning goals with business goals
- be proactive in facilitating the formulation of strategy for the business and identifying opportunities for performance improvement
- continue to focus on process improvement, service-level agreements, standardization, and leveraging technology and outsourcing to maintain or reduce learning function costs while increasing operational efficiencies.

definition of learning gets broader. One CLO said, "We are moving away from discrete learning events, so measurement becomes harder. As learning becomes more invisible, it is harder to claim responsibility for success."

To align more closely with CXOs, CLOs should place more emphasis on up-front strategic alignment with organizational outcomes rather than measurement of value contribution. There should be an increased awareness of service-level agreements to the business, and CXOs, CLOs, and business unit leaders should agree up front on what those service-level agreements include and how they will be measured.

### Learning's efficiency in performing

Both CXOs and CLOs emphasize similar indicators of efficiency: learning access and usage, technology/automation, cost per unit, strategic alignment, and benchmarking. These indicators fall into two

categories: financial and operations. Learning access/usage was the most frequently mentioned indicator of learning operations efficiency.

Chart 7 shows the frequency with which CXOs and CLOs mentioned specific financial and operational measures of efficiency.

CXOs view learning like any other function, requiring that it deliver productivity gains on a year-to-year basis. One CXO said, "Learning, like any other function in the business, needs to improve their productivity on an ongoing basis." Another said, "Our CLO has a lot of experience assessing our efficiency against external benchmarks. With respect to craft skills, we have overspent. We have a Rolls Royce where a Ford will do."

These findings also indicate that CLOs are focused on applying process improvement, technology, standardization, and outsourcing to improve the produc-

tivity of learning's operations. For example, according to one CLO participant, "It is about doing more with less each year either by having better development standards or design practices that are well honed." Another said, "We outsource to create a variable staffing model."

To satisfy the efficiency requirements of CXOs, CLOs should continue to focus on process improvement, standardization, and leveraging technology and outsourcing to maintain or reduce costs while increasing alignment with business needs. **TD**

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