

Benchmarking the Best

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Here's some data on outsourcing, training expenditures, learning technologies, and evaluation from several leading-edge companies in the Benchmarking Forum of the American Society for Training & Development.

Have you ever wondered just how much Motorola, Corning, or Intel spends on employee training? Or to what extent Texas Instruments, AT&T, or Caterpillar uses learning technologies to deliver courses? What about the amount of executive development offered at Bell Atlantic, Polaroid, or Scandinavian Airlines System? Based on the number of calls with those questions to the American Society for Training & Development, we know the same questions must cross your minds.

Though agreements with certain companies prevent us from revealing their company-specific data (sorry about that), we can offer a detailed summary of key findings from the 1997 ASTD Benchmarking Forum, a group of more than 55 large, multinational firms, including the ones just mentioned.

Companies in ASTD's Benchmarking Forum conduct some of the best training in the world, and develop some of the most innovative approaches to learning and performance improvement. Collectively, these companies generate a staggering number of best practices, leading

innovations, and published case studies. It is precisely because of that wealth of knowledge and experience that the companies are ideal to benchmark. A primary focus of the forum is to seek and understand trends in training, learning, and performance improvement. One way that's accomplished is by collecting and analyzing data from forum members each year. This article summarizes the key findings from the Benchmarking Forum's *1997 Comparative Data Report*.

The O word

Outsourcing. It has to be one of the most-talked-about subjects in business. Ask almost any senior training or learning manager and you'll hear about his or her struggle to decide whether to outsource, what to outsource, and who the outsource provider should be. Data from the Benchmarking Forum provides a unique opportunity to examine this phenomenon in the same companies over a three-year period. Several items are potential indicators of shifts in outsourcing, including external expenditures as a percentage of payroll, the percentage of contract staff used in four areas of specialization, and the

percentage of nine key training administration functions that are outsourced. With the exception of external expenditures, there are clear increases in each of those indicators.

The use of contract staff has been gaining steadily during the past three years. As Table 1 shows, use of contract staff in each of the areas of specialization rose in 1995 and 1996, except technical and performance support in 1995. The index combining the four areas shows that, on average, contract staff represented 15 percent of specialized staff in 1994, 19 percent in 1995, and 24 percent in 1996.

Table 2 summarizes shifts in the use of outsourcing in several training administration functions. In each of nine areas, the percentage of work outsourced grew from 1994 to 1996, with the largest increases in printing, material distribution, information management systems, and technical and performance support. In 1994, no planning or budgeting was outsourced; by 1996, 5 percent was outsourced.

Where the money goes

The Benchmarking Forum collects four figures that, together, account for

the total cost of all training. Internal expenditures are reported as one figure; external expenditures include tuition reimbursement, executive development, and other costs. A consequence of more outsourcing is that many companies have difficulty tracking and accounting for their external training expenditures. Because there's no definitive way to determine exact expenditures (short of costly field audits), two estimates are used. One, a "reported" estimate, relies on exact data from forum members' training departments (often referred to as "training organizations"). Two, an "adjusted" estimate, replaces missing expense figures with the average from reporting units able to provide such data. Until tracking methods improve, it's impossible to estimate total training cost with more precision. It's our view, however, that the adjusted estimates come closer to capturing the true picture than do the reported estimates.

Training expenditures, calculated as a percentage of payroll, have long been a valuable benchmark for training professionals and corporate executives. Using reported and adjusted estimates enables you to create a range of expenditures calculated as a percentage of payroll. In 1995 among reporting forum members, the range was from 2.1 percent of payroll (based on the reported estimate) to 3.05 percent (based on the adjusted estimate). In 1996, the range was from 2.27 percent of payroll (reported) to 2.88 percent (adjusted). The difference between 1995 and 1996 isn't statistically significant.

Ranges were calculated the same way for internal and external expenditures. In 1995, internal expenditures ranged from 1.37 percent of payroll (reported) to 1.57 percent (adjusted); in 1996, the range was from 1.61 percent (reported) to 1.86 percent (adjusted). Internal expenditures as a percentage of payroll are increasing, while external expenditures as a percentage of payroll are decreasing. External expenditures in 1995 ranged from 0.73 percent (reported) to 1.48 percent (adjusted); in 1996, the range was from 0.66 (reported) to 1.02 per-

cent (adjusted). The somewhat wide range in 1995 can be attributed to one-time expenses related to reorganizations in several of the forum companies. (See Figure 1.)

Evolutionary, not revolutionary

Considering that many, if not most, organizations are paring the size and scope of their training departments, it's not surprising that the training departments of companies in the Benchmarking Forum are becoming more centralized, especially in these areas: planning and curriculum management, design and development, delivery, and administrative support. (See Table 3 on page 63.)

With the advent of electronic learning technologies, it might seem that the use of traditional classroom training is dying out. But data from the Benchmarking Forum indicates that though a change is taking place, it's evolutionary, not revolutionary. Classroom instruction is still the primary vehicle for delivering training, accounting for about 70 percent of all training time in 1996, on average, in forum companies. The sharp drop in lecture-based delivery between 1994

TABLE 1: PERCENTAGE OF CONTRACT STAFF BY AREA

Training Area of Specialization	Reporting Year		
	1994	1995	1996
Design/Development	17	22	30
Instruction	23	30	35
Administrative Support	6	7	12
Technical/Performance Support	15	11	22
INDEX	15	19	24

TABLE 2: PERCENTAGE OF OUTSOURCING BY FUNCTION

Training Administration Function	Reporting Year		
	1994	1995	1996
Scheduling/Administration	2	6	8
Printing	30	59	51
Material Distribution	8*	13	25*
Technical/Performance Support	11	24	24
Billing	3	13	11
Information Management Systems	4	15	21
Planning/Budgeting	0	6	5
Training Center Administration	3	15	10
Evaluation	1	7	8

*Differences are significant at $p < .05$.

FIGURE 1: TRAINING EXPENDITURES AS A PERCENTAGE OF PAYROLL

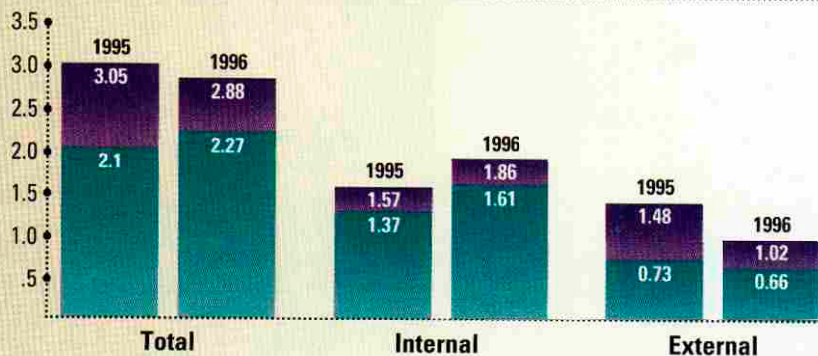


FIGURE 2: PERCENTAGE OF TRAINING TIME PER DELIVERY SYSTEM

(76.4 percent) and 1995 (68.4 percent) didn't continue in 1996. In fact, there was an increase of a little more than one percentage point in classroom delivery in 1996, as shown in Figure 2. However, the increase of three percentage points in the use of advanced technology classrooms between 1994 and 1996 is noteworthy. That suggests classroom training is incorporating learning technologies to combine the best aspects of traditional and alternative approaches.

Another noteworthy change is the significant rise in the use of Internet- and network-based electronic distance learning systems. That category more than doubled from less than 1 percent of all delivery time in 1994 to 2.5 percent in 1996. It's still unclear exactly how companies are using the Internet (or intranets) and whether the use is primarily for information-sharing or training delivery. Despite that, Table 4 shows that most companies continue to rely mainly on classroom delivery and computer-based training but that more are beginning to use televised electronic distance learning, the Internet, and other network-based distance learning.

Performance practices

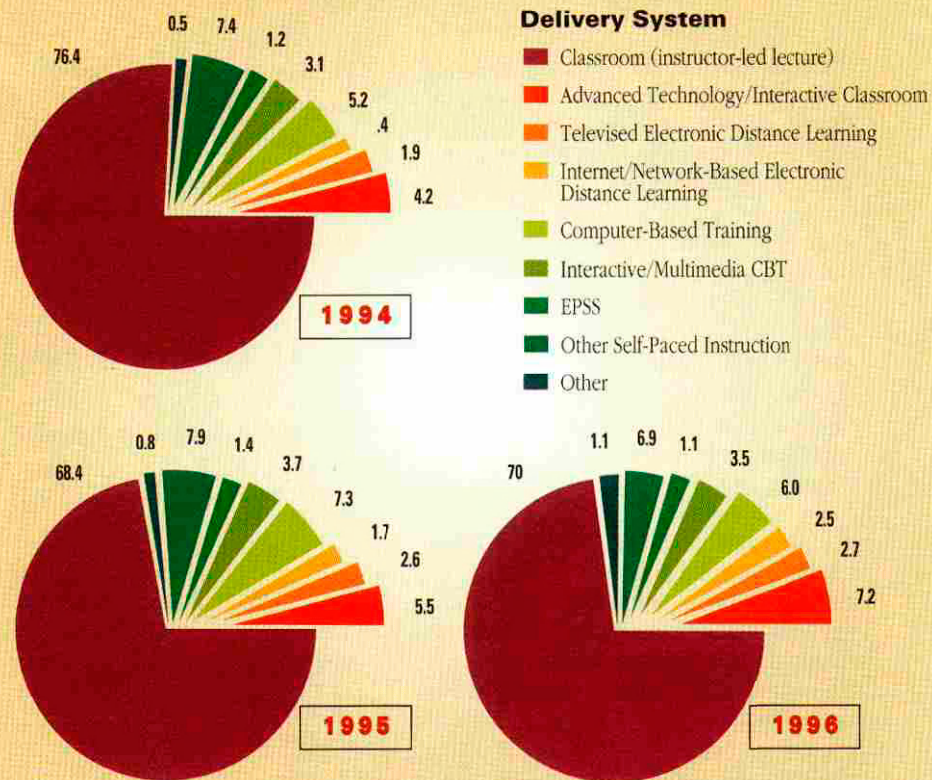
Calculated as a percentage of internal training expenditures, two course types dominate: technical skills and professional skills. Technical skills accounted for most (30 percent) of internal training expenditures in 1996;

professional skills accounted for 19 percent, as shown in Figure 3. Other training accounted for 1 percent of all training expenditures.

Forum members were asked whether the business units that their training departments support used any of 25 performance practices in 1996. The practices fall into these categories: work practices, employee compensation systems, performance

practices, and human performance management practices. Of the respondents, 23 percent said they used 20 or more of the practices.

Work practices. Of the six identified work practices, an average of four are used by the business unit or company supported by the Benchmarking Forum's training organizations. The figures indicate the percentage of forum firms using a particular practice. The



A BENCHMARKING GLOSSARY

- ▶ **total payroll.** Includes all wages and benefits for full-time-equivalent (excluding contract or temporary) employees paid by a company during the reporting year.
- ▶ **internal training expenditures.** The total expenditures (before adjustments) on company-sponsored training, with all expenses for company-sponsored training activities provided by company staff, including such items as the training employees' total payroll and travel expenses, training facility expenses, course materials, information systems, telephones, catalogues, and internal marketing. Internal expenditures don't include the wages, salaries, or travel expenses of participants.
- ▶ **external training expenditures.** Divided into three common types: tuition reimbursement, externally provided executive development, and other external or contract training. All three types represent training services and products purchased from outside sources.

This measure doesn't include costs for attending conferences and seminars.

- ▶ **internal staff.** Represents permanent full- and part-time employees of forum members, including line-on-loan employees assigned to training positions. Excludes full- and part-time temporary employees, contractors working on-site, and suppliers.

- ▶ **contract staff.** Any individual who provides training support to a company but isn't a permanent employee. Synonymous with *vendor*, *contractor*, *consultant*, and *supplier*.

- ▶ **centralization.** All or most training functions, including decision making, are concentrated and conducted in a principal location in a company, such as headquarters.

- ▶ **decentralization.** All or most training functions, including decision making, are performed at distributed sites throughout a company, such as plant offices.

practices are listed in declining order of frequency used:

- ▶ job rotation or cross-training (76%)
- ▶ quality circles or problem-solving teams (73%)
- ▶ total quality management (70%)
- ▶ employee access to key information (67%)
- ▶ self-directed work teams (64%)
- ▶ employee involvement with management in business decisions (48%).

Employee compensation systems.

On average, three of the following five employee compensation systems are used by each of the business units or companies supported by the responding training organizations.

- ▶ incentive compensation (64%)
- ▶ employee stock-ownership plans (60%)
- ▶ profit-sharing or gainsharing (52%)
- ▶ group or team-based compensation (42%)
- ▶ knowledge- or skill-based pay (38%).

Performance practices. An average of five of the eight practices are used as follows:

- ▶ employer-supported conference attendance (93%)
- ▶ train-the-trainer courses (81%)
- ▶ training resource centers (76%)
- ▶ mentoring or coaching programs (69%)
- ▶ line-on-loan or rotational training staff (55%)
- ▶ employee apprenticeships (55%)
- ▶ student apprenticeship training (44%)
- ▶ mandatory annual training policies (27%).

Human performance management practices.

Companies or business units use almost all of the human performance management practices listed:

- ▶ annual performance reviews (92%)
- ▶ individual development plans (91%)
- ▶ training information systems (80%)
- ▶ peer review or 360 feedback (73%)
- ▶ skill certification (66%)
- ▶ documentation of individual competencies (57%).

The three most commonly used practices are employer-supported conference attendance (93 percent of respondents), annual performance reviews (92 percent), and individual development plans (91 percent). Employee compensation practices were least commonly used.

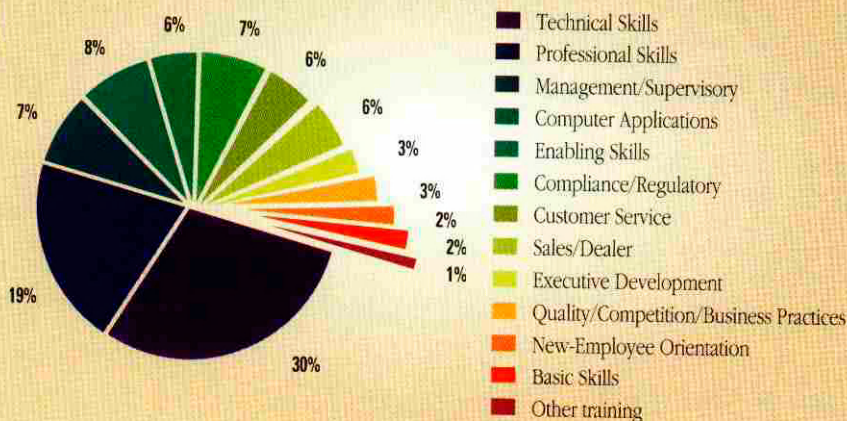
TABLE 3: PERCENTAGE OF CENTRALIZED ACTIVITIES

Activity	Reporting Year		
	1994	1995	1996
Planning/Curriculum Management	73	73	81
Design/Development	73	75	80
Delivery	56	56	65
Administrative Support	63	64	74
INDEX	66	66	75

TABLE 4: PERCENTAGE OF USE OF DELIVERY SYSTEMS

Delivery System	Reporting Year		
	1994	1995	1996
Classroom (instructor-led lecture)	97	100	100
Advanced Technology/Interactive Classroom	53	56	47
Computer-Based Training	72	90	84
Interactive/Multimedia CBT	47	85	81
Televised Electronic Distance Learning	47	64	69
Internet/Network-Based Electronic Distance Learning	12	33	53
EPSS	34	46	37
Other Self-Paced Delivery	66	80	75
Other Delivery Systems	12.5	10	<1

FIGURE 3: 1996 AVERAGE PERCENTAGE OF TRAINING EXPENDITURES BY COURSE TYPE



A vital element

More than ever, evaluation is a vital element of training and performance improvement. Kirkpatrick's four-level model continues to be the predominant means of evaluating training in the Benchmarking Forum companies, though they're trying to conduct evaluations more carefully and strategically than in the past.

Over a three-year period in the forum firms, the percentage of courses evaluated at Levels 1 and 3 decreased slightly, while the use of Level 2 evalu-

ations increased a bit. The percentage of courses evaluated at Level 4 remains low, due mainly to the cost and complexity of conducting meaningful Level-4 evaluations.

Just over 50 percent of the forum's training organizations reporting data for 1996 use a type of evaluation in addition to the Kirkpatrick model—in particular, feedback and surveys from management, sponsors, clients, or participants. About 20 forum companies use focus groups, the most frequently used alternative evaluation

1997 ASTD BENCHMARKING FORUM MEMBERS

Aetna Incorporated
Allstate Insurance Company
American Express
Ameritech Services
Andersen Worldwide
AT&T
Avon
Banc One
Bell Atlantic
Boeing
Caterpillar
Chase Manhattan Bank, N.A.
Chevron
Citibank
Colgate-Palmolive
Coopers & Lybrand LLP
Corning, Inc.
CRA Limited
Cummins Engine Company
Delco Electronics Corporation
Digital Equipment Corporation
Dow Chemical Company
Duke Power Company
DuPont
Eastman Chemical
Fiat Group
Florida Power & Light
Ford Motor Company
Freddie Mac
General Motors
Hallmark Cards
Hoffman LaRoche
Hunt-Wesson Inc.
Iams Company

IBM
Intel Corporation
Johnson & Johnson
KPMG Peat Marwick LLP
Larsen & Toubro Limited
Levi Strauss & Company
Metropolitan Life Insurance Co.
Moore Corporation, Ltd.
Motorola
NYNEX
Polaroid Corporation
Procter & Gamble
QUALCOMM
SBC Communications
Scandinavian Airlines System
South African Breweries
Southern California Gas Company
SPRINT
Texas Instruments
UNISYS
United Parcel Service
United States Postal Service
USAA
Xerox

Begun in 1991, the ASTD Benchmarking Forum is made up of 55 large, multinational companies. Its aim is to provide opportunities for training professionals from leading organizations working with ASTD experts to conduct comparative analyses and to identify the most successful practices in training and per-

formance improvement. The forum assists members as they position their companies as leaders in training, learning, and performance improvement. To stay strong competitors in the world economy, members commit themselves to benchmarking, identifying best practices, and networking. The forum's global representation and structure let members learn from some of the best training organizations and professionals, and gain a better understanding of international issues and their impact on employee development.

Membership benefits include:

- ▶ shared learning
- ▶ collaborative work groups
- ▶ shared performance metrics, learning environments, and learning technologies
- ▶ outsourcing
- ▶ excellence-in-practice presentations
- ▶ case studies and databases on trends that affect learning and performance improvement
- ▶ comparative data-analysis reports, with company-specific data.

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method. Other approaches include return-on-expectation (ROE) (five mentions), testimonials (three mentions), and training advisory boards (three mentions).

Based on an analysis of the 1997

comparative data from the Benchmarking Forum, here are some findings for large organizations as of 1996:

▶ Outsourcing is on the upswing, evidenced by the increased use of contract staff and shedding of many

administrative functions.

- ▶ Training departments in large corporations were more centralized in 1996 than in 1994.
- ▶ Classroom training remains the dominant delivery approach.
- ▶ More companies are using a variety of learning technologies to deliver training, including the Internet.
- ▶ More companies are using evaluation Levels 3 and 4, though the overall percentage of courses evaluated at those levels has declined slightly or remained steady.

Those findings suggest that more companies are recognizing the pressing need for evaluation and becoming more strategic about using such tools. ■

ABOUT THE DATA

The longitudinal data incorporated into the *1997 Comparative Data Report* came from a pooled dataset of 52 reporting entities. By creating a pooled dataset, we were able to overcome the limitations of using only the training organizations that reported data in each of the three years from 1994 through 1996.

The pooled dataset includes 31 reporting units that provided data from all three years, 12 reporting units that responded in both 1994 and 1995, and nine that reported in

both 1995 and 1996. Statistical analysis confirms that no significant differences exist between the data subsets, allowing them to be merged into the final pooled dataset for the purpose of longitudinal analysis. Financial values for 1995 and 1996 were adjusted for inflation to be comparable with 1994 figures.

The data depicts the formal training and performance improvement activities for approximately 2.5 million employees in 45 companies worldwide.

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