

# How Much Should You Invest In Learning?

**Center for Talent Reporting: Annual Conference**

**Date: February 21, 2018**

**Time: 1:00 pm -2:00 pm**

**Room:**



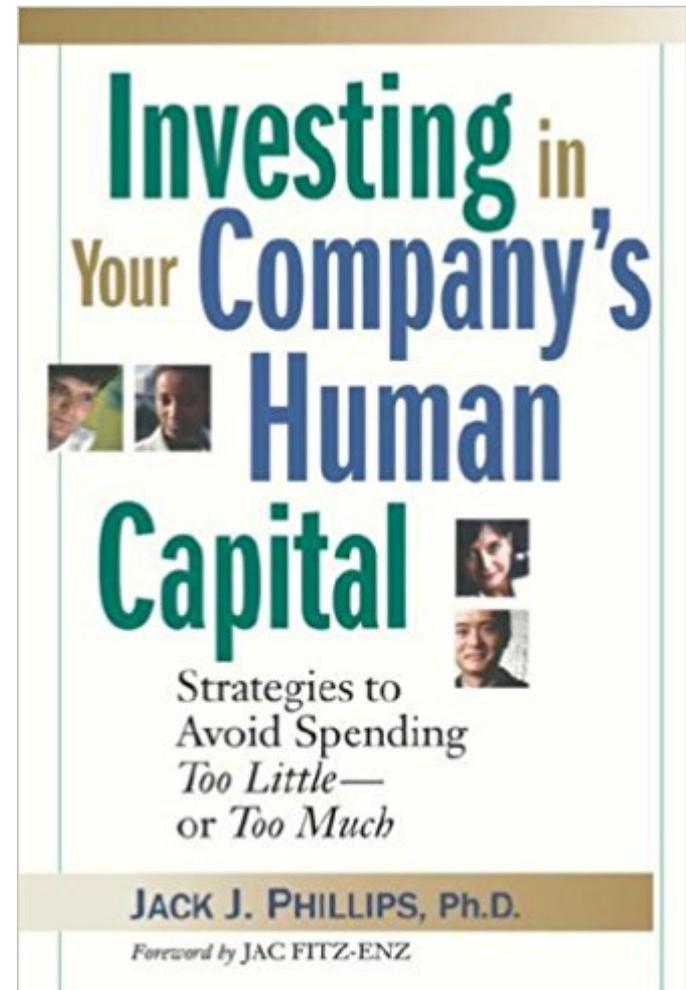
Peggy Parskey, Principal

parskey  
consulting

*Measures for Change*

# Published in 2005 by Jack Phillips

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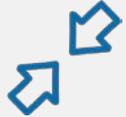


# Identify Your Spend Philosophy

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1. Let others do it



2. Invest the minimum



3. Invest with the rest



4. Invest until it hurts



5. Invest as long as there is a payoff

# 1. Let Others Do It

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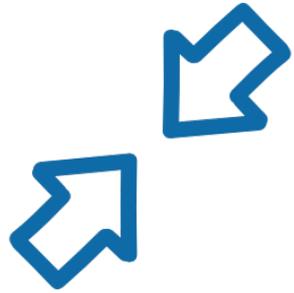


- Approach
  - Hire people who don't need training and/or
  - Use contract or temporary employees and/or
  - Outsource the function

➔	Drivers?	_____
+	Advantages?	_____
-	Disadvantages?	_____

## 2. Invest The Minimum

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- Approach
  - Pay employees below industry standard
  - Provide only legally required benefits
  - Provide minimal employee development
  - Offer few employee support services



Drivers?

\_\_\_\_\_

+

Advantages?

\_\_\_\_\_

-

Disadvantages?

\_\_\_\_\_

# 3. Invest With The Rest



- Approach
  - Gather benchmarking or best practice data
  - Invest in human capital based on what others are doing
  - Provide learning and development to emulate best practices

➔	Drivers?	_____
+	Advantages?	_____
-	Disadvantages?	_____

# 4. Invest Until It Hurts



- Approach
  - Invest in human capital beyond what is needed to meet the goals or mission of the organization
  - The organization provides a wide array of training and development opportunities
  - Make large L&D investments for strategic training

➔	Drivers?	_____
+	Advantages?	_____
-	Disadvantages?	_____

# 5. Invest As Long As There Is Payoff



- Approach
  - Take a portfolio view of L&D investments
  - Identify upfront impact and L&D's contribution to HR or business goals
  - Align investment with expected return and value to HR or the business



Drivers?

\_\_\_\_\_

+

Advantages?

\_\_\_\_\_

-

Disadvantages?

\_\_\_\_\_

# Reflection

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- Which philosophy most closely aligns with your L&D spending patterns?
  
- Now consider 4 different types of training
  - Leadership training
  - Sales training
  - Onboarding for new hires
  - Compliance training (e.g. ethics, regulatory, harassment, diversity, workplace behavior)
  
- Questions
  - What is your company's spend philosophy for each?
  - Is it the same?
  - If not, why not?



# Challenges

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## **Challenge 1:**

*Organizations don't articulate, much less think about their spend philosophy*

## **Challenge 2:**

*Most organizations have a mix of philosophies that are inconsistently applied*



# The Opportunity

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- Think of L&D offerings like an investment portfolio
- Characteristics
  - Diversified: Types of programs, modality, strategic vs run the business, skills developed
  - Balanced: Foundational vs competitive differentiated skills
  - Addresses current and future risk
- Different components of the portfolio will likely have different spend philosophies

# Different Purposes of Learning\*

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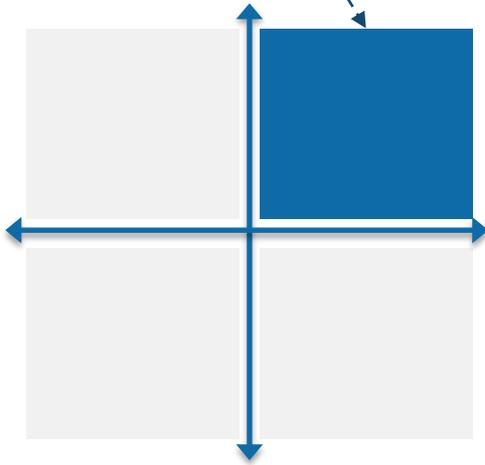
\*Source: CNA Insurance by Corporate Executive Board and Metrics that Matter



# Top Right Quadrant

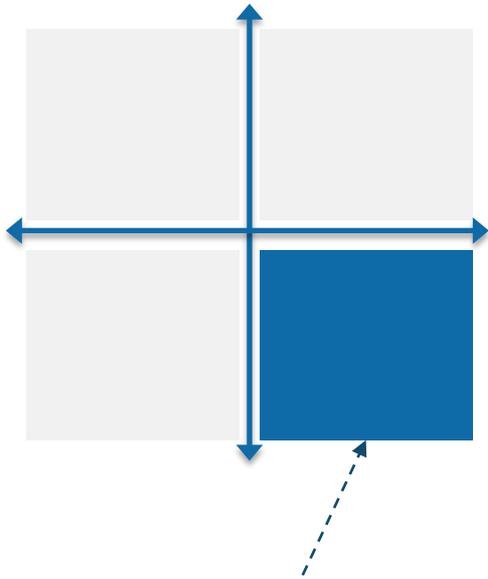
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- Differentiated Skills
- Support the Strategy



# Bottom Right Quadrant

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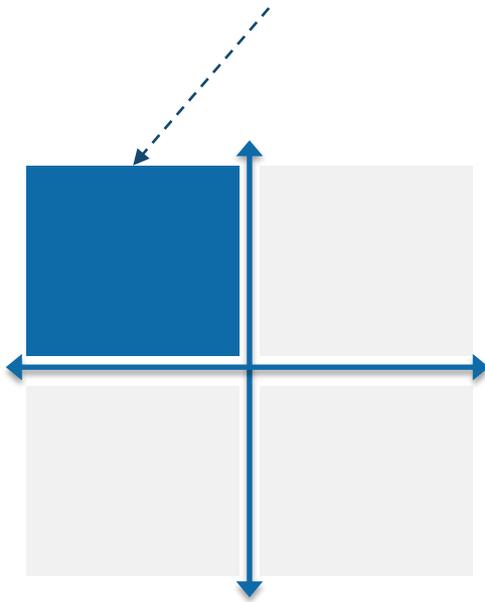


- **Industry Standard Skills**
- **Support the Strategy**

# Top Left Quadrant

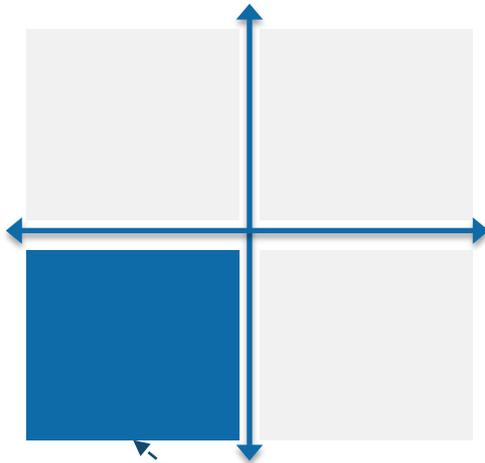
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- Differentiated Skills
- Run the Business



# Bottom Left Quadrant

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- **Industry Standard Skills**
- **Run the Business**

# Why Is a Spend Philosophy Important?

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- Ensures alignment between L&D spending and business priorities
- Ensures the organization allocates its funding appropriately
- Helps leaders make tradeoffs and decisions
- Provides a means to communicate L&D's priorities
- .....
- .....
- .....
- .....



# What Did CNA Do?

Skill \ Value	Run the Business	Advances the Strategy	
Differentiated Skills	<p>Operational Efficiency</p> <p>20%</p>	<p>Drive Growth</p> <p>40%</p>	=60%
Industry Standard Skills	<p>Mitigate Risk</p> <p>10%</p>	<p>Foundational Skills</p> <p>30%</p>	=40%
	=30%	=70%	



# Actions You Can Take

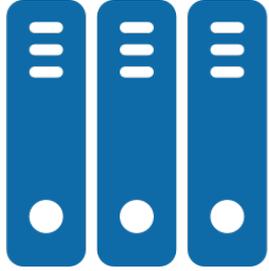
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- 1 Segment your L&D portfolio
- 2 Identify your spend philosophy for each quadrant
- 3 Align your portfolio to reflect business, HR and L&D priorities
- 4 Determine your spend allocation within each quadrant
- 5 Measure the efficiency, effectiveness and impact of the portfolio



# Resources

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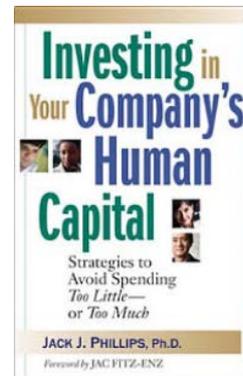
- Gartner/CEB White Paper on CNA Insurance



- Metrics that Matter Portfolio Model



- Jack Phillips



**Thank You**

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# Investing in Human Capital\*

Let others do it	Invest the minimum	Invest with the rest	Invest until it hurts	Invest based on return
<p><u>Approach</u></p> <ul style="list-style-type: none"> <li>• Hire people who don't need training and/or</li> <li>• Use contract or temporary employees and/or</li> <li>• Outsource the function</li> </ul>	<p><u>Approach</u></p> <ul style="list-style-type: none"> <li>• Pay employees below industry standard</li> <li>• Provide only legally required benefits</li> <li>• Provide minimal employee development</li> <li>• Offer few employee support services</li> </ul>	<p><u>Approach</u></p> <ul style="list-style-type: none"> <li>• Gather benchmarking or best practice data</li> <li>• Invest in human capital based on what others are doing</li> <li>• Provide learning and development to emulate best practices</li> </ul>	<p><u>Approach</u></p> <ul style="list-style-type: none"> <li>• Invest in human capital beyond what is needed to meet the goals or mission of the organization</li> <li>• The organization provides a wide array of training and development opportunities</li> <li>• Make large L&amp;D investments for strategic training</li> </ul>	<p><u>Approach</u></p> <ul style="list-style-type: none"> <li>• Take a portfolio view of L&amp;D investments</li> <li>• Identify upfront impact and L&amp;D's contribution to HR or business goals</li> <li>• Align investment with expected return and value to HR or the business</li> </ul>

*"Investing in your company's human capital, 2005, Jack Phillips*



# Investment Option: Let Others Do It

Option	Driving forces	Disadvantages	Advantages
Let others do it (Hire from others)	<ul style="list-style-type: none"> <li>• Cost avoidance: cannot invest in human capital or don't have the funds to do it</li> <li>• Lack of desire to build the infrastructure to manage employee development</li> </ul>	<ul style="list-style-type: none"> <li>• Employees don't see opportunities for growth and development; risk retention of top performers (putting succession planning at risk)</li> <li>• Requires constantly poaching high quality employees from others. Usually this requires paying a premium</li> <li>• Often difficult to build a collaborative workforce because individuals compete for top spots</li> </ul>	<ul style="list-style-type: none"> <li>• Low cost of developing fully competent individuals</li> <li>• Avoids lag time to develop high performing but more junior employees</li> </ul>
Let other do it (use contractors)	<ul style="list-style-type: none"> <li>• Short term focus</li> </ul>	<ul style="list-style-type: none"> <li>• Negatively impacts morale</li> <li>• Permanent employees may opt to become contractors (and raise their wages)</li> <li>• Lack accountability and commitment</li> </ul>	<ul style="list-style-type: none"> <li>• Cost control (higher wages but lower benefits)</li> <li>• Can hire specific and unique skills not needed on a full time basis</li> </ul>



# Investment Option: Invest the Minimum & Invest with the Rest

Option	Driving forces	Disadvantages	Advantages
Invest the minimum	<ul style="list-style-type: none"> <li>• Cost reduction, particularly for companies with a value prop of operational excellence</li> <li>• Cost reduction to survive</li> </ul>	<ul style="list-style-type: none"> <li>• Typically associated with high turnover (which increases costs)</li> <li>• Higher turnover impacts overall operational efficiency which is the value prop of the organization</li> </ul>	<ul style="list-style-type: none"> <li>• Low direct costs which enables the firm to be the low cost provider in their industry (e.g. some airlines)</li> <li>• Can help the company survive a business downturn</li> </ul>
Invest with the rest	<ul style="list-style-type: none"> <li>• Benchmark data is increasing available and inexpensive to do</li> <li>• Safe, low risk approach to making investments</li> </ul>	<ul style="list-style-type: none"> <li>• Generic benchmarking data doesn't tell the entire story</li> <li>• Best practices may not apply to your org</li> <li>• The definition of "good" changes over time</li> </ul>	<ul style="list-style-type: none"> <li>• Very helpful as a source of input for strategic planning</li> <li>• Useful for identifying emerging trends</li> <li>• For custom benchmark projects, may trigger innovative thinking</li> </ul>



# Investment Options: Invest with the Rest, Invest Until it Hurts

Option	Driving forces	Disadvantages	Advantages
Invest until it hurts	<ul style="list-style-type: none"><li>• Employee retention</li><li>• Competitive strategy</li><li>• Union demands</li><li>• Searching for a quick fix</li><li>• Fad chasing</li><li>• Lack of financial discipline</li></ul>	<ul style="list-style-type: none"><li>• No incremental business benefit for additional investment</li><li>• Does not drive accountability</li><li>• Diminishes shareholder return</li></ul>	<ul style="list-style-type: none"><li>• Show employees that the org values training</li><li>• Provides numerous options for employees</li><li>• Diminishes a brain drain</li></ul>



# Investment Option: Invest Based on the Return

Option	Driving forces	Disadvantages	Advantages
Invest based on the return	<ul style="list-style-type: none"><li>• Focus on accountability</li><li>• Increasing cost of human capital</li><li>• Desire for organizations to improve their efficiency and effectiveness</li><li>• CLOs focused on running L&amp;D like a business</li></ul>	<ul style="list-style-type: none"><li>• Requires a change in how L&amp;D interacts with business;</li><li>• Requires upfront planning and collaboration between L&amp;D and the business to agree on priorities and investment levels</li><li>• Requires L&amp;D to be accountable for driving agreed upon impact</li><li>• Requires ownership of business sponsors for supporting learning application on the job</li></ul>	<ul style="list-style-type: none"><li>• Shifts L&amp;D to being seen as an investment</li><li>• L&amp;D becomes a value added business partner</li><li>• Builds business acumen of the entire L&amp;D staff</li><li>• Increases L&amp;D's overall impact on business outcomes</li></ul>

