



# Training in a Post-Meltdown World

*By John Wells*

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The 2008 global meltdown was a watershed event that has transformed the corporate landscape and from which no country, company or corporate function (and few individuals) has emerged unscathed. Governments have been in crisis, entire industries (such as corporate finance, banking, real estate, insurance and automotive) have collapsed and pillars of the corporate community have failed. In fact (even with the generous exclusion of Freddie Mac and Fannie Mae), almost half of the largest twenty bankruptcies in history have occurred in the last three years.<sup>1</sup>

We don't remember the corporate world as ever being "easy" prior to the meltdown, but the challenge for corporate survival has risen to the greatest level since the Great Depression of 1929-1933. It is a certainty that the foreseeable future will be far more difficult than the recent past.

*As training professionals, the global meltdown gives us a unique choice. We can "hunker down" until the winds of adversity lessen (and training budgets come back up) or we can "step to the plate" and transform what we do and the value we add. The choice is ours. . .*

### What the Meltdown Means for Training

For all corporate functions (including training) there will be intense pressure in the current and future environment to "prove our worth" or be quickly sidelined – perhaps permanently. The unique challenge for corporate training functions is that, in general, we have not been seen as directly supporting the corporate strategy or contributing to the bottom line. A recent McKinsey study<sup>2</sup> reports that:

**60%** of executives surveyed say that building organization capabilities is a top-three priority for their companies, but

**75%** don't think their companies are good at building this capability, and only

**25%** think their companies training programs are "extremely" or "very effective" in preparing employee groups to drive business performance or improve the overall performance of their companies.

Even worse, data to disprove these perceptions is mostly non-existent, as only eight percent of corporations even track training's return on investment.<sup>3</sup>

Although these numbers will not surprise professionals in the training field, they would be stunning to professionals in other functions. It is hard to find any other corporate function that is less measured and relies less on hard data to measure results or drive performance. Finance professionals monitor receivables, turnover and sales (often daily or even "real-time"); manufacturing monitors production levels, costs and quality; research and development monitors pipeline time, costs and impact. **Training stands alone as a function that is operated largely separate from impact measurement and even more separate from bottom-line results.**

A great deal of training does not even purport to affect bottom-line results. Many corporate education efforts have been focused on “culture” with the goal of giving the corporate population base a common language, approach, ethical base and world view. Sometimes referred (pejoratively) to as “sheep dip” efforts, they are focused on touching as many people as possible, usually on a very superficial basis. Participants then provide level-one feedback, and, as long as the reviews are at a 4.0 level (on a 5-point scale), then training management is satisfied. The goal is merely to “paint them blue” – or red, or brown or whatever the corporate color is. **Although this phenomenon has existed for some time, only the most wide-eyed training optimist believes this can continue to be seen as a strong “value-add” in a post-meltdown economic environment.**

## Why Hasn't Training Driven the Bottom Line?

Before addressing HOW training can drive results, the question arises, “WHY hasn't training historically driven results?” Based on our experience with dozens of Global 100 companies, we offer the following hypotheses:



- a) **Management hasn't asked it to** – the goals and expectations of senior management have been too low relative to training's potential. “Painting them blue” has been seen as a sufficient output,
- b) **Training people don't know how to** – many training people were recruited and attracted to the training function because we are “good with people” (not necessarily “good at the business”),
- c) **The methodology of hard-wiring training to bottom-line results has been insufficiently developed** – there are many, many training methodologies (and most are helpful). The problem is the lack of an integrated approach that combines methodologies into an overarching architecture that drives bottom-line results, and
- d) **Training people don't want to take the (perceived and/or actual) risk** – we are afraid that if our efforts are measured (on an ROI basis) we will be found significantly lacking.

## 5 Amazing Examples of What Training Can Accomplish

The untapped potential of training is truly amazing. When the expectations are high, the execution is brilliant and the results are measured, the training function has the ability to stand proudly beside the other functions in contributing directly to the strategy and bottom line. Five examples that we have witnessed (and to which we directly contributed) include:

- 1. Using middle-management training to drive the bottom line** – A global defense company developed and implemented an effort that realized at least **\$1,000,000 in profits (after costs) directly as a result of each and every middle-management training program**. (Each session had approximately thirty people, and the benefits were measured only for results achieved in the 12 months immediately following each session).
- 2. Turning training into a profit center** – The CEO of an international hotel chain turned their training center from a cost center into a profit center. The direction was to do this NOT by selling training services to outside companies (a la Disney), **but using training to drive cost reduction and increase revenue within the chain itself**.
- 3. Reducing hundreds of millions of dollars in cost** for a “Class 1” American Railroad by making the Operating Department **more volume variable** – affecting starting reductions, distributed power units, etc.
- 4. Using training solely as a tool to deploy strategy** – A major South African Bank is directing all future training toward its goal of being the **leading financial player in emerging markets**.
- 5. Using training to directly increase top-line sales** of a major insurance company (with the goal of a **5% immediate increase** per sales person).

Each of these is an example of training being measured and deployed toward concrete bottom-line results (and transforming the internal training function as a result).

## 7 Pieces of Practical Advice: How to create training that drives the bottom line

- 1. Start with an audacious goal** – Create a goal that is measurable, important and, frankly, is quite scary. Even more frightening, make the goal public! Setting a goal of \$1M profit per middle-management program session seems like madness. But if it achieves only half the goal – \$500,000 profit per session of the program – then the training team becomes an internal hero AND you have a benchmark for improvement toward even higher results.

- 2. Design from the back forward** – As Stephen Covey would say, “Begin with the end in mind.” Define precisely what you want to achieve, THEN start to think about how to achieve it. Don’t be worried by the fact that you don’t know the solution before you create the goal. (If you DO already know a solution that accomplishes the goal, then the goal probably isn’t large enough!)
- 3. Be committed to measurement** – If you don’t measure it, you won’t get it. Measure at an ROI level (Level 4). Also measure Level 3 (behavior), Level 2 (knowledge) and Level 1 (reaction).<sup>4</sup> Examine failures and successes equally (failures will teach you much more than successes). Treat this as a process and know that the first attempt is only a beginning point (and may be less than successful). But that’s to be expected; in an R&D or manufacturing process, perfection from the beginning is not expected (or anticipated).
- 4. Continuous improvement** – The Japanese used the principles of Kaizen (Total Quality) to become a dominant player in the automobile market. These same principles are as applicable to training as they are to manufacturing. Constantly look for ways to improve, test improvements and then roll them out as they become proven. This process never ends.
- 5. Use all levers at your disposal** – All the tools we have at our disposal (360° instruments, coaches, leaders teaching leaders, etc.) are still critical. The challenge is to deploy them toward a different (and more significant) goal. There is not a single “silver bullet” or “new and improved tool” that will unilaterally accomplish the task.
- 6. Find success stories and borrow their methodology** – There are companies that are doing this (not many, but they exist). Find them, benchmark and build from what you learn. You don’t have to invent it all yourself.
- 7. Approach this as a science (and not an art)** – Learn what works, document it, create a process and replicate. Driving bottom-line results is not dependent on a single great facilitator – it is a knowable, replicable process.

## What this will do for you (as a training professional)



Making this transition will not only transform your company’s training function, it will transform your own business life. Training shifts from a “cost center” (begrudgingly funded) to a recognized “seat at the table.” We have seen people promoted, become heroes and have their worlds rocked (and we don’t use these words lightly) by making this transition. **We believe that if you embrace the challenge that a post-meltdown world offers, your world will be rocked as well!**

## About the author

*John Wells is a founder and President of Executive Perspectives. His significant experience in training, as well as his contribution at Bain and Company (strategy consulting) and ADC (reporting to ADC's President to manage a telecom meltdown turnaround) gives him a unique perspective into the integration of training and "hard business". He is passionate about supporting corporate strategies and creating bottom line impact through training.*



## About Executive Perspectives

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### Notes:

- <sup>1</sup> ***The last three years experienced almost half the largest bankruptcies in history:*** (Lehman Brothers (9/15/2008), Washington Mutual (9/26/2008), General Motors (6/1/2009), CitiGroup (11/1/2009), Chrysler (4/30/2009), Thornburg Mortgage (5/1/2009), IndyMac (7/31/2008), General Growth (4/16/2009), Lyondell (1/6/2009).
- <sup>2</sup> ***Building Organizational Capabilities: McKinsey & Company (March 2010)***
- <sup>3</sup> ***Putting a Value on Training: McKinsey & Company (July 2010)***
- <sup>4</sup> ***Kirkpatrick, D. L. Evaluating Training Programs, 2nd ed., San Francisco: Berrett Koehler, 1959.***

### Suggested Reading:

- a) ***Putting a Value on Training: McKinsey & Company (July 2010).*** By Jenny Cermak and Monica McGurk,
- b) ***Building Organizational Capabilities: McKinsey & Company (March 2010).*** (Organizational Practice),
- c) ***Learning and Training: Statistics and Myths (September 2008).*** By D. R. Clark,
- d) ***Harvard Business Review: Maximizing Your Return on People (March 2007).*** By Laurie Bassi and Daniel McMurrer.