Elastic Training Dollars

By Michael Laff

Faced with increasing demand from the top, training departments feel a financial squeeze.

Inside Intelligence:

As executives continue to demand more from learning professionals without increasing their budgets, training is quickly becoming an exercise in financial gymnastics.

A recent study by Expertus and TrainingIndustry.com titled "Training Efficiency: Optimizing Costs" broached all of the tough, headache-inducing issues about training, such as budgeting and how training effectiveness is measured.

More than three-quarters of respondents reported some kind of pressure to reduce costs. Training leaders are being asked to do more with the same budget—by far the greatest demand on the department. Despite being asked to do more with less, few training leaders reported that their budgets were cut substantially.

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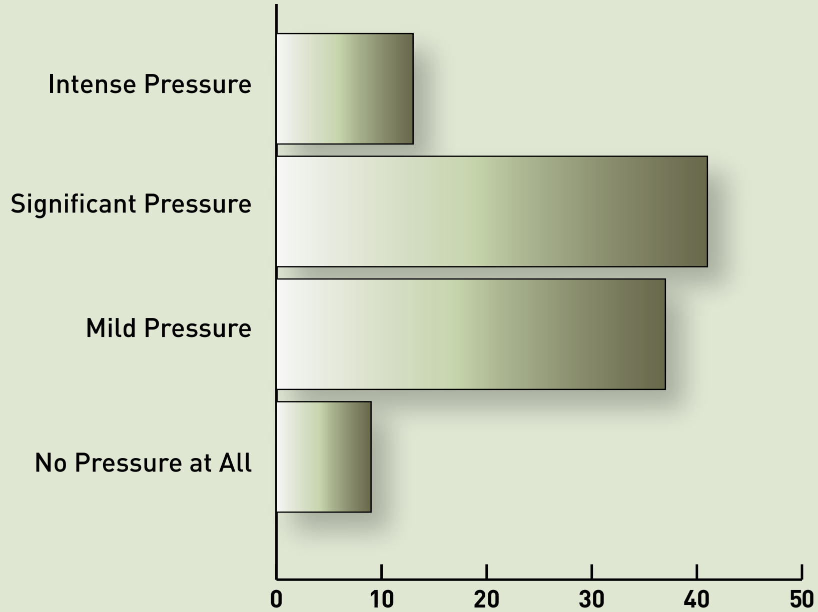
"There is ongoing pressure from executives who want more for their dollars," says Doug Harward, CEO of Training Industry. "Training is highly visible and highly transactional, so it's an easy discretionary fund for executives to cut."

"You can do ROI on sales training and manufacturing, but if sales performance goes down, do you blame training?"

Level of Pressure to Reduce Costs

Which of the following best describes the level of exteral pressure (e.g., outside your training organization) that you have experienced in the past year to reduce training costs?



While learning professionals emphasize the necessity of using financial measures to gauge the value of training, few organizations report using sophisticated methods other than Kirkpatrick's levels and volume participation surveys. Return-on-investment metrics are used by only 20 percent of respondents. The low rate for ROI may reflect the types of training now in place.

"Most training professionals are not going beyond Kirkpatrick," Harward says. "They are still using volume-based metrics as opposed to value-based metrics. That may be because of the nature of the training. Leadership training is difficult to measure in terms of quality."

"Organizations need to be realistic about what you can do," says Gordon Johnson, vice president of marketing for Expertus. "You can do ROI on sales training and manufacturing, but if sales performance goes down, do you blame training?"

He adds that a lot of training is being devoted to leadership and other soft skills that are difficult to track in terms of concrete measurements.

One eye-opening result was the breakdown of dollars allocated in the training budget. Delivery accounted for 35 percent, followed by content development at 26 percent, administration at 24 percent, and technology at 16 percent.

"Only spending 35 percent on delivery is kind of scary," says Johnson. "If the figure is compared to a humanitarian or nonprofit organization delivering food to the poor, that would be unacceptable. So much is being spent on things that don't teach anybody anything."

Another weakness is the website used by the organization. Typically, it is a knowledge repository, but it is often lacking in terms of providing information to potential users. If the training website is effective, the department will receive fewer telephone inquiries, and participation rates will rise. The training staff needs to do a better job of using the website to market training programs.

Training design is another notable weakness in spreading training throughout an organization. A typical failing inside organizations occurs when a line manager insists on offering a particular brand of training for a wide audience. Employees who don't recognize the need for the same training often push back, and as a result, participation rates fall.

Harward suggests that organizations create training that is specific to their needs. Most organizations simply roll out a cafeteria-style curriculum, with general offerings. Even in a business environment, too many e-learning and training programs resemble the academic model whereby students are offered a choice of courses and they must take the ones they want based on availability, not need.

"There is still a supply-oriented approach to training," Harward says. "Too much is being spent to create courses for an audience and then a determination is made upon its value based on how many people sign up. It's a very common business model, but it's ineffective and inefficient."

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SURVEILLANCE Increases in Workplace

Employers are increasingly focusing on what employees are doing at the office besides working.

The trend of companies monitoring employees' email and phone usage is continuing, according to the results of the most recent annual Electronic Monitoring and Surveillance Survey conducted by the American Management Association (AMA) and the ePolicy Institute.

The data shows that more than one-quarter of employers have fired employees for misusing email. Likewise, almost one-third have fired workers for misusing the Internet.

"The simplicity for companies to surveil becomes cheaper as technology becomes more readily available," says Manny Avramidis, senior vice president of global human resources at AMA.

Termination as a result of improper email usage was broken down into violation of any company policy (64 percent), use of inappropriate or offensive language (62 percent), and breach of confidentiality (22 percent).

Misuse of the Internet included viewing, downloading, or uploading inappropriate or offensive content (84 percent), violation of company policy (48 percent), and excessive personal use (34 percent).

Email monitoring was done by 43 percent of companies, with almost all of them tracking external emails. In contrast, only slightly more than one-half monitored internal emails, which often become evidence in litigation.

More than 50 percent of all employers surveyed were monitoring Internet connections, with 65 percent of companies using software that blocks inappropriate websites. Monitoring potentially involved employers tracking content, keystrokes, and time spent at the keyboard (45 percent); storing and reviewing computer files (43 percent); reviewing the blogosphere for any company-related content (12 percent); and keeping track of any social networking sites (10 percent).

Only Delaware and Connecticut require companies to inform employees about monitoring activity. Interestingly enough, the vast majority of employers notified workers that monitoring is practiced, though their methods of notification are not failsafe.

Avramidis notes that many generations now co-exist within the same workplace, and each group has different standards and attitudes regarding their place of employment. Many policies are interpreted differently depending on the generation reading the notice.

"The surveillance policies are drafted in the company's best interest, but it is HR's responsibility during onboarding to give specific scenarios to employees to make these policies clear," he says.

Employers use one or more methods of notifying employees about electronic monitoring and surveillance. Seventy percent of organizations informed employees via an employee handbook; 40 percent relied on email notices; 35 percent used written notices; 32 percent used intranet postings; and 27 percent incorporated it into on-site training—the recommended method of increasing compliance.

Some other surveillance methods were monitoring phone usage (45 percent); video surveillance (48 percent); and GPS surveillance of company vehicles (8 percent); and cell phones (3 percent). More than half of companies used smart card technology to control building access.

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Photo by Veer

NUMBER CRUNCH

When uttered in foreign policy circles, talk of "old Europe" rankles Europeans, but when discussed in the workplace, the demographics of aging are a very real phenomenon.

More midsize organizations within Europe are beginning to take account of the changing age demographics, according to a recent study by the Adecco Institute. Still, the latest research finds many organizations failing to adequately prepare for an upcoming wave of departing workers and their greener replacements.

The findings were part of a study called "Facing Europe's Demographic Challenge," which tracked how companies in Western Europe's largest economies are adapting to the changing demands of the workplace. In less than a decade, people aged 40 and older will form the majority for the first time in Europe's history.

"We're trying to raise awareness of the aging workforce," says Donna Murphy, Boston-based managing director of the Adecco Institute.

Among countries surveyed, Germany and Britain scored the highest on the demographic fitness scale, ahead of France, Spain, and Italy. Germany breaks the mold in terms of its work culture and how it blends training with individual development. In most areas of career management, Italy offered the greatest measure for individual growth in areas such as change of profession and external career consulting.

Demographic realities will reach a transformation point by 2011, Murphy predicts. Organizations need to consider a range of options such as keeping older workers in full- or part-time positions longer and possibly rehiring retired workers.

"Companies are completely unprepared to do it," Murphy says. "They have not changed their thinking."

The willingness of European organizations to hire older workers is increasing, but there is no corresponding pool of candidates. While many older workers in the United States are staying in the workforce longer, a much lower percentage of workers are doing the same in Europe, especially among individuals aged 50 to 64. Only 60 percent of men in France within this age group are in the workforce.

"If people lose their attachment to work, getting them back in will be very difficult," Murphy says.

Lifelong learning initiatives rated highest in Britain, especially workplace-based training, technical skills transfer, and training outside the office. Spain is the only country that graded well in terms of teaching social skills to employees.

The notable skill shortages in Europe were not language or IT, but technical skills, especially in engineering and some manufacturing.

The once-trendy high-potential programs are rapidly diminishing in the wake of staff reductions during the last two decades. According to Murphy, pruning of staff left fewer places to promote high-potential performers. Now some organizations, especially in Britain, prefer to create new positions as a reward for high achievers, which eliminates competition.

Murphy also noted that "finishing schools" are a growing phenomenon in India, whereby college graduates learn workplace fundamentals. Such skills seem obvious to seasoned workers, but there is a lack of readiness among new employees in such areas as arriving on time, dressing appropriately, and learning to listen when others speak.

"Younger workers are moving into full-time positions without experience," she says. "They are not participating in the workforce until after graduation."

Michael Laff

Photo by Veer

Productive Partnerships Flourish

Recognizing that regional economies are hotbeds for innovation and growth, the U.S. Department of Labor launched its Workforce Innovations in Regional Economic Development (WIRED) initiative in 2005. Throughout the last three years, the department awarded more than $300 million in grants to regional consortiums in support of long-term talent development and lifelong learning activities. Colleges and universities played a vital role in many of these initiatives.

The Department of Labor and the Council on Competitiveness recently partnered to produce a new report titled, "Cooperate: A Practitioner's Guide for Effective Alignment of Regional Development and Higher Education." The report provides case studies for engaging higher education in workforce and economic development partnerships.

One example of a successful partnership mentioned in the report is in the Rio Grande Valley of southern Texas, where a consortium of six colleges has joined with manufacturing employers and other stakeholders in a project called the North American Advanced Manufacturing Research and Education Initiative.

Using a $5 million workforce grant received in 2007, and leveraging a $3 million training grant from the state of Texas, the partnership is developing a research and training strategy around "rapid response" manufacturing.

Wanda Garza, executive officer for the project, says the goal is to create 25,000 advanced manufacturing jobs in the seven counties cooperating in the initiative. The higher education partners have worked with 24 employers to train 1,600 new and incumbent workers since January 2007. Developing a skilled workforce is a key component of the initiative.

"Everyone agreed that talent would drive everything," she says. "Talent development is the cornerstone."

Employers contribute by planning and overseeing the training while the colleges focus on designing and delivering instruction. Garza believes the partnership allows each institution to focus on its strengths.

"When you're trying to wear both hats, it's just not as effective as when the employer is driving it," she says.

A copy of the report is available at www.compete.org.

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// FAST FACT //

IT Skills in Demand

Chief information officers were asked to identify the most coveted technical skills for a recent survey conducted by Robert Half Technology.

Fourteen percent of CIOs expect to increase the number of IT staff in the second quarter of 2008 while two percent anticipate reductions in staff. The majority of CIOs (82 percent) expect to maintain current staff levels.

For the third consecutive quarter, networking continues to experience the most growth. The reason behind its growth is the high demand for laptops and other mobile devices such as smart phones to allow employees secure access to the company's network.

CIOs said that business growth is driving the hiring increase in addition to greater demand for customer and end user support and systems upgrades.

Network Administration . . . . 72 %

Windows Administration. . . . 69%

Desktop support. 68%

Database management (Oracle, Microsoft SQL Server) 66%

More than one response was permitted.

// EXECUTIVE UPDATE //

Stormy Weather

ALL TOO OFTEN, CEOS ARE THE LAST TO ACKNOWLEDGE TROUBLED TIMES, BUT DIRE ECONOMIC FORECASTS HAVE OPENED THEIR EYES.

A recent survey of CEO confidence shows that while many of them believe the latest downturn will be short lived, their overall business confidence has dropped significantly since last April. More than one-half believe conditions will worsen during the next year.

"We've seen an erosion of confidence," says Allan Hauptfeld, principal of Vantage Research, which conducted the survey. "It seems like CEOs are pretty confident no matter what's going on around them. They are beginning to face reality."

Most of the CEOs who completed the survey lead organizations with revenues ranging from $25 to $50 million annually.

One clear indicator that the outlook for many organizations is headed downward is the 39 percent of executives who report that they will reduce staff in the next year. The figure represents a dramatic rise from the 11 percent who planned to reduce staff last year.

Possibly reflecting the tightening economy, employee-retention tactics are geared to intangible elements such as more employee recognition, greater communication between management, and increased decision making over raises, work-life balance, and job security.

Customer retention efforts closely mirror the ones being used to retain employees, again on the softer elements such as improving service and meeting face to face more often, ahead of price cuts, volume discounts, or free offerings.

Michael Laff

Photo by Corbis

// INFO GRAPH //

CIOs Report Low Outsourcing Rates

CIOs at companies that have engaged in offshore outsourcing but that currently do not were asked, "Which of the following were reasons you stopped offshore outsourcing?"

Required too much oversight/management	59%
Cost savings were not realized	30%
Quality of work not good enough	23%
Lowered morale of U.S.-based workers	11%
Security concerns	6%
Other	14%
Don't know	5%

(Multiple responses were allowed.)

Source: Robert Half Technology

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