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Corporate University Xchange

Top Performers

Strategic Alignment

What Matters in Uncertain Times

Introduction

In today's economic climate, businesses must determine what is critical to remain competitive. In this world where buying, merging, reengineering, and redefining corporations is commonplace, nearly every company is shifting strategies to adjust to economic conditions that haven't been felt in decades. With this uncertainty, budgets are being slashed – with training often at the top of the list. Because of this need to do more with less, it is more important than ever to understand how learning executives can maximize impact on company results and contribute to business success.

The answer lies in helping to establish or inform the business strategy. By having representation when strategies are formulated, learning leaders will help senior executives understand the human capital requirements for the execution of new business strategies. This will also enable learning leaders to be proactive when it comes to meeting those needs. No company can afford a single misstep and not having the right person for the right job, whether it is at the executive or associate level could be fatal. For a learning leader, in short, the answer is that you have to have a seat at the strategic table.

Seat at the Table Defined

In the Corporate University Xchange 9th Annual Benchmarking survey (the CorpU survey), participants were given four choices for describing their participation in company strategic planning. These four choices were:

- A representative participates in strategy meetings
- A representative is consulted about the impact of the strategy prior to plan approval
- The learning organization is notified by committee after the plan has been approved
- The learning organization is notified by business units after they receive the plan

Only one of those responses, “a representative participates in strategy meetings”, signifies the learning executive really has that all-important “seat at the table”. That participation enables a senior learning leader to articulate the human capital considerations to execute any business strategy. This is integral to the success of any strategy as shown in Figure 1. The chain reaction featured here demonstrates that, by incorporating human capital issues into company strategy, the senior learning leader, and therefore the learning organization, can drive performance improvement and ultimately increase business impact.

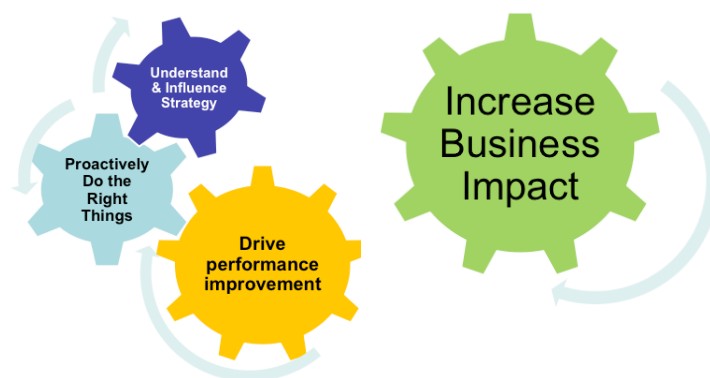


Figure 1. By understanding and influencing strategy, the learning organization can offer the right programs and teach needed skills to improve employee performance to have a greater impact on the business.

Human capital considerations that influence the business plan include activities such as: assessing if employees have the necessary skills, developing training to teach required skills or processes to reduce redundancies, and identifying the risks involved with either doing or not doing these activities. These needs may not be the primary driver of the

business plan, but by addressing them, the company increases the plan's chances of success and long-term sustainability.

CorpU asked survey respondents to indicate whether they had achieved the rank of "Strategic Function", a status reserved for L&D teams that deliver the greatest value to their businesses. The "Strategic Function" rank also is an indicator that the L&D team believes it is a top performer. Participants self-selected this status based on our definition. Of those that said they had achieved the rank of "Strategic Function", 67% also reported having a seat at the table.

When CorpU analyzed the results of its survey to identify Top Performers based on the total of all survey responses, of those we identified as Top Performers, 60% also reported having a seat at the table. Therefore, the data validated the idea that strategic organizations are more likely to have a seat at the table.

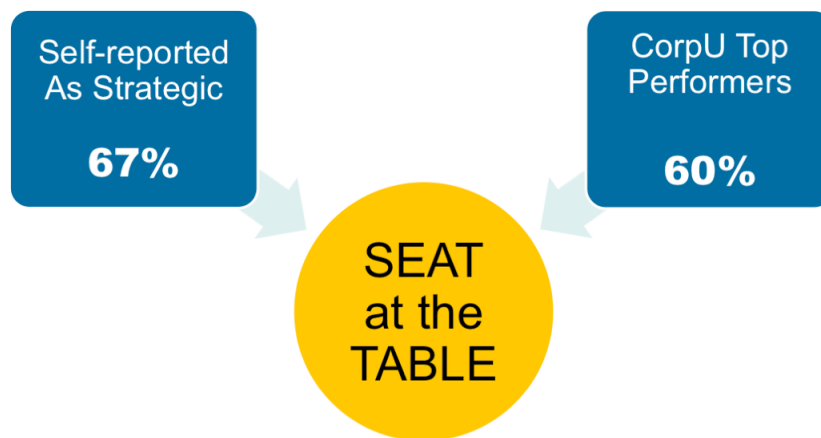


Figure 2. CorpU research shows that most learning organizations that consider themselves strategic business partners do in fact influence business strategy.

Things that Matter the Most

Formal Governance Structure

The CorpU survey discovered that learning executives that have instituted a formal governance structure are nearly twice as likely to have a seat at the table than those with no formal governance (Figure 3). Surprisingly, many of the participants in this year's study do not have formal governance. Of those that do, almost 65% participate in strategy meetings. On the other hand, among those that reported their learning organization does not have a formal governance structure, only 32% reported that the senior learning leader plays a role in strategic planning sessions.

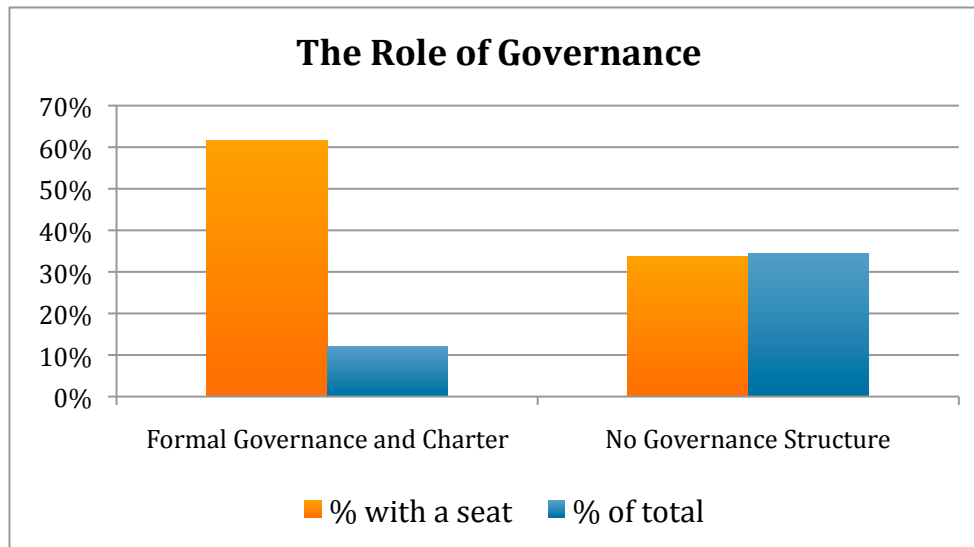


Figure 3. Among those that report they have a formal governance structure, 65% have a seat at the table.

Many learning leaders ask us how to establish a formal governance structure. There are many dimensions to establishing a formal governance, but none more important than engaging business executives. Their engagement begins by showing them, not how their involvement adds a new administrative burden, but how strategic investments in work force development will help them achieve their own business objectives and performance goals. To encourage support from executives and line leaders, Learning and Development (L&D) must demonstrate:

- A direct relationship between current or forecasted learning programs and achieving critical objectives and strategic initiatives
- The projected cost savings and other benefits available through standard processes and adopting enterprise technologies

With executive sponsorship, the learning leader can recruit other business executives to participate. By engaging business executives in a formal governance structure and showing those executives how to apply learning investments to critical objectives, how to define expectations and required outcomes, and how to drive consistency in enterprise processes for building work force capabilities, learning leaders develop the credibility that earns them a place at strategic planning meetings. CorpU recently released a whitepaper on this topic. This paper, *Designing the Optimal Organization Structure and Governance Model*, discusses how to create a structure to maximize the efficiency and effectiveness of your learning business and is available at www.corpu.com.

Social Learning Tools are Important

Surprisingly, learning organizations that use social learning tools are more likely to have a seat at the table than those that do not (Figure 4). According to the CorpU survey, a small group of participants, between 15% and 27%, uses wikis, blogs, or communities of practice. Among that group, between 54% and 66% participate in the strategic planning process. This poses an interesting question - why?

Our initial research in this area has found that companies are now entering a business environment where these types of tools can transform the learning organization from a traditional training department to a corporate communication center. This enables learning to have a broader reach that helps the company move its business strategy forward. Learning can then function as a strategic partner in a way that more tactical learning organizations cannot.

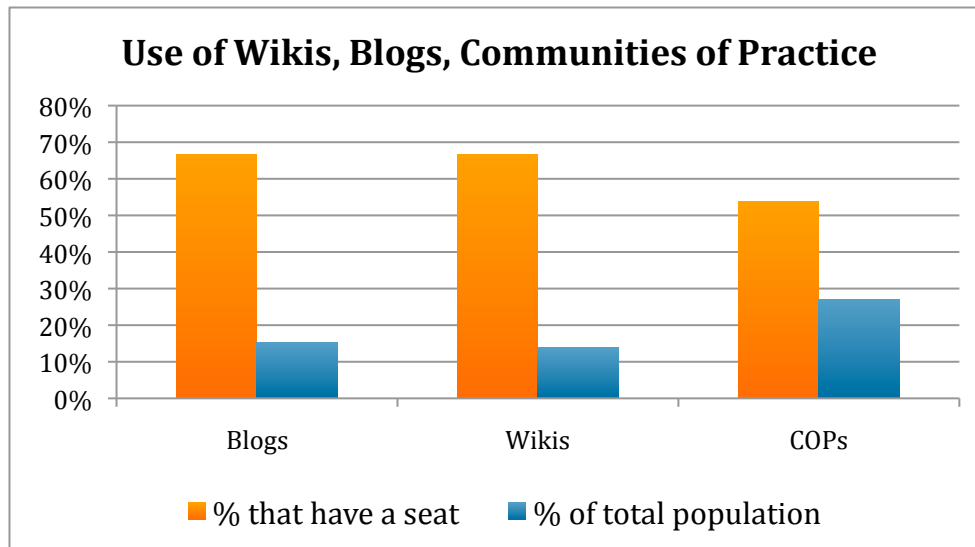


Figure 4. While few companies use social networking tools, those that do are at least twice as likely to have a seat at the table than those that do not.

Performance Consulting Capability

CorpU defines performance consulting as an in-depth needs analysis to identify gaps in business performance, and the analysis of all possible solutions, including non-training solutions, to fix those gaps.

The CorpU survey showed that very few organizations train the majority of their learning professionals in the performance consulting methodology. However, of the small subset of participants (12%) that do train over 75% of their staff in this method, more than 60% have a seat at the table (Figure 5). These results were surprising for two reasons: 1) few learning organizations are training their staff in this methodology and 2) this methodology has such a significant impact on having a seat at the table.

This again, raises the question of why. Our experience shows that while performance consulting has been in existence for over 15 years, the transition to this methodology takes time. Not only does staff have to be trained and gain experience in this methodology, but also, there is a culture change that occurs with the use of this method. This culture change centers on L&D taking into consideration the best solutions to resolve performance problems before saying yes to training. Similarly, business leaders that are used to requesting training to resolve all performance problems have to be coaxed into accepting non-training solutions that might be more effective. This process takes time and companies that began this journey 5-7 years ago are now reaping the benefits. By integrating into their culture a consulting approach to learning, these companies are able to truly drive performance improvements, thus contributing to business results.

Although, it may not be appropriate for every learning organization to train the majority of their staff in performance consulting, it is an interesting correlation, and does indicate that learning organizations that take into consideration non-training solutions to resolve performance problems are getting a seat at the table.

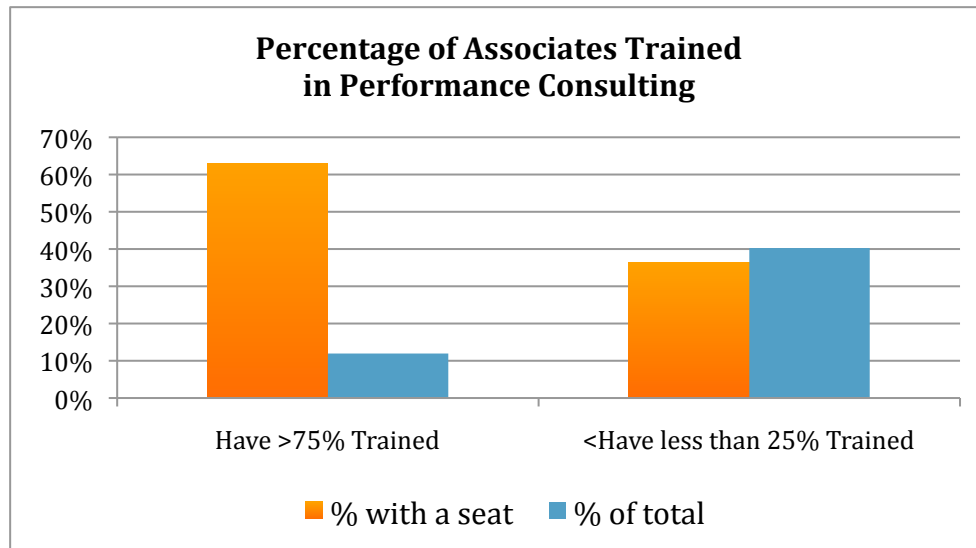


Figure 5. While only 12% of companies train the majority of their staff on performance consulting, over 60% participate in strategic planning sessions.

Outsourcing Strategies

Typically, companies look to outsource activities in which they do not have expertise or for which they do not have the resources. While not a new concept, our data shows that participants with a seat at the table and those without one look at the solution to resource constraints very differently. Those learning organizations that do not have a seat at the table are more likely to outsource strategic activities while those companies that report having a seat at the table outsource more tactical activities (Figure 6). This choice seems to make all the difference. Learning leaders that outsource tactical activities have more time to focus on the learning strategy while delegating tactical activities to a partner. Those that do not outsource tactical activities have to focus on the everyday tasks that are administrative in nature and that do not add to the business strategy of the company.

A good example of this is facilities management. Setting up the classroom, ordering food for the breaks or ensuring the materials are ready before a program are all important to the success of a training session. However, these activities alone do not increase the likelihood that employees will apply newly learned knowledge and skills back on the job. By focusing on questions such as is this the right training at the right time with the right knowledge and skills to deliver the needed business results, the learning organization is more likely to add strategic value to the company.

Things that learning organizations should think about before outsourcing an activity include:

- How important is this activity to the business?
- Does it influence strategy or is it merely table stakes?
- Will it increase employee performance or business results?

By choosing this approach, learning leaders will protect hard-won alignment with the business and ensure that human capital needs are considered.

Top Performers Outsource	Others Outsource
- Back Office Administration	- Needs Assessment
- Materials Fulfillment	- Course Design
- Course Delivery	- L&D Staff Development
- Facilities Management	- Learning Strategy
- Technology Infrastructure	
- 360-degree Assessments	

Figure 6. Companies that do not have a seat at the table tend to outsource strategic activities, while those that do are more likely to outsource tactical activities.

Take a Proactive, Strategic Approach to Budgeting Methods

The majority of participants in the CorpU survey take a reactive approach to budgeting, that is, they are given a budget based on a percent of payroll, on economic conditions, or on last year's budget. Those that use these reactive approaches to budgeting are less likely to have a seat at the table (Figure 7). Those participants that use proactive and strategic budgeting methods, defined as a budgeting process that is informed by a company strategic plan that produced a learning organization strategic plan which then serves as a guideline for the learning organization's annual budget, are more likely to have a seat at the table.

If the learning organization is forced to budget using a reactive approach, the learning organization is likely to be viewed as a tactical "cost" department in the company making it evident that business leaders do not understand the importance of learning or the contribution it can make to business results. In this situation, business executives simply ask the learning organization to do more with less. Taken to the extreme, this could end with the company asking learning to do everything with no money. Obviously, this cannot be considered a best practice. We think the best way to change this approach is to understand the needs of the business and present senior leaders with a business case and a plan that achieves the desired results. Our suggestion is to openly acknowledge both the cost and the value of learning and to have evidence that demonstrates that it is money well spent.

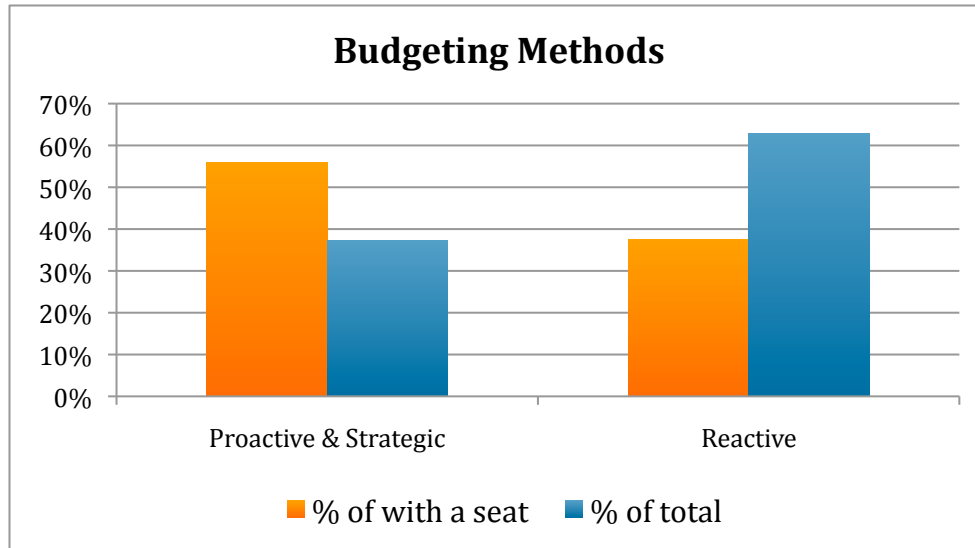


Figure 7. Among the participants that use proactive budgeting methods, 30% are more likely to have a seat at the table.

Take a Proactive, Strategic Approach to Defining Learning

A similar correlation exists when we consider how learning organizations define the learning needs within the company. Executives want to know in advance that the learning organization will be able to deliver the company's future learning needs as those needs arise. In Figure 8, we define proactive and strategic as the learning organization using input from a governing board, a strategic corporate plan, and/or a strategic learning organization plan to define learning. Reactive learning organizations define learning needs only as they arise or as the business units request training.

The problem with the latter approach is that if the learning organization is totally reactive, it is quite likely that the investment in learning will not necessarily be spent to create the programs and courses that will be most effective in moving the business forward. If a learning organization plans and establishes activities proactively, problems may be "solved" before they arise, and the spending on learning will have maximum affect.

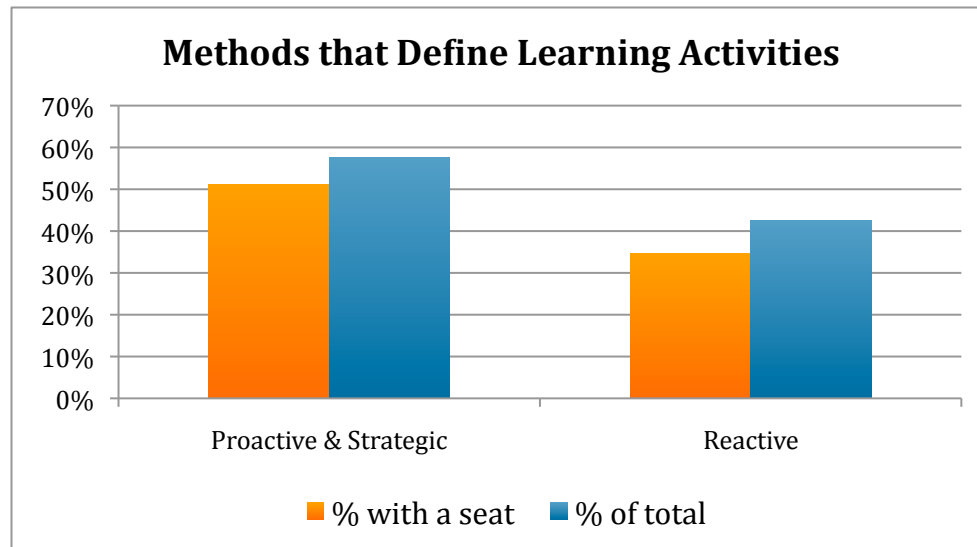


Figure 8. The majority of participants that are proactive in defining learning activities have a seat at the table while only 35% of reactive learning organizations do.

What Won't make a Difference: Dispelling Some Myths

Measurement Alone Won't Get you There

Measurement is one of the most discussed and written about topics in learning today. A common belief is that if a learning organization measures its results and presents those results to senior leaders, then the learning organization will get a seat at the table. This, conventional wisdom says, will earn the learning organization more credibility and result in the learning organization being taken more seriously.

In order to test this hypothesis, the CorpU survey asked questions about the learning organization's level of measurement. We categorized the responses into two broad-based categories: those that do some measurement and those that do none. In Figure 9, CorpU defines some measurement activities as those related to calculating Return on Investment (ROI) or measuring business results. The no measurement response signifies the idea that executives accept anecdotal evidence as a measure of value or value learning intrinsically so no measurement is required.

Study responses were split 50/50 between L&D teams whose executives want quantifiable measures to demonstrate the value of learning programs and those that are not required to conduct measurement activities. Between the two groups, however, there is no measurable difference detailing which is more likely to have a seat at the table. These findings suggest that measuring is a tactical, rather than a strategic activity. For this reason, in order to raise the visibility of the learning organization and get a seat at the table, learning executives should consider not only measuring the impact of individual programs, but also measuring the impact of the learning organization as a whole.

Recently CorpU released two white papers on this topic. The first, *The Learning Profit Chain, Connecting Learning Investments to Financial Performance*, discusses how the effectiveness and efficiency of a learning organization can increase the financial performance of a company. By measuring the practices and processes and focusing on the effectiveness and efficiency of the function, a company will increase its financial performance as measured by profit per employee. The second paper, *The Astounding Value of Learning Brand*, discusses the theory of Learning Brand and how a strong Learning Brand can translate into increases in senior leader trust and the value of learning within the organization. Both papers are available at www.corpu.com.

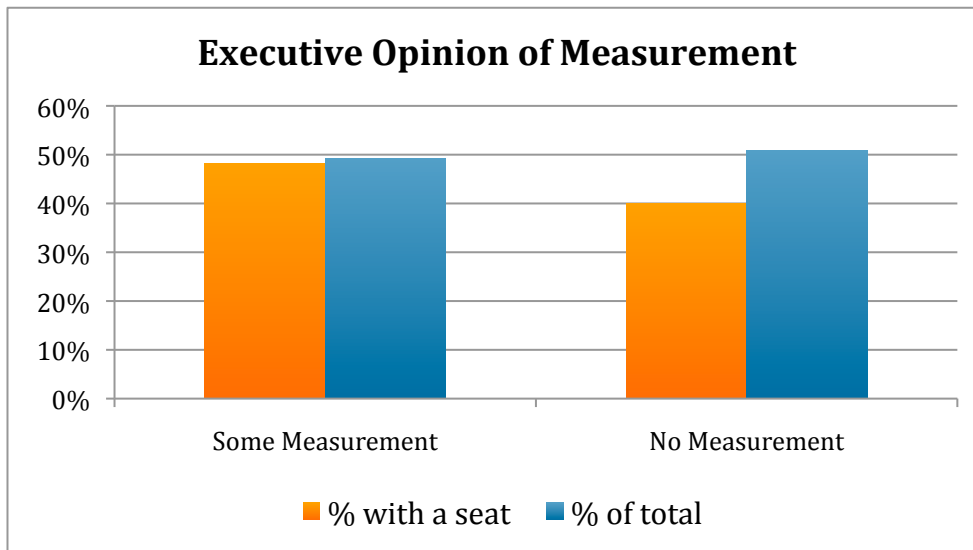


Figure 9. Results show that participants are evenly split between how executives’ opinion of measurement, but between the two groups, however there is no measurable difference as to which group is more likely to have a seat at the table

Similarly, many learning organizations believe that if they had the resources to dedicate someone to measurement, the learning organization would measure more, and therefore, be taken more seriously. Our data shows this to be a myth. Companies that have dedicated measurement teams do not increase a learning organization’s chances of gaining a seat at the table (Figure 10). This is true even though those learning organizations with a dedicated measurement team tend to do more measurement based on the Kirkpatrick and Phillips’ models.

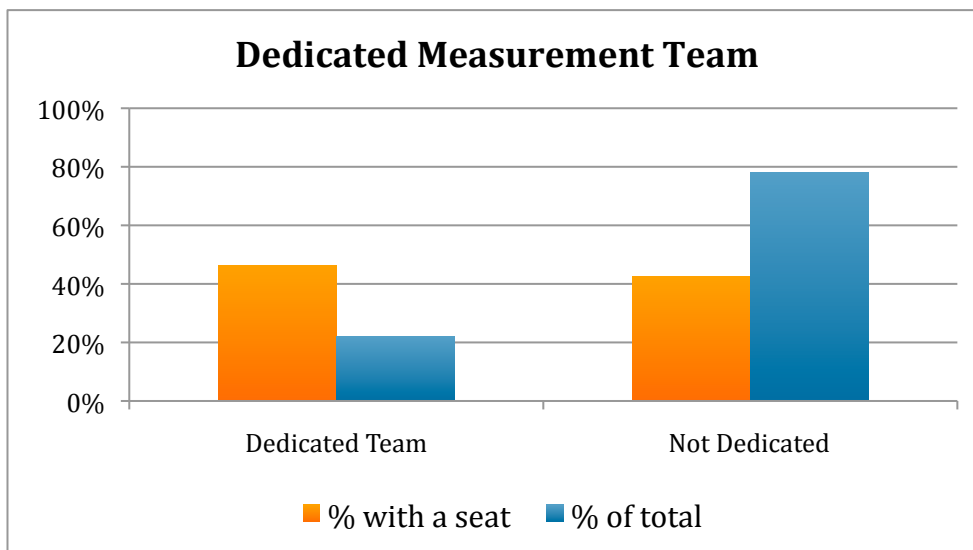


Figure 10. Participants with a dedicated measurement team only have a 4% more chance of gaining a seat at the table than those that do not.

Owning Leadership Development

The CorpU survey suggests that having responsibility for leadership development does not generally increase the likelihood that learning will have a seat at the table (Figure 11). In the CorpU study, 55% of participants reported that they do not manage the leadership development programs for their company, and 40% of these participants still have a seat at the table. The percentage only increases to 46% among those that do manage the leadership development programs in their company. With only a 6% difference between the two groups, it seems unlikely that this factor contributes significantly to whether a learning organization would have a place at strategic meetings.

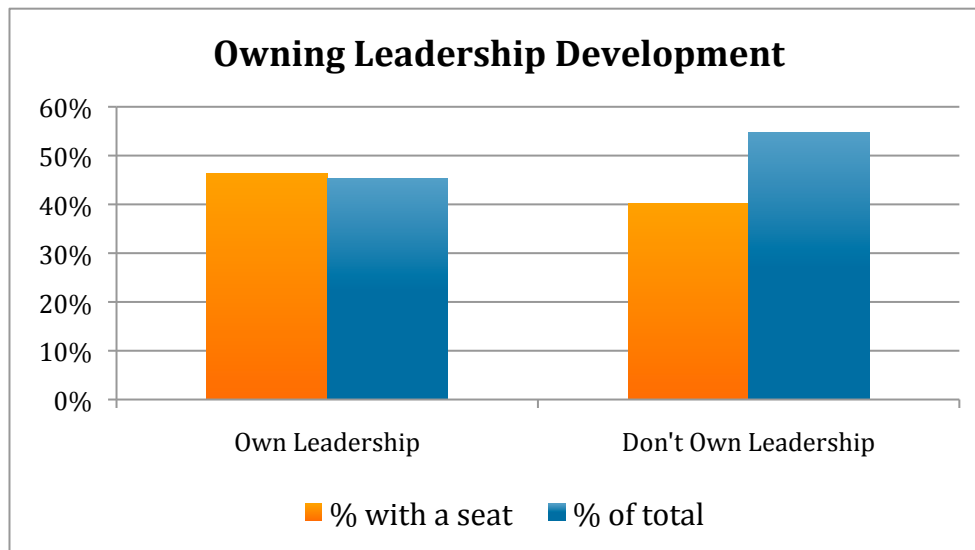


Figure 11. Owning responsibility for leadership will only increase your chances of having a seat at the table by 6%.

Conclusion

Having the seat at the table is essential for the learning organization to be aligned with business strategy. However, the best practices that identify those that have earned their seat may not seem obvious. With that in mind, research suggest the following activities are the ones to focus on first:

- Instituting a formal governance structure and charter
- Incorporating web 2.0 technology into the learning environment to extend and share informal knowledge
- Building performance consulting capabilities within L&D
- Taking a strategic approach to planning and budgeting
- Outsourcing tactical activities versus strategic activities

The list below represents practices that L&D teams have been focused on in recent years according to CorpU's 9th Annual Benchmarking Survey. While these practices are important, they do not appear to be essential in gaining a coveted seat at the table alongside business executives.

- The degree to which business leaders push L&D to demonstrate the value of learning in quantifiable business terms
- Assigning or hiring a dedicated resource to measure learning value and impact
- Having ownership and accountability for leadership development programs