

CHAPTER TWO

Strategic training



LEARNING OBJECTIVES

After reading this chapter, you should be able to:

1. Discuss how business strategy influences the type and amount of training in an organisation
2. Explain how the role of training is changing
3. Describe the strategic training and development process
4. Discuss how an organisation's staffing and human resource planning strategies influence training
5. Explain the training needs created by concentration, internal growth, external growth and disinvestment business strategies
6. Discuss the advantages and disadvantages of organising the training function according to the functional, customer, matrix, corporate university and business-embedded models
7. Discuss what factors need to be considered before making the decision to outsource training.

Manaaki Whenua Landcare Research

Among the distinctive characteristics of New Zealand environmental research organisation Manaaki Whenua Landcare Research are a culture that is conducive to staff satisfaction, the integration of Māori and Pākeha (non-indigenous New Zealander) perspectives in the workplace, innovative opportunities for people to train and develop and creative health and safety provisions. Overall, the level of caring for people at Manaaki Whenua well and truly exceeds legal and industry standards. This strategic outlook has created not only a working environment that people enjoy, but one to which everyone contributes.

Monitoring of staff attitudes about working at Manaaki Whenua reveals that satisfaction levels are stable, and that the intensity of pride in the organisation has increased, even in the face of complex pressures such as those generated by workplace relocations and competition for funding. Surveys of staff over several years have given rise to a range of specific initiatives for action, mutually recognised by management and staff. Among these have been career development and administrative efficiency initiatives. In addition, there has been an annual focus on a topic of mutual concern to managers and staff, such as the levels, causes and ways of alleviating the stress felt by staff.

This stance towards staff satisfaction extends throughout the organisation's culture. Manaaki Whenua cultivates satisfaction in workplace diversity on the premise that when employees—including those with disabilities—deem themselves to be valued, creativity will be enhanced.

Through such strategies as integrating a Māori perspective in all work, supporting an environment that clearly establishes the value of Māoritanga (Māori culture) within the science context—including developing Māori scientists—and assisting iwi (Māori community) involvement in research programs, the organisation actively supports an internal culture where all staff understand the ideas behind and the values inherent in the Treaty of Waitangi, as well as being at ease with Māoritanga. There is mutual benefit in this—Māori staff gain the benefits of working with the latest technologies, while Pākeha staff gain access to Māori skills, knowledge and values, generating new research paradigms.

Manaaki Whenua also upholds high health and safety standards, including offering a comprehensive and expanding health and wellbeing program featuring thorough medical assessments and referrals—an initiative that has been very well received by staff. The organisation has gained the exceptional top-level accreditation within New Zealand's Accident Compensation Corporation (ACC) Partnership Programme in successive years. Under the program, organisations take responsibility for their own workplace health and safety, including work injury claims.

Manaaki Whenua is a classic example of how training and development needs to be an integral part of an organisation's wider set of strategic concerns. The overall picture presented by Manaaki Whenua is one of a rich, diversified and inclusive research organisation, and a dynamic, forward-thinking employer actively working towards being an 'employer of choice'.¹

INTRODUCTION

As the opening case study shows, learning is an important part of the Manaaki Whenua strategy—but it is only one part of a much wider organisational environment. Training helps people at Manaaki Whenua to develop specific skills that enable them to succeed in their current job and develop for the future. Manaaki Whenua also recognises that learning involves not just formal training but also job experiences and interactions between employees. From the perspective of Manaaki Whenua, training and development enables the evolution of a workforce that is able to cope with change, meet increasingly sophisticated demands and prepare the future leadership of the organisation. Manaaki Whenua recognises that success requires skilled, motivated employees.

Why is the emphasis on training as a strategic factor important? Organisations are in business to, among other things, make money, and every business function is under pressure to show how it contributes to business success or face spending cuts and even outsourcing. To contribute to an organisation's success, training activities should help the organisation to achieve its business strategy. A **business strategy** is a plan that integrates the organisation's goals, policies and actions.² The strategy influences how the organisation uses physical capital (such as plants, technology and equipment), financial capital (such as assets and cash reserves) and human capital (employees). The business strategy helps to direct the organisation's activities (production, finance, marketing and human resources) to reach specific goals. The goals are what the organisation hopes to achieve in the medium- and long-term future. Most organisations' goals include financial goals, such as to maximise shareholder wealth. But organisations also have other goals related to employee satisfaction, industry position and community service.

There is both a direct and an indirect link between training and business strategy and goals. Training can help employees to develop the skills needed to perform their jobs, which directly affects the business. Giving employees opportunities to learn and develop creates a positive work environment, which supports the business strategy by attracting talented employees as well as motivating and retaining current employees.

IBM is an organisation that reinvented itself in 2002.³ Its new business strategy is to reshape its workforce so as to better meet clients' needs and expectations as IBM transforms itself from a high-tech industrial-age organisation to an information- and knowledge-driven organisation. This new business strategy also requires a massive organisational culture change: employees need to accept the strategy and make it work. Dedication to clients is the core foundation of IBM's new business strategy. To meet client needs, employees must be adaptable and constantly adjusting. As a result, IBM's training has shifted so that employees learn through work, on location and based on client needs, rather than travelling to a different location for a training course (although formal training courses will still be used to teach managers, executives and salespeople new skills or product lines at critical moments in their careers). On Demand Learning, as IBM calls it, requires that the learning teams who are responsible for designing the program understand the specific work being done by employees in different roles. IBM has defined more than 500 specific roles in the organisation and the expertise required for each role. The learning team designs learning opportunities into the work itself, a concept known as 'work-embedded learning'. Employees work via computer to connect with experts, participate in an online community on a topic or complete an online learning module. The amount of time spent on learning and training at IBM grew 32 per cent from 2003 to 2004 through the expansion of work-embedded learning. The

organisation will commit more than US\$700 million to its learning initiatives, which it believes are critical for achieving its business strategy.

Business strategy has a major impact on the type and amount of training that occurs and on whether resources (money, trainers' time and program development) should be devoted to training. Strategy also influences the type, level and mix of skills needed in the organisation. Strategy has a particularly strong influence on determining:

1. the amount of training devoted to current or future job skills
2. the extent to which training is customised for the particular needs of an employee or is developed based on the needs of a team, unit or division
3. whether training is restricted to specific groups of employees (such as those identified as having managerial talent) or is open to all employees
4. whether training is planned and systematically administered, provided only when problems occur or developed spontaneously as a reaction to what competitors are doing
5. the importance placed on training compared to other human resource management practices such as selection and compensation.⁴

This chapter begins with a discussion of how training is evolving. Traditionally, training has been seen as an event or program to develop specific explicit knowledge and skills. However, managers and trainers and human resource professionals have begun to recognise the potential contribution to business goals of knowledge that is based on experience and that is impossible to teach in a training program, and they have broadened the role of training to include learning and designing ways to create and share knowledge. The chapter then goes on to discuss the process of strategic training and development, including identifying the business strategy; choosing strategic training and development initiatives that support the strategy; providing training and development activities that support the strategic initiatives; and identifying and collecting metrics to demonstrate the value of training. The chapter next describes organisational factors that influence how training relates to the business strategy. These include the roles of employees and managers; top management support for training; integration of business units; staffing and human resource planning strategy; degree of unionisation; and manager, trainer and employee involvement in training. The chapter then addresses specific strategic types and their implications for training. The chapter ends with a description of several different ways of organising the training function, emphasising that the business-embedded and corporate university models are gaining in popularity as organisations are aligning training activities with business goals.

THE EVOLUTION OF TRAINING'S ROLE

As more organisations follow the model illustrated by Manaaki Whenua and recognise the importance of learning within a wider culture for meeting business challenges and providing a competitive advantage, the role of training in organisations is changing. Figure 2.1 shows the evolution of training's role from a program focus to a broader focus on learning and creating and sharing knowledge.⁵ Training will continue to focus on developing programs to teach specific skills; however, to better relate to improving employees' performance and to help meet business needs and challenges (and be considered strategic), training's role must evolve to include an emphasis on learning and creating and sharing knowledge. **Learning** refers to the acquisition of knowledge by individual employees or groups of employees who are willing to apply that knowledge

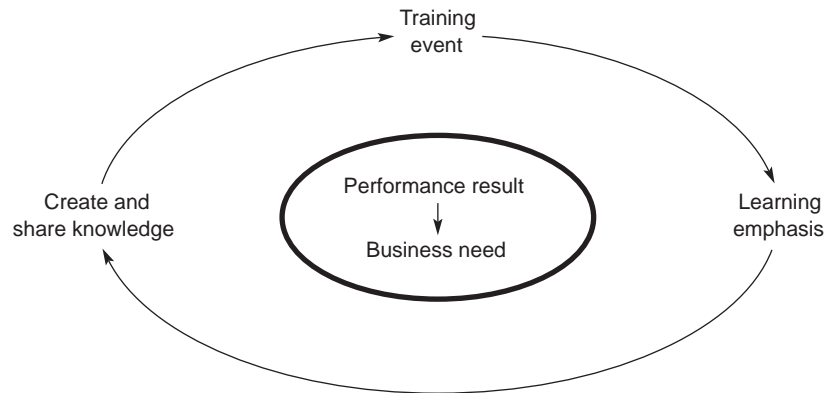


FIGURE 2.1 Evolution of training's role

in their jobs in making decisions and accomplishing tasks for the organisation.⁶ Knowledge refers to what individuals or teams of employees know or know how to do (human and social knowledge) as well as organisation rules, processes, tools and routines (structured knowledge).⁷ Knowledge can be either tacit or explicit.⁸ **Explicit knowledge** refers to knowledge that can be formalised, codified and communicated. That is, it can be found in manuals, formulas and specifications. **Tacit knowledge** refers to personal knowledge based on individual experience or 'intuition' that is difficult to explain to others. Because tacit knowledge is difficult to communicate, it is passed along to others through direct experience, such as through interacting with other employees or by observing other employees. The types of tacit and explicit knowledge that are important for employees include knowledge about the organisation, knowledge about customers and knowledge about the organisation's business processes.⁹ Employees need to understand the organisation's business, strategy and financial statements as well as how the organisation is organised. This gives them some idea of where to go with new ideas, how to seek help with problems and how to create opportunities for cross-functional businesses. Employees must know who the organisation's customers are, what they need and why they choose to do business with the organisation. Finally, employees must have a general understanding of the major business processes and a more detailed understanding of the business processes they are involved in. Well-designed traditional training courses can successfully help employees learn explicit knowledge. But to learn tacit knowledge requires interpersonal interaction and experiences that are usually not found in training programs.

In traditional approaches to training, training is seen as a series of programs or events that employees attend. After attending the training program, employees are responsible for using what they have learnt in training on the job, and any support they might receive is based on the whims of their manager. Also, traditional training provides no information that would help employees to understand the relationship between the training content and individual performance, development objectives or business goals. This type of training usually fails to improve workplace performance and meet business needs. The role of training as a program or event will continue into the future because employees will always need to be taught specific knowledge and skills. This approach assumes that business conditions are predictable, they can be controlled by the organisation and the organisation can control and predict the

knowledge and skills that employees need in the future. These assumptions are true for certain skills such as communication and conflict resolution. However, these training events or programs will need to be more closely tied to performance improvement and business needs to receive support from top management.

A single training event or program is not likely to give an organisation a competitive advantage, because explicit knowledge is well known and programs designed to teach it can easily be developed and imitated. However, tacit knowledge—knowledge that people carry in their minds and that they may not even be consciously aware they possess—is often difficult to access. The kinds of knowledge known as ‘intuition’, ‘gut feelings’ and ‘hunches’ are tacit knowledge. For example, a mechanic may be able to tell what’s wrong with a malfunctioning engine just by listening to it, but may be unable to explain how they know. Because tacit knowledge may be developed through experience and may be shared through interactions between employees, it is impossible to imitate, and so can provide organisations with a competitive advantage.

One strategy that can develop tacit knowledge involves establishing **communities of practice**, which are groups of people bound together by common interests and a passion for a common cause who interact on an ongoing basis. Communities of practice may be formed within an organisation or sometimes across organisations, are frequently informal, with fluctuating membership, and differ from formal work groups, teams or informal networks in that they emphasise the development of members’ capabilities and the building and exchange of knowledge. The term communities of practice has various synonyms, such as learning networks, thematic groups and productivity groups, but by nature there are many that do not identify with any of these labels. The communications between members may be face-to-face, online or by virtually any other means, the only key point being that the sharing of knowledge essentially has a learning focus.

The value of communities of practice in the VET sector in Australia is illustrated by the 16 communities of practice that participated in a pilot program called Reframing the Future in 2001, each focusing on different aspects of implementing the National Training Framework.¹⁰ Another example of the potential value of communities of practice in the area of training and development is the Ford Motor Company’s establishment of communities of practice, organised according to functions.¹¹ For example, all the painters at every Ford assembly plant around the world belong to the same community of practice. At each plant, one of the painters serves as a ‘focal point’. If a local painter discovers a way to improve one of the 60 steps involved in painting, the person nominated as the focal point completes a template describing the improvement and its benefits. The template is submitted electronically to a content expert located at Ford headquarters, who reviews the practice and decides whether it is worth sharing with other assembly plants. If so, the practice is approved and sent online to the other assembly plants. Ford has collected US\$1.3 billion in projected value for the organisation and realised more than US\$800 million of actual value from its communities of practice.

The emphasis on learning as outlined above has several implications. Firstly, there is a recognition that to be effective, learning has to be related to helping employees’ performance improve and helping the organisation to achieve its business goals. This connection helps ensure that employees are motivated to learn and that the limited resources (time and money) for learning are focused on areas that will directly help the business to succeed. Secondly, unpredictability in the business environment in which organisations operate will continue to be the norm. Because problems cannot be predicted in advance, learning needs to occur on an as-needed basis. Organisations need

to move beyond the classroom and instead use job experiences and web-based training to teach employees skills while they focus on business problems. Thirdly, because tacit knowledge is difficult to acquire in training programs, organisations need to support informal learning that occurs through mentoring, chat rooms and job experiences. Fourthly, learning must be supported not only with physical and technical resources but also psychologically. The organisation's work environment needs to support learning, and managers and peers need to encourage learning and help employees find ways to obtain learning on the job. Also, managers need to understand employees' interests and career goals to help them find suitable development activities that will prepare them to be successful in other positions in the organisation or to deal with expansion of their current job. The characteristics of a learning organisation and how to create a work environment that supports training and learning will be discussed later.

Creating and sharing knowledge refers to organisations' development of human capital. As discussed in Chapter 1, human capital includes cognitive knowledge (knowing what), advanced skills (knowing how), system understanding and creativity (knowing why) and self-motivated creativity (caring why).¹² Traditionally, training has focused on cognitive and advanced skills. But the greatest value for the business may be created by having employees understand the manufacturing or service process and the interrelationships between departments and divisions (system understanding, or knowing why) as well as motivating them to deliver high-quality products and services (self-motivated creativity, or caring why). To create and share knowledge, organisations have to provide the physical space and technology (such as email and websites) to encourage employee collaboration and knowledge sharing.

THE STRATEGIC TRAINING AND DEVELOPMENT PROCESS

Having discussed the evolution of training's role in organisations, we now turn to the process of strategic training and development. Figure 2.2 shows a model of the strategic training and development process, with examples of strategic initiatives, training activities and metrics.

The model shows that the process begins with identifying the business strategy. Next, strategic training and development initiatives that support the strategy are chosen.

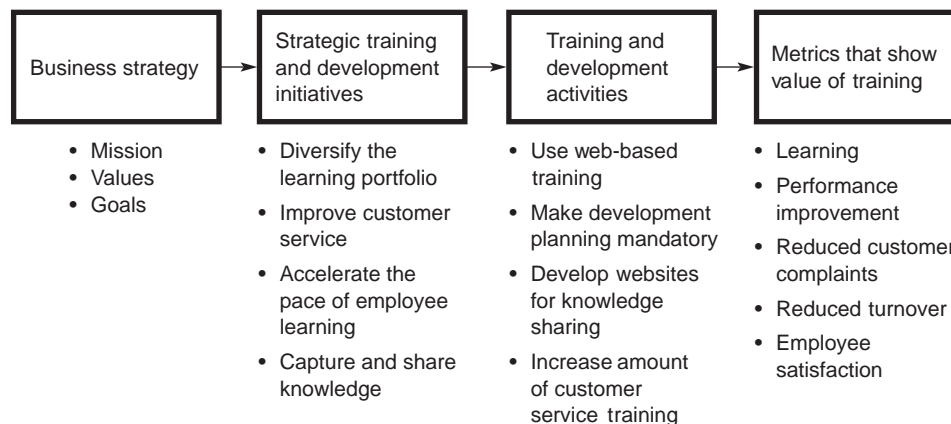


FIGURE 2.2 The strategic training and development process

Translating these strategic training and development initiatives into concrete training and development activities is the next step of the process. The final step involves identifying measures or metrics. These metrics are used to determine whether training helped contribute to goals related to the business strategy. The following sections detail each step in the process.

Identifying the organisation's business strategy

Three factors influence the organisation's business strategy. Firstly, the organisation's mission, vision, values and goals help to determine the strategy. These are usually determined by the top management team. The mission is the organisation's reason for existing. It may specify the customers served, why the organisation exists, what the organisation does or the values received by the customer. The vision is the picture of the future that the organisation wants to achieve. **Values** are what the organisation stands for. Secondly, a **SWOT analysis** (strengths, weaknesses, opportunities, threats) involves an analysis of the organisation's operating environment (for example, product markets or new technologies) to identify opportunities and threats as well as an internal analysis of the organisation's strengths and weaknesses including people, technology and financial resources. The business challenges identified in Chapter 1 may also represent an opportunity (or threat) to the organisation. Recall that these business challenges include globalisation, the need for leadership, increased value of human capital, change, attracting and winning talent and a focus on customers and quality. Thirdly, the organisation needs to consider its competition. That is, how will the organisation successfully compete? The decisions that an organisation needs to consider about how to compete are shown in Table 2.1.

TABLE 2.1 Decisions an organisation must make about how to compete to reach its goals

1. Where to compete?	In what markets (industries, products, etc.) will we compete?
2. How to compete?	On what outcome or differentiating characteristic will we compete? Cost? Quality? Reliability? Delivery? Innovativeness?
3. With what will we compete?	What resources will allow us to beat the competition? How will we acquire, develop and deploy those resources to compete?

SOURCE: 'Strategy-Decisions about Competition', from R. Noe, J. Hollenbeck, B. Gerhart and P. Wright, *Human Resource Management: Gaining a Competitive Advantage*, 5th edn (Burr Ridge, IL: Irwin/McGraw-Hill, 2006): 61.

Although these decisions are equally important, organisations often pay less attention to the 'with what will we compete' issue, resulting in failure to reach its goals. The 'with what will we compete' decision includes deciding how human, physical and financial capital will be used. To use human capital to gain a competitive advantage requires linking the organisation's human resources practices (such as training and development) to its business strategy.

Consider how training contributes to the business strategy at Nokia Corporation. Nokia, the world leader in mobile communications, has more than 50 000 employees and net sales of US\$30 billion. Nokia consists of two business groups: Nokia Networks and Nokia Mobile Phones. The organisation also includes the separate Nokia Ventures

Organization and the corporate research unit Nokia Research Center. Nokia's business strategy is to strengthen its position as the leading communications and systems provider. The organisation wants to create personalised communication technology that enables people to create their own mobile world. Nokia continues to target and enter segments of the communications market that it believes will experience faster growth than the industry as a whole. As the demand for wireless access to services increases, Nokia plans to lead the development and commercialisation of networks and systems required to make wireless content more accessible and rewarding for customers.

The management approach at Nokia, known as the 'Nokia way', consists of the Nokia values, its organisational competencies and its operations and processes used to maintain operational efficiency. The organisation has built its current and future strength on the Nokia way. The Nokia way has resulted in a flat, networked organisation emphasising speed and flexibility in decision making. Nokia's values include customer satisfaction, respect for the individual, achievement and continuous learning. Continuous learning provides employees with the opportunity to develop themselves and to stay technologically current. Employees are encouraged to share experiences, take risks and learn together. Continuous learning goes beyond formal training classes. At Nokia, continuous learning means that employees support each other's growth, developing and improving relationships through the exchange and development of ideas. E-learning is used to provide employees with the freedom to choose the best possible time and place for personal development.

Nokia's top management is committed to continuous learning. For example, the business group presidents are the 'owners' of all global management and leadership programs for senior managers. They personally provide input into the development of these programs but they also appoint 'godfathers' from their management teams. These godfathers participate actively throughout the program and are also designers of program content. Together with the training and development staff, the godfathers help the learning processes in the programs. Most of the programs involve strategic projects (action learning) that participants are responsible for completing. Top managers invest time in reviewing the projects and have the authority to take action based on the project team recommendations.

The value of continuous learning translates into personal and professional growth opportunities, including a commitment to self-development, coaching, learning solutions and training, management training, a vibrant internal job market and performance management. Employees are encouraged to create their own development plan and use available learning solutions and methods. Coaching with highly skilled colleagues helps employees to develop and gives them the opportunity to share ideas and goals with each other. Nokia employees have access to a wide variety of training and development opportunities, including learning centres and the Learning Market Place Internet, which has information on all the available learning solutions including e-learning and classroom training. Through its learning centres, Nokia has integrated the learning activities of all its business groups into one place. Nokia believes that by mixing participants from across business groups, knowledge is created because traditions and experiences can be shared among employees. In addition to formal programs offered in classrooms or online, Nokia emphasises on-the-job learning through job rotation and through managers giving their employees challenging new job assignments. There is also a wide range of opportunities for managers to improve their management and leadership skills. The emphasis on the

internal labour market encourages employees to improve their skills by changing jobs. Nokia's performance management process, known as Investing in People (IIP), involves twice-yearly discussions between employees and their managers. The IIP process consists of objective-setting, coaching and achievement review, competence analysis and personal development plan. The entire IIP process is supported electronically. Employees can choose their profile from the organisation's intranet, conduct a self-evaluation, create a personal development plan and investigate what learning solutions are available at the learning centres.

Nokia uses a combination of measures to evaluate the value of training. The organisation always asks employees for their immediate reactions after they have completed a program. Other measures include attainment of competence and resource strategy in all parts of the organisation. Top management believes that the largest benefit of the learning is that employees have opportunities to network, creating more knowledge, reinforcing continuous learning and creating committed employees.¹³

Identifying strategic training and development initiatives that support the strategy

Strategic training and development initiatives are learning-related actions that an organisation should take to help it achieve its business strategy.¹⁴ The strategic training and development initiatives vary by organisation depending on an organisation's industry, goals, resources and capabilities. The initiatives are based on the business environment, an understanding of the organisation's goals and resources and insight regarding potential training and development options. They provide the organisation with a road map to guide specific training and development activities. They also show how the training function will help the organisation reach its goals (and in doing so, show how the training function will add value).

Table 2.2 shows strategic training and development initiatives and their implications for training practices. *Diversifying the learning portfolio* means that organisations may need to provide more learning opportunities than just traditional training programs. These learning opportunities include informal learning that occurs on the job through interactions with peers; new job experiences; personalised learning opportunities using mentors, coaches and feedback customised to the employee's needs; and the use of technology (including web-based training). Such training is self-paced and available outside a formal classroom environment. These learning opportunities will be discussed later.

There are many organisations offering web-based learning, some of which offer good quality for quite reasonable costs. CGU Safety and Risk Services has formed a partnership with e3Learning to offer health, safety and injury management interventions. As a Registered Training Organisation (RTO), CGU's expertise in delivering face-to-face training programs is complemented by e3Learning's Learning Management System, producing innovative courses that engage the learner through an amalgam of graphics, animation, text and audio. Simulation is also used in conjunction with problem-based learning. Online training facilitates staff participation and cost-effective monitoring of individuals' progress. Organisations using this online approach include Amcor, Anglicare, Eldercare, Onesteel and Mission Australia.

Mission Australia chose the online occupational health and safety training as part of a wider program of training in this area, customising each program to:

TABLE 2.2 Strategic training and development initiatives and their implications

Strategic training and development initiatives	Implications
Diversify the learning portfolio	<ul style="list-style-type: none"> ▪ Use new technology such as the internet for training ▪ Facilitate informal learning ▪ Provide more personalised learning opportunities
Expand who is trained	<ul style="list-style-type: none"> ▪ Train customers, suppliers and employees ▪ Offer more learning opportunities to non-managerial employees
Accelerate the pace of employee learning	<ul style="list-style-type: none"> ▪ Quickly identify needs and provide a high-quality learning solution ▪ Reduce the time to develop training programs ▪ Facilitate access to learning resources on an as-needed basis
Improve customer service	<ul style="list-style-type: none"> ▪ Ensure that employees have product and service knowledge ▪ Ensure that employees have skills needed to interact with customers ▪ Ensure that employees understand their roles and decision-making authority
Provide development opportunities and communicate to employees	<ul style="list-style-type: none"> ▪ Ensure that employees have opportunities to develop ▪ Ensure that employees understand career opportunities and personal growth opportunities ▪ Ensure that training and development addresses employees' needs in current job as well as growth opportunities
Capture and share knowledge	<ul style="list-style-type: none"> ▪ Capture insight and information from knowledgeable employees ▪ Logically organise and store information ▪ Provide methods to make information available (e.g. resource guides, websites)
Align training and development with the organisation's strategic direction	<ul style="list-style-type: none"> ▪ Identify needed knowledge, skills, abilities or competencies ▪ Ensure that current training and development programs support the organisation's strategic needs
Ensure that the work environment supports learning and transfer of training	<ul style="list-style-type: none"> ▪ Remove constraints to learning, such as lack of time, resources and equipment ▪ Dedicate physical space to encourage teamwork, collaboration, creativity and knowledge sharing ▪ Ensure that employees understand the importance of learning ▪ Ensure that managers and peers are supportive of training, development and learning

SOURCE: Based on S. Tannenbaum, 'A Strategic View of Organizational Training and Learning', in *Creating, Implementing, and Managing Effective Training and Development*, ed. K. Kraiger (San Francisco: Jossey-Bass, 2002): 10–52.

1. increase the relevance of the training
2. incorporate the organisation's internal policies and procedures
3. incorporate and reflect the organisation's terminology and processes.

This is a good illustration of providing consistent training for large numbers of geographically dispersed employees, including those in remote areas. The online approach also offers considerable flexibility in terms of individual learning styles and preferences. e3Learning's Learning Management System also facilitates both the dissemination of programs via email and the tracking of training. Mission Australia is aiming for an 85 per cent completion rate of the OHS Fundamentals training program, as well as implementing other programs including risk management and accident investigation.¹⁵

Expand who is trained refers to the recognition that because employees are often the customer's primary point of contact, they need as much if not more training than managers do. Also, to provide better customer service to suppliers, vendors and consumers, organisations need to distribute information about how to use the products and services they offer. Organisations are beginning to train suppliers to ensure that the parts that suppliers provide will meet their customers' quality standards. To be successful, organisations need to be able to deal with changes in technology, customer needs and global markets. Training needs must be quickly identified and effective training provided. That is, organisations need to *accelerate the pace of employee learning*. Also, organisations are relying on electronic performance support systems (EPSSs) that provide employees with immediate access to information, advice and guidance (EPSSs will be discussed in more detail later). EPSSs can be accessed through personal computers or hand-held computers whenever they are needed. Because customers now have access to databases and websites and have a greater awareness of high-quality customer service, they are more knowledgeable, are better prepared and have higher service expectations than ever before. Employees must be prepared to *provide the best possible customer service*. Employees need to be knowledgeable about the product or service, they need to have customer service skills and they need to understand the types of decisions they can make (for example, can they make an exception to the policy of no cash refunds?). *Providing development opportunities* and communicating them to employees is important to ensure that employees believe that they have opportunities to grow and learn new skills. Such opportunities are important for attracting and retaining talented employees. *Creating and sharing knowledge* ensures that important knowledge about customers, products or processes is not lost if employees leave the organisation. Also, giving employees access to knowledge that other employees have may quicken response times to customers and improve product and service quality. For example, rather than 'reinventing the wheel', service personnel can tap into a database that allows them to search for problems and identify solutions that other service reps have developed. *Aligning training and development* with the organisation's strategic direction is important to ensure that training contributes to business needs. Organisations need to identify what employee capabilities (knowledge, skills) are needed and whether training programs and services are helping to improve these capabilities. Lastly, a *supportive work environment* is necessary for employees to be motivated to participate in training and learning activities, use what they learn on the job and share their knowledge with others. Tangible support includes time and money for training and learning, as well as work areas that encourage employees to meet and discuss ideas. Psychological support from managers and peers for training and learning is also important. Types of tangible and psychological support for training will be discussed later.

How might an organisation ensure that its training and development initiatives are linked to its business strategy? Table 2.3 shows the questions that an organisation needs to answer to identify and develop its strategic training and development initiatives.

TABLE 2.3 Questions to ask to develop strategic training and development initiatives

1. What is the vision and mission of the organisation? Identify the strategic drivers of the business strategy.
2. What capabilities does the organisation need as result of the business strategy and business environment challenges?
3. What types of training and development will best attract, retain and develop the talent needed for success?
4. Which competencies are critical for organisation success and the business strategy?
5. Does the organisation have a plan for making the link between training and development and the business strategy understood by executives, managers and employees or customers?
6. Will the senior management team publicly support and champion training and development?
7. Does the organisation provide opportunities for training and developing not only individuals but also teams?

SOURCE: Based on R. Hughes and K. Beatty, 'Five Steps to Leading Strategically', *TD* (December 2005): 46–48.

Providing training and development activities linked to strategic training and development initiatives

Once an organisation has chosen its strategic training and development initiatives related to its business strategy, it then identifies specific training and development activities that enable these initiatives to be achieved. These activities include developing initiatives related to use of new technology in training, increasing access to training programs for certain groups of employees, reducing development time and developing new or expanded course offerings.

Sun Microsystems, a manufacturer of computer workstations and workstation software based in California, has made sure its training function and training activities support its business strategy. Sun's mission statement (shown in Table 2.4) discusses how Sun views computer networks (a vision of everyone and everything participating on the

TABLE 2.4 Sun Microsystems' vision, mission and strategy

Vision: Since our inception in 1982, the vision of 'The Network Is the Computer' has evolved into the Participation Age. We see everyone and everything participating on the network.
Mission: To create the technologies and fuel the communities that power the Participation Age.
Strategy: We engineer solutions for our customers' biggest, most important problems. We share our solutions to grow communities, increase participation and create world-changing new market opportunities. We will build and run the world's participation infrastructure to make sure the job is done right.

SOURCE: About Sun, Our Organisation, Mission (19 June 2006), <http://www.sun.com>.

network). Sun has established a history of innovation and technology leadership, helps organisations in every industry to leverage the power of the internet, has established relationships with leading suppliers of computing solutions that Sun can rely on to develop integrated solutions and is committed to high-quality service and technical support.

Appointed in April 2008, Duncan Bennet, Sun Microsystems' Vice President and Managing Director for Australia and New Zealand, observed that Sun is dedicated to the business model upon which MySQL's success was built. That is, to first invest in communities of users and developers before creating commercial services, without seeking total commitment from customers. Sun is driving growth through its partner community to expand focus into the entry-level market. The firm's concept of sharing innovation and building communities is at the forefront of the next wave of computing. Sun can now be found in more than 100 countries.

A good example of how a training function can contribute to business strategy is evident in the changes made by SunU, the training and development organisation of Sun Microsystems.¹⁶ SunU realigned its training philosophy and the types of training it conducted to be more linked to the strategy of Sun. Sun was in a constantly evolving business due to new technologies, products and product markets. SunU found that its customers wanted training services that could be developed quickly, could train many people and would not involve classroom training. Because of its importance for the business, Sun was also interested in maintaining and improving the knowledge and competence of its current work force.

Table 2.5 presents the questions that SunU used to determine how better to contribute to the business strategy. Note that the questions SunU asked not only deal with the delivery of training, but also attempt to understand internal customer needs and potential business needs as determined by Sun's business strategy.

TABLE 2.5 SunU's analysis to align training with business strategy

Customers
Who are our customers and how do we work for them?
Organisation
What is the nature of practices required to complete our mission?
Products and services
How do we ensure that our products and services meet strategic requirements?
Research and development
How do we stay current in the training and learning fields and use our knowledge in these areas?
Business systems
What are the processes, products, tools and procedures required to achieve our goals?
Continuous learning
How do we recognise that learning at Sun Microsystems is continuous, is conscious and comes from many sources?
Results
How do we obtain results according to our customers' standards?

SOURCE: Based on P.A. Smith, 'Reinventing SunU', *Training and Development* (July 1994): 23–27.

As a result of the need to better align the training function with the needs generated by the business strategy, SunU took several steps. First, it developed a new approach to determining the knowledge and skills that the employees needed to meet business goals. SunU identified several basic competencies (such as customer relations). A team of trainers at SunU constantly reviews these competencies and discusses them with key senior managers. For example, in the customer service competency, vice presidents and directors of sales and marketing are interviewed to identify training needs. As a result of this process SunU learns more about the business needs and is able to develop relevant training. To help deliver training quickly to a large number of trainees without relying on the classroom, SunU developed videoconferencing programs that allow training to be delivered simultaneously to several sites without requiring trainees to travel to a central location. To help maintain and improve the knowledge and abilities of its employees, SunU developed a desktop library that enables all employees to access CD-ROMs containing up-to-date information on technologies and products as well as profiles on customers and competitors. SunU also delivers web-based training to more than 400 000 students, and more than 80 000 online training sessions are accessible daily to employees, customers, suppliers and partners.¹⁷

In 2001, when SunU was faced with the business need to train and certify all Sun employees in Sun Sigma (Sun's version of Six Sigma quality training) in less than six months, SunU turned to online training. SunU's training program needed to reach employees who worked in 170 different countries and who spoke a variety of languages, and it needed to be tailored to both individuals and groups. The customised course material was incorporated into e-learning, which allowed SunU to train twice as many employees as would have been possible in a classroom approach. The Sun Sigma training initiative was able to save the organisation approximately US\$1.2 million.

Identifying and collecting metrics to show training success

How does an organisation determine whether training and development activities actually contribute to its goals? This determination involves identifying and collecting outcome measures, or metrics. The metrics that are typically used to identify training success or effectiveness include trainees' satisfaction with the training program, whether the trainees' knowledge, skill or attitudes changed as a result of program participation (cognitive and skill-based outcomes) and whether the program resulted in relevant outcomes for the organisation. These outcomes should be directly linked to the organisation's strategy and goals. Evaluations might, for example, focus on customer service, employee satisfaction, employee turnover, number of product or service defects, time spent in product or service development, number of patents or time spent filling management positions.

Some organisations use the balanced scorecard as a process to evaluate all aspects of the business. The **balanced scorecard** is a means of performance measurement that provides managers with a chance to look at the overall organisational performance or the performance of departments or functions (such as training) from the perspectives of internal and external customers, employees and shareholders.¹⁸ The balanced scorecard considers four different perspectives. The emphasis and the type of indicators used to measure each of these perspectives are based on the organisation's strategy and goals. The four perspectives and examples of metrics used to measure them are:

1. customer (time, quality, performance, service, cost)
2. internal (processes that influence customer satisfaction)

3. innovation and learning (operating efficiency, employee satisfaction, continuous improvement)
4. financial (profitability, growth, shareholder value).

Metrics that might be used to assess training's contribution to the balanced scorecard include employees trained (employees trained divided by the total number of employees), training costs (total training cost divided by number of employees trained) and training costs per hour (total training costs divided by total training hours). Bond University uses the balanced scorecard approach to measure and manage its overall performance. This framework has provided the Bond University Library with a way of articulating the 'what', 'why', 'how' and 'how well' aspects of its strategic plan, and how this plan complements and supports the University's strategic plan. The balanced scorecard metrics are revisited annually as part of the Library's strategic planning, goal-setting and resource-allocation process.¹⁹

The balanced scorecard approach also provides an overview of Centrelink's business performance to the organisation's CEO, the Centrelink Executive and the Commonwealth Department of Human Services. It provides a regular 'health check' for business, which allows for pre-emptive action, minimising any adverse impacts on the organisation that may affect its ability to consistently deliver high-quality service. It is used as a performance reporting and management tool, and assists with making Centrelink employees accountable for their performance. Centrelink's Strategic Directions for 2006–2007 set out the purpose, strategic themes and strategic priorities. The Strategic Directions have a three-year outlook and a one-year focus, and provide the foundation for organisational, group, division and local area business planning. Centrelink's strategic priorities inform the organisation's activities and help the organisation to achieve its purpose through strategic themes. Progress against strategic priorities and themes is measured using strategic performance indicators and strategic result indicators, and are reported through Centrelink's balanced scorecard. These measures are fundamental to Centrelink's ability to adjust and improve its performance.

Centrelink's balanced scorecard measure for the evaluation of accredited learning operations sets a target of 5 per cent of staff, or 1250 staff, achieving an appropriate formal qualification during the reporting year. In 2003–2004 this target was exceeded, with 1736 staff achieving an accredited learning qualification. In particular, a significant number of staff completed Certificate IV in Government (Fraud Control Investigation) and Certificate IV in Community Services (Information, Advice and Retrieval).²⁰

The process of identifying and collecting metrics is related to training evaluation, the final step in Figure 1.1. The different types of outcomes will be discussed in greater detail later. Of course, showing that training directly relates to the organisation's 'bottom line' (for example, increased service, sales or product quality) is the most convincing evidence of the value of training.

ORGANISATIONAL CHARACTERISTICS THAT INFLUENCE TRAINING

The amount and type of training, as well as the organisation of the training function in an organisation, are influenced by employee and manager roles, by top management support for training, by the organisation's degree of integration of business units, by its global presence, by its business conditions, by other human resource management

practices (including staffing strategies and human resource planning), by the organisation's extent of unionisation and by the extent of involvement in training and development by managers, employees and human resource staff.²¹

Roles of employees and managers

The roles that employees and managers have in an organisation influence the focus of training, development and learning activity. Traditionally, employees' roles were to perform their jobs according to the managers' directions. Employees were not involved in improving the quality of the products or services. However, with the emphasis on the creation of intellectual capital and the movement towards high-performance work systems using teams, employees today are performing many roles that were previously reserved for management (such as hiring, scheduling work and interacting with customers, vendors and suppliers).²² If organisations are using teams to manufacture goods and provide services, team members need training in interpersonal problem solving and team skills (for example, how to resolve conflicts and how to give feedback). If employees are responsible for the quality of products and services, they need to be trained to use data to make decisions, which involves training in statistical process control techniques. As discussed in Chapter 1, team members may also receive training in skills needed for all positions on the team (cross-training), not just for the specific job they are doing. To encourage cross-training, organisations may adopt skill-based pay systems, which base employees' pay rates on the number of skills they are competent in rather than what skills they are using for their current jobs. Skill-based pay systems will be discussed later.

Research suggests that managers in traditional work environments are expected to do the following:²³

- ▶ *Manage individual performance.* Motivate employees to change performance, provide performance feedback and monitor training activities.
- ▶ *Develop employees.* Explain work assignments and provide technical expertise.
- ▶ *Plan and allocate resources.* Translate strategic plans into work assignments and establish target dates for projects.
- ▶ *Coordinate interdependent groups.* Persuade other units to provide products or resources needed by the work group, and understand the goals and plans of other units.
- ▶ *Manage group performance.* Define areas of responsibility, meet with other managers to discuss effects of changes in the work unit on their groups, facilitate change and implement business strategy.
- ▶ *Monitor the business environment.* Develop and maintain relationships with clients and customers, and participate in task forces to identify new business opportunities.
- ▶ *Represent their work unit.* Develop relationships with other managers, communicate the needs of the work group to other units and provide information on work group status to other groups.

Regardless of their level in the organisation, all managers are expected to serve as spokespeople to other work units, managers and vendors (that is, to represent their work unit). Of course, the amount of time managers devote to some of these roles is affected by their level. Frontline managers spend more time managing individual performance and developing employees than middle managers or senior managers do. The most important roles for middle managers and senior managers are planning and allocating

resources, coordinating interdependent groups and managing group performance (especially managing change). Senior managers also spend time monitoring the business environment by analysing market trends, developing relationships with clients and overseeing sales and marketing activities.

The roles and duties of managers in organisations that use high-performance work systems (such as teams) are shown in Table 2.6. The managers' duty is to create the conditions necessary to ensure team success. These roles include managing alignment, coordinating activities, facilitating the decision-making process, encouraging continuous learning and creating and maintaining trust.²⁴

TABLE 2.6 The roles and duties of managers in organisations that use high-performance work practices

Roles	Key duties
Managing alignment	Clarify team goals and organisation goals. Help employees manage their objectives. Scan organisation environment for useful information for the team.
Coordinating activities	Ensure that team is meeting internal and external customer needs. Ensure that team meets its quantity and quality objectives. Help team resolve problems with other teams. Ensure uniformity in interpretation of policies and procedures.
Facilitating decision-making process	Facilitate team decision making. Help team use effective decision-making processes (deal with conflict, statistical process control).
Encouraging continuous learning	Help team identify training needs. Help team become effective at on-the-job training. Create environment that encourages learning.
Creating and maintaining trust	Ensure that each team member is responsible for their own workload and customers. Treat all team members with respect. Listen and respond honestly to team ideas.

To manage successfully in a team environment, managers need to be trained in 'people skills', including negotiation, sensitivity, coaching, conflict resolution and communication skills. A lack of people skills has been shown to be related to managers' failure to advance in their careers.²⁵

Top management support

The CEO, the top manager in the organisation, plays a key role in determining the importance of training and learning in the organisation. The CEO is responsible for:²⁶

- a clear direction for learning (vision)
- encouragement, resources and commitment for strategic learning (sponsor)
- taking an active role in governing learning, including reviewing goals and objectives and providing insight on how to measure training effectiveness (governor)

- ▶ developing new learning programs for the organisation (content expert)
- ▶ teaching programs or providing resources online (teacher)
- ▶ serving as a role model for learning for the entire organisation and demonstrating willingness to constantly learn (learner)
- ▶ promoting the organisation's commitment to learning by advocating it in speeches, annual reports, interviews and other public relations tools (marketing agent).

Integration of business units

The degree to which an organisation's units or businesses are integrated affects the kind of training that takes place. In a highly integrated business, employees need to understand other units, services and products in the organisation. Training is likely to include rotating employees between jobs in different businesses so they can gain an understanding of the whole business.

Global presence

As noted in Chapter 1, the development of global product and service markets is an important challenge for organisations in Australia and New Zealand. For organisations with global operations, training is used to prepare employees for temporary or long-term overseas assignments. Also, because employees are geographically dispersed outside their home countries, organisations need to determine whether training will be conducted and coordinated from a central facility or will be the responsibility of satellite installations located near overseas facilities.

Business conditions

When unemployment is low and/or businesses are growing at a high rate and need more employees, organisations often find it difficult to attract new employees, to find employees with necessary skills and to retain current employees.²⁷ Organisations may find themselves in the position of hiring employees who might not be qualified for the job. Also, in these types of business conditions, organisations need to retain talented employees. In the knowledge-based economy (including organisations in information technology and pharmaceuticals), product development is dependent on employees' specialised skills. Losing a key employee may cause a project to be delayed or hinder an organisation's taking on new projects. Training plays a key role in preparing employees to be productive as well as in motivating and retaining current employees. Studies of what factors influence employee retention suggest that employees rate working with good colleagues, challenging job assignments and opportunities for career growth and development as top reasons for staying with an organisation. Across all industries, from high-tech to retailing, organisations are increasingly relying on training and development to attract new employees and retain current ones.

For organisations in an unstable business environment—one characterised by mergers, acquisitions or disinvestment of businesses—training may be abandoned, may be left to the discretion of managers or may become more short term (such as offering training courses only to correct skill deficiencies rather than to prepare

staff for new assignments). These programs emphasise the development of skills and characteristics needed (such as how to deal with change) regardless of the structure the organisation takes. Training may not even occur as a result of a planned effort. Employees who remain with an organisation following a merger, acquisition or disinvestment usually find that their job now has different responsibilities, requiring new skills. For employees in organisations experiencing growth—that is, an increased demand for their products and services—there may be many new opportunities for lateral job moves and promotions resulting from the expansion of sales, marketing and manufacturing operations or from the start-up of new business units. These employees are usually excited about participating in development activities because new positions often offer higher salaries and more challenging tasks.

During periods when organisations are trying to revitalise and redirect their business, earnings are often flat. As a result, fewer incentives for participation in training—such as promotions and salary increases—may be available. In many cases, organisations downsize their work forces as a way of cutting costs. Training activities under these conditions focus on ensuring that employees are available to fill the positions vacated by retirement or turnover. Training also involves helping employees avoid skill obsolescence. (Strategies to help employees avoid skill obsolescence will be discussed later.)

Other human resource management practices

Human resource management (HRM) practices consist of the management activities related to investments (time, effort and money) in staffing (determining how many employees are needed, and recruiting and selecting employees), performance management, training and compensation and benefits. The type of training and the resources devoted to training are influenced by the strategy adopted for two human resource management practices: staffing strategy and human resource planning.

Staffing strategy

Staffing strategy refers to the organisation's decisions regarding where to find employees, how to select them, and the mix of employee skills and statuses (temporary, full time, etc.). For example, one staffing decision an organisation has to make is how much to rely on the internal labour market (within the organisation) or the external labour market (outside the organisation) to fill vacancies. Two aspects of an organisation's staffing strategy influence training: the criteria used to make promotion and assignment decisions (assignment flow) and the places where the organisation prefers to obtain the human resources to fill open positions (supply flow).²⁸

Organisations vary in the extent to which they make promotion and job assignment decisions based on individual performance or on group or business-unit performance. They also vary in the extent to which their staffing needs are met by relying on current employees (internal labour market) or on employees from competitors and recent entrants into the labour market, such as university graduates (external labour market). Figure 2.3 displays the two dimensions of staffing strategy. The interaction between assignment flow and supply flow results in four distinct types of organisations: fortresses, teams, clubs and academies. Each organisation type places a different emphasis on training activities. For example, some organisations

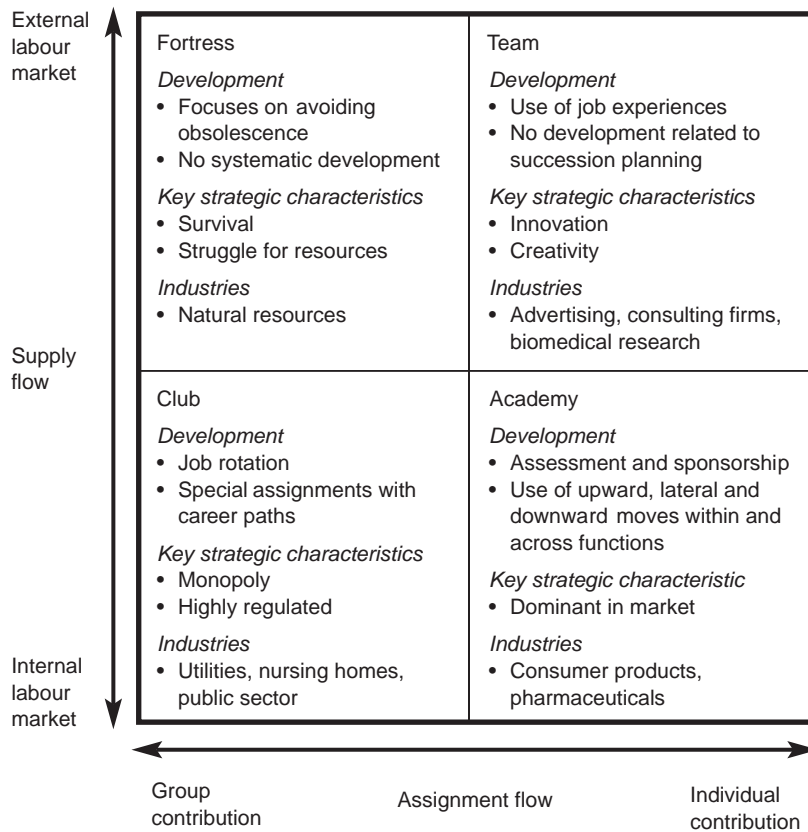


FIGURE 2.3 Implications of staffing strategy for training

SOURCE: Adapted from J. A. Sonnenfeld and M. A. Peiperi, 'Staffing Policy as a Strategic Response: A Typology of Career Systems', *Academy of Management Review* 13 (1988): 588–600.

(such as medical research organisations) emphasise innovation and creativity. These types of organisations are labelled teams. Because it may be difficult to train skills related to innovation and creativity, they tend to handle staffing needs by luring employees away from competitors or by hiring graduating students with specialised skills. Figure 2.3 can be used to identify development activities that support a specific staffing strategy. For example, if an organisation wants to reward individual employee contributions and promote from within (the bottom right quadrant of Figure 2.3), it needs to use lateral, upward and downward moves within and across functions to support the staffing strategy.

Another staffing strategy is deciding what skills new employees will be selected on and what skills the organisation will develop through training. Due to continuing growth, Queensland meter and billing management company Spotless Meter Services seeks to recruit people for positions as meter readers. Meter readers need to be able to manually read electricity, gas and water meters, enter the results into a hand-held computer and upload these at the end of each working day. Meter reading is strenuous and physically demanding, requiring walking up to 16 km a day and working in harsh environmental conditions including heat, rain and cold, as well as sometimes facing difficult customers, savage dogs and other challenging situations.

To improve the quality of appointments, the firm initially stipulates that applicants must have experience in customer service and be physically fit. It then shortlists applicants who seem suitable. Shortlisted candidates undergo four consecutive days of training, involving both theory and outdoor training, allowing Spotless to assess their key skills in locating information, reading the information and observation, together with their stamina and their ability to remain calm and follow specified procedures in stressful situations. Most candidates who achieve the minimum standard required for meter reading then work for up to three months on a casual basis, with the opportunity to move to full-time employment once their skills have reached an acceptable level. This regime maintains customer service and staff turnover at acceptable levels.²⁹

Human resource planning

Human resource planning includes the identification, analysis, forecasting and planning of changes needed in the human resources area to help the organisation meet changing business conditions.³⁰ Human resource planning allows the organisation to anticipate the movement of human resources in the organisation because of turnover, transfers, retirements or promotions. Human resource plans can help identify where employees with certain types of skills are needed in the organisation. Training can be used to prepare employees for increased responsibilities in their current job, promotions, lateral moves, transfers and downward job opportunities that are predicted by the human resource plan.

Extent of unionisation

Unions' interest in training has resulted in joint union–management programs designed to help employees prepare for new jobs. When organisations begin retraining and productivity-improvement efforts without involving unions, the efforts are likely to fail. The unions may see the programs as just another attempt to make employees work harder without sharing the productivity gains. Joint union–management programs (which will be discussed in more detail later) ensure that all parties—unions, management and employees—understand the development goals and are committed to making the changes necessary for the organisation to make profits and for employees to both keep their jobs and share in any increased profits.

Staff involvement in training and development

How often and how well an organisation's training program is used are affected by the degree to which managers, employees and specialised development staff are involved in the process. If managers are not involved in the training process (for example, in determining training needs and in being used as trainers), training may be unrelated to business needs. Managers may also not be committed to ensuring that training is effective (for example, by giving trainees feedback on the job). As a result, the potential impact of training on helping the organisation to reach its goals may be limited because managers may feel that training is a 'necessary evil' forced on them by the training department rather than a means of helping them to accomplish business goals.

If line managers are aware of what development activity can achieve, such as reducing the time it takes to fill open positions, they will be more willing to become involved in it. They will also become more involved in the training process if they are rewarded for participating. At Xerox, performance evaluations are directly related to pay increases.³¹ Managers' performance appraisals include their actions to train and develop women and minority groups, such as by moving such staff into pivotal jobs that provide them with the experience needed to become senior managers.

An emerging trend is that organisations expect employees to initiate the training process.³² Organisations with a greater acceptance of a continuous learning philosophy require more development planning. Organisations will support training and development activities (such as by reimbursing course fees and by offering courses, seminars and workshops) but will give employees the responsibility for planning their own development. Training and development planning involve identifying needs, choosing the expected outcome (such as behaviour change or greater knowledge), identifying the actions that should be taken, deciding how progress towards goal attainment will be measured and creating a timetable for improvement. To identify strengths and weaknesses and training needs, employees need to analyse what they want to do, what they can do, how others perceive them and what others expect of them. A need can result from gaps between current capabilities and interests and the type of work or position the employee wants in the future. The needs assessment process will be discussed in greater detail later.

TRAINING NEEDS IN DIFFERENT STRATEGIES

Table 2.7 describes four business strategies—concentration, internal growth, external growth and disinvestment—and highlights the implications of each for training practices.³³ Each strategy differs based on the goal of the business. A **concentration strategy** focuses on increasing market share, reducing costs or creating and maintaining a market niche for products and services. Tiger Airways in Australia has a concentration strategy. It focuses on providing short-haul, low-fare, high-frequency air transport. It has a limited aircraft fleet and serves a restricted range of food and drinks. This concentration strategy focuses on market stimulation, stringent cost controls and capacity use, enabling Tiger Airways to keep costs low and revenues high. Up to a point, JetStar shares some of these characteristics, as does Rockwell Collins Australia (see below).

An **internal growth strategy** focuses on new market and product development, innovation and joint ventures. For example, the merger between two publishing organisations, McGraw-Hill and Richard D Irwin, created one organisation with strengths in the US and the international university textbook markets. Medical technology company Masimo, in its global operations (which include Australia), also follows an internal growth strategy (see below). An **external growth strategy** emphasises acquiring vendors and suppliers, or buying businesses that allow the organisation to expand into new markets. Example of organisations using this strategy include the Smorgon Steel Group and BHP Billiton. A **disinvestment strategy** emphasises liquidation and divestiture of businesses. For example, Ansell Healthcare was born out of the failure of Pacific Dunlop, which was once an Australian icon but gradually declined until its business units were worth more than the conglomerate as a whole. Edwards Lifesciences also falls into this category, as discussed below.

TABLE 2.7 Implications of business strategy for training

Strategy	Emphasis	How achieved	Key issues	Training implications
Concentration	<ul style="list-style-type: none"> ▪ Increased market share ▪ Reduced operating costs ▪ Market niche created or maintained 	<ul style="list-style-type: none"> ▪ Improve product quality ▪ Improve productivity or innovate technical processes ▪ Customise products or services 	<ul style="list-style-type: none"> ▪ Skill currency ▪ Development of existing work force 	<ul style="list-style-type: none"> ▪ Team building ▪ Cross-training ▪ Specialised programs ▪ Interpersonal skill training ▪ On-the-job training
Internal growth	<ul style="list-style-type: none"> ▪ Market development ▪ Product development ▪ Innovation ▪ Joint ventures 	<ul style="list-style-type: none"> ▪ Market existing products/add distribution channels ▪ Expand global market ▪ Modify existing products ▪ Create new or different products ▪ Expand through joint ownership 	<ul style="list-style-type: none"> ▪ Creation of new jobs and tasks ▪ Innovation 	<ul style="list-style-type: none"> ▪ High-quality communication of product value ▪ Cultural training ▪ Development of organisational culture that values creative thinking and analysis ▪ Technical competence in jobs ▪ Manager training in feedback and communication ▪ Conflict negotiation skills
External growth (acquisition)	<ul style="list-style-type: none"> ▪ Horizontal integration ▪ Vertical integration ▪ Concentric diversification 	<ul style="list-style-type: none"> ▪ Acquire firms operating at same stage in product market chain (new market access) ▪ Acquire business that can supply or buy products ▪ Acquire firms that have nothing in common with acquiring firm 	<ul style="list-style-type: none"> ▪ Integration ▪ Redundancy ▪ Restructuring 	<ul style="list-style-type: none"> ▪ Determination of capabilities of employees in acquired firms ▪ Integration of training systems ▪ Methods and procedures of combined firms ▪ Team building ▪ Development of shared culture
Disinvestment	<ul style="list-style-type: none"> ▪ Retrenchment ▪ Turnaround ▪ Divestiture ▪ Liquidation 	<ul style="list-style-type: none"> ▪ Reduce costs ▪ Reduce assets ▪ Generate revenue ▪ Redefine goals ▪ Sell off all assets 	<ul style="list-style-type: none"> ▪ Efficiency 	<ul style="list-style-type: none"> ▪ Motivation, goal-setting, time management, stress management, cross-training ▪ Leadership training ▪ Interpersonal communications ▪ Outplacement assistance ▪ Job-search skills training

Preliminary research suggests a link between business strategy and amount and type of training.³⁴ Table 2.7 shows that training issues vary greatly from one strategy to another. Divesting organisations need to train employees in job-search skills and to focus on cross-training remaining employees who may find themselves in jobs with expanding responsibilities. Organisations focusing on a market niche (a concentration strategy) need to emphasise skill currency and development of their existing work force. New organisations formed from a merger or acquisition need to ensure that employees have the skills needed to help the organisation reach its new strategic goals. Also, for mergers and acquisitions to be successful, employees need to learn about the new, merged organisation and its culture.³⁵ The organisation must provide training on systems such as how the phone, email and organisation intranet work. Managers need to be educated on how to make the new merger successful (for example, dealing with resistance to change).

To expand on some of the key ideas here: organisations with an internal growth strategy face the challenge of keeping employees up to date on new products and services. For example, California-based global organisation Masimo Corporation develops, licenses and markets advanced medical signal processing technologies for monitoring patients' vital signs.³⁶ Masimo Australia, based in Sydney, is the Australian arm of the organisation. Because employees work with sophisticated technology and because new products are constantly being developed, Masimo is challenged to keep its sales force and distribution partners aware of the latest features, functions and applications of its monitoring devices. Using an internet-based corporate university, Masimo has been able to provide programs that enhance revenue by more quickly preparing its sales force to sell new products, and these programs have given the organisation the ability to bring products to the market faster. The training also benefits the organisation's clinical staff by increasing brand awareness and product competence among hospital staff, and by building a community of users to drive future sales. The internet-based corporate university is important because it allows clinical staff who work long hours access to training, and because it tracks and documents training as required by government regulations.

Rockwell Collins is an organisation that manufactures cockpit instruments, in-flight entertainment systems and ground communications tools³⁷ in the US. Its wholly-owned subsidiary Rockwell Collins Australia has been operating in Australia since the 1960s, and has designed and developed a wide range of avionics, navigation and communications solutions for the Australian and New Zealand defence forces. The Australian organisation has its corporate headquarters in Sydney, where defence program management, engineering and business development are also based, and from where it provides sales and marketing support for a wide range of Rockwell Collins products. The organisation has moved from traditional approaches to training to delivery methods that include web-based training, computer-based training on CD-ROMs using kiosks and learning labs, and live training delivered viaonline virtual classrooms. The former reliance on classroom training made it impossible to keep up with the demand for training and the changing training needs. More than half the employees reported that work demands had forced them to cancel their attendance at a training session or to leave a session without completing it. Rockwell created a learning and development team to interview and survey employees and determine the costs and savings of using alternative training methods. The team found that the organisation would save a significant amount on labour, travel and accommodation expenses, as well as work hours lost to off-site training. Rockwell was able to use

the same training budget allocated to classroom training to switch to online and computer-based training. The organisation purchased a library of information technology courses, which saved the cost of sending 3000 employees to classroom-based courses.

A disinvestment strategy resulted in Edwards Lifesciences Corporation being spun off from another organisation, Baxter International.³⁸ The new organisation's management team developed a new strategic plan that described goals for sales growth, new product development, customer loyalty and employee commitment and satisfaction. The organisation realised that it had to prepare leaders who could help it to meet its strategic goals. A review of leadership talent showed that leadership development was needed, and a leadership program was created. The program includes 20 participants from different functions and organisation locations. Part of the week-long program is devoted to a simulation in which teams of managers run their own business and take responsibility for marketing, manufacturing and financials. The program also includes sessions at which organisation executives discuss such topics as the organisation's business strategy.

MODELS OF ORGANISING THE TRAINING DEPARTMENT

This section discusses five models that are used to organise the training department: the functional model, the customer model, the matrix model, the corporate university model and the business-embedded model.³⁹ These models will necessarily be affected in cases where the training function forms part of the wider human resources function; however, the following review of these structures highlights how the organisation of the training department can have important consequences for the way the training department (and trainers employed in the department) contributes (or fails to contribute) to the business strategy. In very large, decentralised organisations there may be multiple separate training functions, each organised using a different model. The business-embedded model and the corporate university model (or a blended model that includes both) are the models that some organisations are moving towards in order to ensure that training is used to help the organisation achieve its business objectives. These models are also being adopted as organisations begin to value human capital and view training as part of a learning system designed to create and share knowledge.

Many organisations are centralising their training departments.⁴⁰ **Centralised training** means that training and development programs, resources and professionals are primarily housed in one location and that decisions about training investment, programs and delivery methods are made from that department.

Some organisations have used decentralised training as a response to their geographical dispersion, but have found several advantages to centralised training, including the ownership of training by one organisation and the elimination of course and program variation and duplication in the training system. Wyeth, a global leader in biotechnology and vaccines as well as traditional pharmaceutical and over-the-counter medicines, uses a centralised training function to ensure that selling skills are adopted across the organisation. Instead of the four different selling models that were being used, Wyeth businesses around the globe are now using a consistent selling model. This includes Wyeth Australia, which operates from Sydney.

A centralised training function helps drive stronger alignment with business strategy, allows development of a common set of metrics or scorecards to measure and report rates of quality and delivery, helps to streamline processes and gives the organisation a cost advantage in purchasing training from vendors and consultants because of the number of trainees who will be involved. Finally, a centralised training function helps organisations better integrate programs for developing leaders and managing talent with training and learning during times of change.

At telecommunications organisation AT&T, a centralised training function allows selection of a common technology for the delivery of training programs. This policy helps to reduce the chances that functional groups will adopt different technologies, for which some training programs and their features, such as video, will work and others will not. The key for the success of a centralised approach is that senior managers retain control of the training function and can monitor that the training function remains aligned with the business strategy. That is, the business objectives need to be communicated and understood, and training and development have to help drive that strategy. At the same time, centralised training functions must be in touch with the unique needs of the functions and divisions they serve.

The functional model

Training departments organised according to the **functional model** bring together all those engaged in some aspect of training or development. Figure 2.4 shows the functional model. The training department is headed by a director with a staff of experts who have specialised knowledge of a particular topic or skill area. These experts develop, administer and update training programs across the entire organisation. For example, sales trainers are responsible for all training in sales skills (such as in cultivating clients, negotiating a sale and closing a sale), and computer experts provide training on topics such as using email and the internet.

The functional model has several advantages and disadvantages, as noted in Table 2.8.

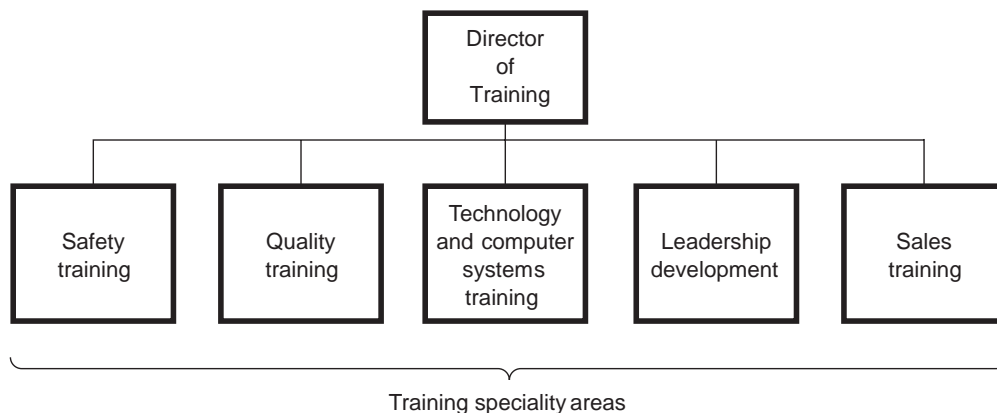


FIGURE 2.4 The functional model

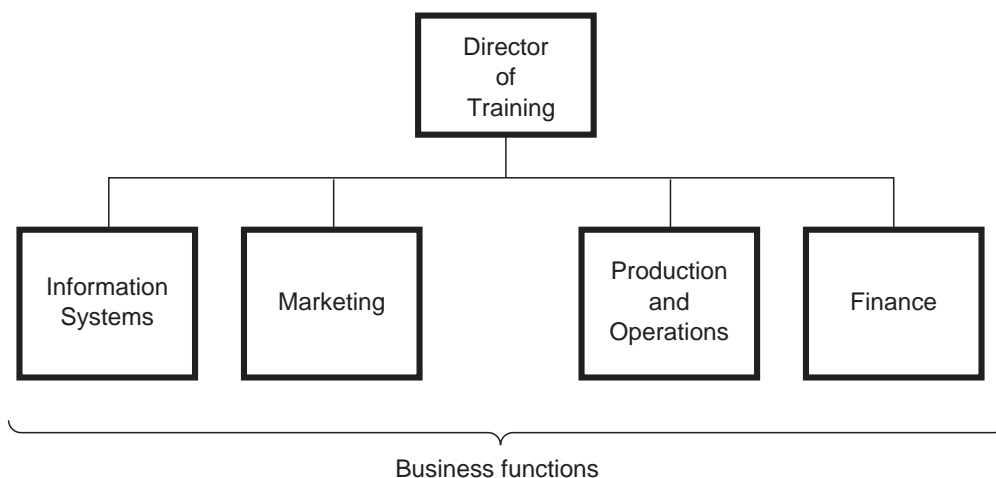
TABLE 2.8 Advantages and disadvantages of the functional model

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Cultivates expertise ▪ Training and development planning facilitated by concentrated expertise ▪ Offers clear career paths ▪ Requires minimal internal coordination ▪ Compatible with a stable environment 	<ul style="list-style-type: none"> ▪ May create expertise not aligned with organisational needs ▪ Slow response time in large organisations and potential bottlenecks due to sequential task performance ▪ May decrease innovation due to narrow perspectives ▪ May create conflicts over priorities ▪ Places strong demands for coordination on the director of training

To monitor these disadvantages of the functional model, managers must frequently survey the training's customers to ensure that course offerings are meeting their needs. Expert trainers also need to ensure that they adapt course materials that are meaningful for participants.

The customer model

This model, which is one of the variations on the broader divisional concept, brings together in one work unit all those involved in dealing with a particular type of customer. Training departments organised according to the **customer model** are responsible for the training needs of one division of the organisation. For example, a chemical organisation might have distinct agricultural, detergent and cosmetic divisions, with separate training departments responsible for programs related to each division. As noted earlier, the trainers might also be human resource generalists whose job responsibilities include a broad range of human resource functions such as training, performance management, hiring and benefits. Figure 2.5 shows

**FIGURE 2.5** The customer model

the customer model, while Table 2.9 identifies some of its main advantages and disadvantages.

TABLE 2.9 Advantages and disadvantages of the customer model

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Training programs are more consistent with the needs of a business group rather than being based on the expertise of the training staff ▪ Compatible with rapid change ▪ Materials provided by training staff are likely to be meaningful to trainees ▪ Allows full-time concentration on tasks ▪ Clearly defines responsibilities and accountability ▪ Permits parallel processing of multiple tasks 	<ul style="list-style-type: none"> ▪ Trainers need to be aware of business needs and to update courses and content to reflect them ▪ May generate conflict in the allocation of resources ▪ Does not foster coordination of activities ▪ May limit problem solving to task needs ▪ May allow in-depth competencies to decline ▪ May generate conflicts between tasks and priorities

An additional factor is that, unless adequate controls are built in, a large number of programs covering similar topics may be developed for different customers, and these programs may also vary greatly in effectiveness. It may be difficult for the director of training to oversee each function to ensure that either (1) a common instructional design process is used or (2) the organisation's quality philosophy is consistently emphasised in each program. For example, quality training may be developed separately for marketing and for operations employees.

In the customer model, if trainers are likely to be employees from the functional area (for example, manufacturing engineers) who have great functional expertise, it will be critical to ensure that such people do possess (or are given training to provide them with) the necessary knowledge, skills and attitudes to train effectively, otherwise courses may be meaningful but poor from a design perspective (for example, having inadequate feedback and practice opportunities).

The matrix model

In the **matrix model**, trainers report to both a manager in the training department and a manager in a particular function. Figure 2.6 shows the matrix model. The trainer has the responsibility of being both a training expert and a functional expert. For example, as Figure 2.6 shows, sales trainers report both to the director of training and to the marketing manager. Table 2.10 identifies some of the principal advantages and disadvantages of the matrix model.

The corporate university model (corporate training universities)

In Australia and New Zealand, the **corporate university model** has not been as readily accepted as it has in the US, where there are well in excess of 1600 corporate training institutions euphemistically called universities, including Disney University, McDonald's Hamburger University and Motorola University. In reality they are training schools

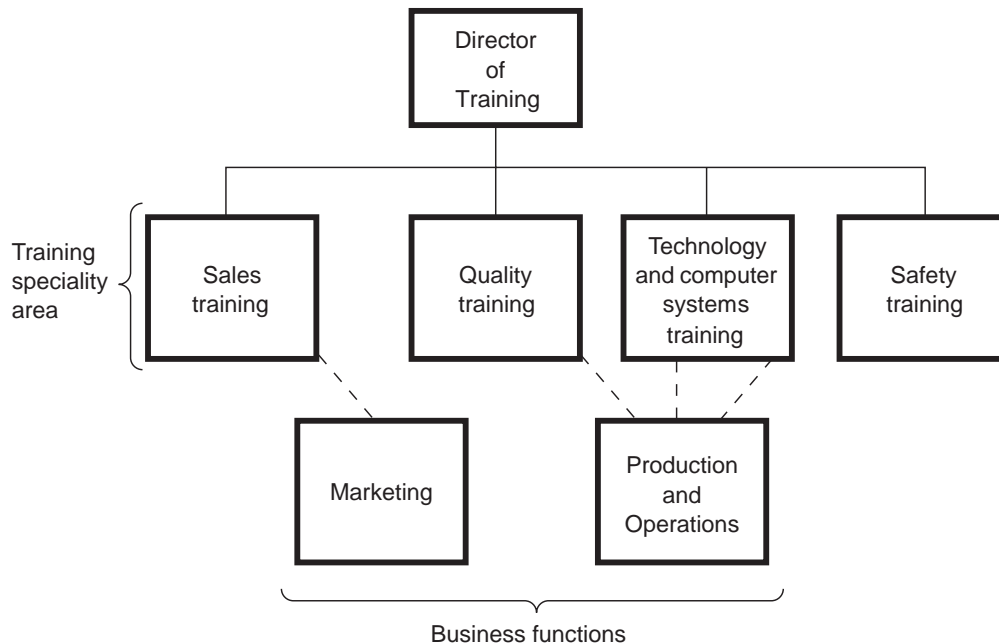


FIGURE 2.6 The matrix model

TABLE 2.10 Advantages and disadvantages of the matrix model

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Helps to ensure training is linked to the needs of the business ▪ Stimulates interdisciplinary cooperation ▪ Involves and motivates people ▪ Gives flexibility to organisation ▪ Trainer gains expertise in understanding a specific business function 	<ul style="list-style-type: none"> ▪ Trainers may have more time demands and conflicts because they report to two managers: a functional manager and a training director ▪ Requires good interpersonal skills, especially in conflict management ▪ Encourages power struggles ▪ May lead to more discussion than action ▪ Risks creating a feeling of anarchy

whose aim is to ensure that their own particular culture permeates the organisation concerned. The growth rate in these institutions in the US has been extraordinary, and some soothsayers are predicting that within a decade, the number of corporate universities will exceed the number of 'real' universities. While the growth of this model in Australia and New Zealand has not been of the same order, there has been considerable growth in various types of industry support for, and partnerships with, universities, supplementing government funding. In Australia, DeakinPrime, the corporate education arm of Deakin University, designs, develops, delivers and manages comprehensive and effective corporate education and development initiatives for major corporations, government agencies, professional associations and industry groups. Among its clients are Alcoa, Coca-Cola Amatil, ANZ and BHP Billiton.

Although enrolment numbers vary over time, Deakin has had, on occasion, almost double the number of enrolments in its corporate courses compared with its regular courses.

Deakin also played a significant role in the Coles Institute, a corporate education institute that approximates the corporate university model. Such institutes are responsible for all the learning and development that takes place in an organisation, linking employee learning and development to the strategic objectives of an organisation. The Coles Institute was developed by the Coles supermarket chain in conjunction with Deakin, the original concept being to provide a strategic framework for development from entry level to senior management. The institute was launched in April 1999, as the prototype for corporate institutes in Australia, offering integrated, flexible education and training for Coles supermarket employees nationally, with both attendance and distance education facilities.

The key strategies in the development of the Institute included a competency charter linking all Deakin University and Coles programs and qualifications to competencies required in the business, with the objective of providing employees with an educational pathway to further learning and career opportunities via integrated vocational and professional development courses and routes to higher education awards, including postgraduate awards. Additional strategies included new delivery options for senior managers in residential postgraduate programs and an innovative coaching program for managers to enable them to support effectively their employees undertaking education and training programs.

Employees located across the organisation's 2000-plus sites throughout Australia could progress through the various levels of the Australian Qualifications Framework (AQF), taking courses from vocational education and training programs offered by the Institute or by DeakinPrime through to customised higher education awards, such as the Graduate Certificate of Corporate Management offered by Deakin University. These, in turn, provided a pathway into Deakin's MBA program. As these awards were awards of Deakin University, they were recognised and portable in a way that might not have been the case for awards of a multinational organisation's own corporate university.

As part of the organisation's ongoing business transformation and the centralisation of its human resources, senior management of Coles Myer (as the organisation was known at the time) identified the Coles Institute as one of its key areas of competitive advantage. The Institute was re-named the Coles Myer Institute and relaunched in November 2003, providing education and training across all Coles Myer brands. Building on the original concept, the Coles Myer Institute had two primary aims. The first was to provide continuous learning for all its employees via flexible modes of delivery. The development of an e-learning platform was one initiative in this area, and followed on from internal research by management assessing the capability and readiness of the organisation's employees to embrace this mode of learning. The institute's second aim was to assist the organisation to achieve its vision by directly connecting training and development with the organisation's goals, reflecting a strategic focus.

In its expanded role, the institute continued to incorporate the AQF. Nationally accredited qualifications delivered through vocational education and training were also available to employees in six key areas: retail; transport and distribution; hospitality; information technology; customer contact; and business services. The institute continued to evolve, delivering training via face-to-face workshops and courses at a management college, through self-paced distance programs and through a stronger

e-learning environment that enhanced induction programs in the retail brands. There was also a research library and specialist libraries, and the intranet was made available 24 hours a day from work and home.

The institute built programs for a cross-section of learners from all brands, supporting the business strategy to maximise opportunities for employee interaction across brands. There was considerable value in having people share ideas, knowledge and insights across these very distinct businesses. There were both advantages and disadvantages to the development of more tailor-made programs. The corporate students benefited from being able to put theory to the test in real-life situations that directly affected their business; on the other hand they missed out on the opportunity to gain outside ideas and to network within a broader study community, traditional benefits of a standard business school course.

As with the original Coles Institute, the Coles Myer Institute was located at head office in Melbourne, with training and development decentralised to the state level, although this was later centralised at the Coles Myer Institute Recruitment and Training Centre located in Melbourne. With the sale of Myer in 2006, the institute reverted to its former name, the Coles Institute, continuing its role in relation to the remaining parts of the business until it was deemed necessary to adopt a different and more decentralised approach to training and development.

This unique model won two international awards from the New York-based Corporate University Xchange for marketing and for excellence and innovation in developing its alliance with Deakin University, all the more noteworthy as it was pitted against some of the heavyweights of corporate life in the US. The institute made a remarkable contribution not only to the organisations that used its services, but also to training and development in Australia.

A related model that is gaining favour around the world, especially in the area of executive education, is the consortium model. In Australia, Melbourne University Private, established by the University of Melbourne, is run as a private company and supported by funding from companies including Ford Australia, Mobil Oil and Shell Australia. Melbourne University Private is underpinned by the academic reputation of the University of Melbourne ensuring the credibility of its awards. Through the Melbourne Business School, the University of Melbourne also collaborated with McDonald's Australia in developing MAMO (McDonald's Australia Managing the Organisation), a program that falls under the Charlie Bell School of Management, the in-house training facility named after the former Australian CEO who was a firm advocate of training and development. The initial version of this program ran successfully in 2007. Managers who have completed the McDonald's management development program are eligible for advanced standing (credit transfer) towards undergraduate and postgraduate qualifications at a selection of Australian universities.⁴¹

Among what might be seen as industry-specific training schools are those linked with Caterpillar in Australia and New Zealand. Caterpillar is a manufacturer of heavy machinery with a worldwide dealer network. These training schools tend to focus on vocational education and training specific to Caterpillar and its customers, generally including access to the relevant machinery and equipment and in some cases using simulation methods. Among Australian-based institutes, status as a Registered Training Organisation (RTO) allows an institute to offer units and qualifications under the Australian Qualifications Framework (AQF), or on the other side of the Tasman, the New Zealand Qualifications Authority (NZQA). Of prime concern in these institutes is the provision of a high level of transfer of training (see Chapter 5),

aimed at exposing participants during training to the same working environment and equipment as that which they will experience in the workplace. There are three institutes under the Caterpillar banner in Australia: the Hastings Deering Institute of Training in Queensland, the Caterpillar Institute in Victoria and Tasmania (a joint venture between Caterpillar and William Adams), and the WesTrac Institute in Western Australia. In New Zealand, the Goughs Institute of Training (GIT) was established in 2001 with the aim of focusing on the recruitment and development of apprentices, along with the trade training of service technicians. Goughs has been the Caterpillar dealer in New Zealand since 1932, and GIT also provides training in the operation of forklifts and other machinery. The Institute uses Caterpillar's Virtual Training Systems—personal simulators designed to train users from basic control through to complex applications, either through self-study or with an instructor. The incremental modular design also provides instant feedback on time, accuracy and 'undesirable' actions.⁴²

Despite the rather mediocre responses of Australia and New Zealand to the US-favoured model of the corporate university, it is nevertheless useful to examine the US model, as shown in Figure 2.7.

The corporate university model differs from the other models outlined previously in that the client group includes not only employees and managers but also stakeholders outside the organisation, including community colleges, universities, high schools and primary schools. Training functions organised according to the university model tend to offer a wider range of programs and courses than functions organised by the other models. Important culture and values also tend to be emphasised more often in the training curriculum of corporate universities than in the other models. The university model centralises training to ensure that 'best training practices' used in one unit of the organisation are disseminated across the organisation. Also, the corporate university enables the organisation to control costs by developing consistent training practices and policies. Both large and small organisations have started their own

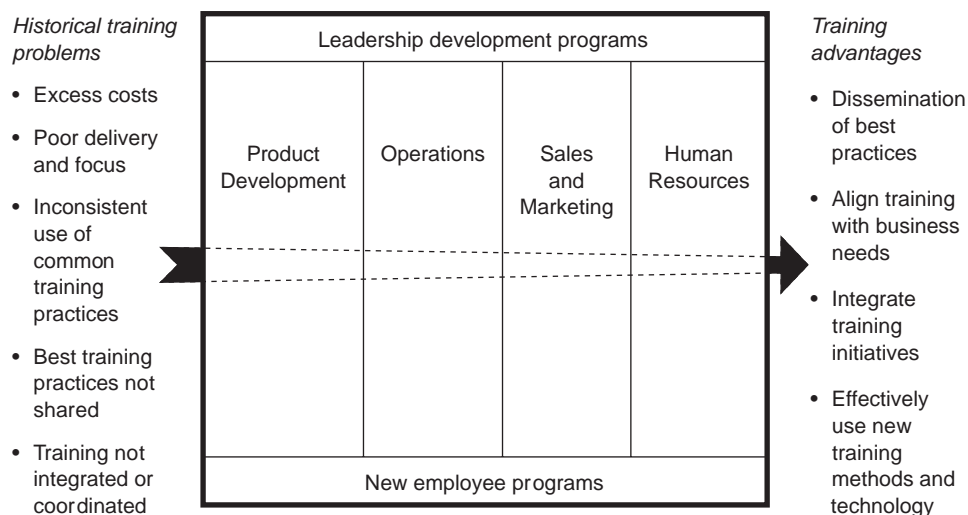


FIGURE 2.7 The corporate university model

universities to train new employees and to retain and update the skills and knowledge of current employees.

Are corporate universities effective? Education research and consulting firm Corporate University Xchange surveyed corporate universities at 170 different organisations.⁴³ The top five organisational goals of corporate universities were to improve customer service and retention, to improve productivity, to reduce costs, to retain talented employees and to increase revenue. The survey found that measuring business impact was a high priority. Seventy per cent of the organisations surveyed measured business impact through product and service quality and customer service, and more than 50 per cent measure reductions in operating costs and increased revenues.

The Center for Performance Excellence originally developed by Booz Allen Hamilton, a management consulting firm originating in the US, is a good example of the university model.⁴⁴ In late 2008, the firm separated its US Government business from its commercial and international business, the latter becoming Booz & Company, which through this strategic realignment is now an independent company focused on global management consulting. These significant changes have had little effect on the work of consultants, who continue to operate in a rapidly changing business environment requiring them to keep their knowledge current. The Center for Performance Excellence provides both virtual learning and face-to-face learning opportunities. Face-to-face learning includes classroom training, seminars, workshops, conferences, partnerships with universities and training providers, counselling and coaching. The Center has full-time and part-time instructors and university academic staff. The Center's Virtual Campus provides access to a training centre, a university centre, external training, a leadership centre, a resource library and information about new learning opportunities. Not only can employees enrol in more than 600 online courses on a variety of topics (including stress management and technology), they can also search for courses related to their training needs or research other development opportunities.

In 2008, for the fourth consecutive year, *Fortune* magazine named the original firm as one of its '100 Best Companies to Work For'; for the previous nine years it had been ranked among the '100 Best Companies for Working Mothers'. Similar success has been achieved by its career development programs, include first place in *Training* magazine's 2006 'Training Top 100' and the 2004 BEST Award from the American Society for Training and Development. Booz & Company operates in Auckland, and has Australian offices in Adelaide, Brisbane, Canberra, Melbourne and Sydney.

Creating a corporate university involves several steps.⁴⁵ First, senior managers and business managers form a governing body with the responsibility of developing a vision for the university. (This group answers such questions as, 'what are the university's policies, systems and procedures?' and 'what are the key functional areas for which training courses will be developed?'.) Second, this vision is fleshed out, and the vision statement is linked to the business strategy. Third, the organisation decides how to fund the university. The university can be funded by charging fees to business units and/or by monies allocated directly from the corporate budget. Fourth, the organisation determines the degree to which all training will be centralised. Many universities centralise the development of a learning philosophy, core curriculum design and policies and procedures related to registration, administration, measurement, marketing and distance learning. Local and regional on-site delivery and specialised business-unit curriculum are developed by business units. Fifth, it is important to identify the needs of university 'customers', including its employees, managers, suppliers and external customers. Sixth, products and services are developed. The seventh step is to choose learning partners including

suppliers, consultants, universities and organisations specialising in education. Eighth, the organisation develops a strategy for using technology to train more employees more frequently and more cost-effectively than instructor-led training. Ninth, the learning that occurs as a result of a corporate university is linked to performance improvement. This involves identifying how performance improvement will be measured. Finally, the value of the corporate university is communicated to potential 'customers'. Questions about the types of programs offered, how learning will occur and how employees will enrol are addressed.

The business-embedded model

Many organisations are organising their training function so that they can better control their training costs and ensure that training is aligned with the business strategy but at the same time respond quickly to client needs and provide high-quality services.⁴⁶ The **business-embedded (BE) model** is characterised by five competencies: strategic direction, product design, structural versatility, product delivery and accountability for result. Strategic direction includes a clearly described goal and direction to the department as well as a customer focus that includes customising training to meet customer needs and continuously improving programs. A BE training function not only views trainees as customers but also views managers as customers who make decisions to send employees to training, and senior-level managers as customers who allocate money for training. Table 2.11 contrasts a BE training function with a traditional training department. Compared to a traditional training department, a BE function is customer focused. It takes more responsibility for learning and evaluating training effectiveness, provides customised training solutions based on customer needs and determines when and how to deliver training based on customer needs.

The most noticeable difference between a traditional training department and a BE function is in structure. A traditional training organisation tends to operate with a fixed staff of trainers and administrators who perform very specific functions, such as instructional design. In traditional training departments, developers and instructors often take a 'silo' approach, focusing only on their particular responsibilities.⁴⁷ This approach can hinder the development of successful training programs. In BE training functions, all the people who are involved in the training process communicate and share resources. Trainers—who are responsible for developing training materials, delivering instruction and supporting trainees—work together to ensure that learning occurs. For example, access to project managers and content experts can be provided by developers to instructors who usually do not have contact with these groups. The number of trainers in BE training functions varies according to the demand for products and services. The trainers not only have specialised competencies (for example, instructional design) but can also serve as internal consultants and provide a wide range of services (such as needs assessment, content improvement, customisation of programs or results measurement).

Current practice: business-embedded model with centralised training

Because many organisations are recognising training's critical role in contributing to the business strategy, there is an increasing trend for the training function, especially in organisations that have separate business units, to be organised according to a blend

TABLE 2.11 Comparison between a traditional training department and a business-embedded training organisation

Traditional training department	Business-embedded training organisation
Strategic direction	
Leaves objectives unstated or vague	Broadly disseminates a clearly articulated mission
Assumes that class participants are its only customers	Recognises that its customer base is segmented
Limits offerings to predetermined courses	Provides customised solutions to its clients' needs
Continues to supply products that are no longer useful	Understands product life cycles
Organises its offerings by courses	Organises its offerings by competencies
Tries to mandate training	Competes for internal customers
Product design	
Uses rigid and cumbersome design methodologies	Uses benchmarking and other innovative design strategies to develop products quickly
Views suppliers as warehouses of materials	Involves suppliers strategically
Structural versatility	
Employs trainers who serve primarily as facilitators and classroom instructors	Employs professionals who serve as product managers and internal consultants
Operates with a fixed number of staff	Leverages resources from many areas
Relies solely on training staff to determine the department's offerings	Involves line managers in determining direction and content
Product delivery	
Distributes a list of courses	Offers a menu of learning options
Offers courses on a fixed schedule at fixed locations	Delivers training at the work site
Accountability for results	
Believes that the corporation manages employee development	Believes individual employees must take responsibility for their personal growth
Ends its involvement with participants when courses end	Provides follow-up on the job to ensure that learning takes place
Considers the instructor the key player in learning	Considers the manager the key player in supporting learning
Relies on course critiques as its primary source of feedback	Evaluates the strategic effects of training and its bottom-line results
Vaguely describes training outcomes	Guarantees that training will improve performance

SOURCE: S. S. McIntosh, 'Envisioning Virtual Training Organization', *Training and Development* (May 1995): 47.

of the BE model with centralised training, which in the US often includes a corporate university. This approach allows the organisation to gain the benefits of centralised training but at the same time ensure that training can provide programs, content and delivery methods that meet the needs of specific businesses. For example, AT&T (previously Cingular Wireless) learning services include core services and functional design and delivery.⁴⁸ The core services function, from headquarters, provides training coordination, content management, resource and budget management and links to other aspects of people management such as staffing, compensation and organisational development. The core services function eliminates redundant training processes and content. The functional design and delivery service is accountable for the execution of Cingular's learning strategies. It develops and delivers specific content for field services including retail sales, customer care and billing services.

MARKETING THE TRAINING FUNCTION

Despite the increased recognition of the importance of training and learning in achieving business goals, many managers and employees may not recognise the value of training. Internal marketing involves making employees and managers excited about training and learning. Internal marketing is especially important for trainers who act as internal consultants to business units. For internal consultants to survive, they must generate fees for their services. Some, if not all, of their operating expenses come from fees paid for their services. Here are some successful internal marketing tactics.⁴⁹

- ▶ Involve the target audience in developing the training or learning effort.
- ▶ Demonstrate how a training and development program can be used to solve specific business needs.
- ▶ Showcase an example of how training has been used within the organisation to solve specific business needs.
- ▶ Identify a 'champion' (e.g. a top-level manager) who actively supports training.
- ▶ Listen to and act on feedback received from clients, managers and employees.
- ▶ Advertise via email, on organisation websites and in employee break areas.
- ▶ Designate someone in the training function as an account representative who interacts between the training designer or team and the business unit that is the customer.
- ▶ Determine what financial numbers—such as return on assets, cash flow from operations or net profit or loss—top-level executives are concerned with, and show how training and development helps improve those numbers.
- ▶ Speak in terms that employees and managers understand. Translate any jargon.

The training department at Booz Allen Hamilton, the consulting firm discussed above in relation to the corporate university model, customarily developed an annual marketing plan that included a branding strategy (how the department would be recognised, including logos and slogans); overall marketing objectives; techniques for communications with employees, managers and all internal customers; and plans for launching all new learning programs.⁵⁰ One of its marketing objectives was to increase awareness of the organisation's Center for Performance Excellence and to make it a tool for employee recruitment and retention. The marketing effort communicates the message that training programs will help workers in their jobs and in their careers. To emphasise to prospective employees the importance that the company attaches to training and development, factors that illustrate the firm's achievements in this area

(such as its listing in *Training's* top 100 training companies) are highlighted during the recruitment process.

Some organisations have such sound reputations in particular aspects of their operations that other organisations seek their expertise. Where this happens, the sought-after training departments become profit centres by selling training courses or opportunities to participate in training courses to other organisations.⁵¹ Some training methods, such as e-learning courses, lend themselves to ready external sale.

Dell Educational Services, a division of Dell Computer, sells basic training to product users and professional training to software engineers, developers, systems administrators and dealership salespeople. Courses are delivered via traditional classroom instruction, on CD and online through both self-paced and virtual classrooms.

Dutch temporary employment company Randstad sells online training to its customers, who employ Randstad's workers in customer service call centres.⁵² Randstad presumably makes revenue by selling the training; however, it attaches considerable importance to the associated benefits realised from building relationships with its clients. Randstad generates significant revenue from repeat business—a strong measure of quality.

TRAINING RESOURCES AND OUTSOURCING

When considering the development of a training program, it is necessary to identify whether the organisation has the budget, time and expertise for training. For example, if the company is installing computer-based manufacturing equipment in one of its plants, it has three possible strategies for dealing with the need to have computer-literate employees. First, the organisation can decide that, given its staff expertise and budget, it can use internal consultants to train all affected employees. Second, the organisation may decide that it is more cost-effective to identify employees who are computer-literate by using tests and work samples. Employees who fail the test or perform below standard on the work sample can be reassigned to other jobs. Choosing this strategy suggests that the organisation has decided to devote resources to selection and placement rather than to training. Third, because it lacks time or expertise, the organisation may decide to purchase training from a consultant.

Outsourcing refers to the use of an outside organisation (an external services firm) that takes complete responsibility and control of some training or development activities or that takes over all or most of an organisation's training, including administration, design, delivery and development.⁵³ **Business process outsourcing** refers to the outsourcing of any business process, such as human resource management, production or training. Training experts predict that within 10 years, half of all trainers will work for outsourcing providers.

Why would organisations outsource training? Some of the reasons are cost savings, time savings that allow an organisation to focus on business strategy, improvements in compliance and accuracy in training mandated to comply with national, state or local legislation (for example, safety training), a lack of capability within the organisation to meet learning demands or the desire to access best training practices. Some organisations choose a comprehensive approach, outsourcing all training activities.

Although the trend towards outsourcing training appears to be growing, most organisations outsource only smaller projects rather than the complete training

and development function. Two reasons organisations that do not outsource their training are (1) the inability of outsourcing providers to meet organisation needs and (2) organisations' desire to maintain control over all aspects of training and development, especially delivery and learning content. Table 2.12 shows some of the questions that should be considered when an organisation is deciding whether to outsource.

TABLE 2.12 Questions to ask when considering outsourcing

1. What are the capabilities of your in-house training function? Do your staff know enough that you can grow the training skills you need, or do you need to hire training skills from the outside?
2. Can your in-house training function take on additional training responsibilities?
3. Is training key to your organisation's strategy? Is it proprietary?
4. Does your organisation value its training organisation?
5. Does the training content change rapidly?
6. Are outsourced trainers viewed as experts, or are they viewed with cynicism?
7. Do you understand the strengths and weaknesses of your current training programs?
8. Do you want to outsource the entire training function?
9. Are executives trying to minimise the impact of training in your organisation? Does your organisation accept responsibility for building skills and talent?
10. Is a combination of internal and external training the best solution?

SOURCE: Based on G. Johnson, 'To Outsource or Not to Outsource ... That Is the Question', *Training* (August 2004): 26–29; K. Tyler, 'Carve Out Training?', *HR Magazine* (February 2004): 52–57.

Any decision to outsource training is complex. Training functions that do not add any value to the organisation are likely to be candidates for outsourcing (see Table 2.12, questions 1–4 and 9). Many organisations have training functions that do add value to the business but still may not be capable of meeting all training needs. For example, an organisation that has a strong skilled training function and that values training and views it as important to the business strategy probably doesn't need to outsource its entire training function. However, that organisation may turn to outsourcing providers for special training needs beyond staff capabilities, or for certain training content that changes rapidly. Research suggests that organisation satisfaction with the outsourcing of training and development depends on organisation–supplier trust (where managers of both the organisation and the outsource provider are loyal to each other and look out for each other's interests) and on the specificity of the contract (where the contract clearly outlines responsibilities).⁵⁴

If an organisation decides to purchase a training program from a consultant or vendor rather than build the program in-house, it is important to choose a high-quality provider. Training providers may include individual consultants, consulting firms or academic institutions. Many organisation identify vendors and consultants who can provide training services by using requests for proposals.⁵⁵ A request for proposal (RFP) is a document that outlines for potential vendors and consultants the type of service the organisation is seeking, the type and number of references needed, the number

of employees who need to be trained, funding for the project, the follow-up process used to determine level of satisfaction and service, expected date of completion of the project and the date by which proposals must be received by the company. The RFP may be mailed to potential consultants and vendors or posted on the organisation's website. The RFP is valuable because it provides a standard set of criteria against which all consultants will be evaluated. It also helps eliminate the need to evaluate outside vendors that cannot provide the needed services.

The RFP usually helps to identify several vendors who meet the criteria. The next step is to choose the preferred provider. Some examples of questions to ask vendors and consultants are as follows.⁵⁶

- ▶ How much and what type of experience do you have in designing and delivering training?
- ▶ What are the qualifications and experiences of your staff?
- ▶ Can you provide demonstrations or examples of training programs you have developed?
- ▶ Can you provide references from clients for whom you have worked?
- ▶ What evidence do you have that your programs work?
- ▶ What instructional design methods do you use?
- ▶ How do your products or services fit our needs?

Managers and trainers should check the vendor's reputation by contacting prior clients and professional organisations (such as the Australian Institute of Training and Development, the Australian Human Resources Institute, the New Zealand Association for Training and Development or the Human Resources Institute New Zealand). The consultant's experience should also be evaluated. For example, in what industry has the vendor worked? Managers should carefully consider the services, materials and fees outlined in the consulting contract. For example, it is not uncommon for training materials, manuals and handouts to remain the property of the consultant. If the company wishes to use these materials for training at a later date, it would need to pay additional fees to the consultant. When using a consultant or other outside vendor to provide training services, it is also important to consider the extent to which the training program will be customised based on the organisation's needs, or whether the consultant will provide training services based on a generic framework that it applies to many different organisations.

How long should it take a vendor or consultant to develop a training program? The answer is, 'It depends.'⁵⁷ Some consultants estimate that development time ranges from 10 to 20 hours for each hour of instruction. Highly technical content requiring more frequent meetings with content experts can add an additional 50 per cent more time. For training programs using new technology (such as CD-ROMs), development time can range from 300 to 1000 hours per hour of program time, depending on how much animation, graphics, video and audio content is included, how much new content needs to be developed, the number of practice exercises and type of feedback to be provided to trainees and the amount of 'branches' to different instructional sequences.

SUMMARY

For training to help an organisation to gain a competitive advantage, it must help the organisation to reach its business goals and objectives. This chapter emphasised

how changes in work roles, organisational factors and the role of training influence the amount and type of training as well as the organisation of the training functions. The process of strategic training and development was discussed. The chapter explained how different strategies (concentration, internal growth, external growth and disinvestment) influence the goals of the business and create different training needs. It included a discussion of different models of the training function. It is conceivable that as training makes a greater contribution to the achievement of business strategies and goals, the business-embedded and corporate university models may follow the US pattern and become more prevalent, although the energy and adaptability of the university-based business schools in both Australia and New Zealand may serve to keep the corporate universities at a low ebb. The chapter concluded with information about marketing the training function and outsourcing the training function.

DISCUSSION QUESTIONS

1. How would you expect the training activities of an organisation that is dominant in its product market to differ from those of an organisation that emphasises research and development?
2. What do you think is the most important organisational characteristic that influences training? Why?
3. Which model or combination of models is best for organising the training function? Why?
4. Which strategic training and development initiatives do you think all organisations should support in today's economic climate? Why?
5. Are any of the strategic training and development initiatives more important for small business? Explain.
6. Compare and contrast the functional model with the corporate university model. How are they similar? How do they differ?
7. What is human capital? How is human capital influencing the changing role of training from skill and knowledge acquisition to creating and sharing knowledge?
8. How could a SWOT analysis be used to align training activities with business strategies and goals?
9. What are the training implications of the increased use of teams to manufacture products or provide services?
10. How would you design a corporate university in either the Australian or the New Zealand setting? Explain each step you would take.
11. What are the advantages and disadvantages of a centralised training function?
12. What factors should an organisation consider in deciding whether to outsource its entire training function? Are the considerations different if the organisation wants to outsource a training program? Explain.

APPLICATION ASSIGNMENTS

1. Go to the DEST website at <http://www.dest.gov.au>, select Publications and Resources, then use the Publications A to Z list to find the 'Report on a strategic evaluation of Reframing the Future: Exhibit H: case studies report'. Choose one of the six case studies provided (Batchelor Institute of Indigenous Tertiary Education, Brite Industries, Centrelink Virtual College, East Gippsland Institute of TAFE, MST Workplace Solutions or Workplace Learning Initiatives) and prepare a précis of the Reframing the Future Project with particular attention to the background, anticipated outcomes, links to strategic issues of the organisations involved, project methodology and description and project evaluation (outcomes for individuals and organisation involved, and future directions).
2. Find an organisation's annual report, either online or at a library.
 - (a) Identify the organisation's mission, values and goals.
 - (b) Find any information in the report regarding the organisation's training practices and how they relate to its goals and strategies. Draft a brief (around 15 minutes) presentation of your research.
3. Go to <http://cgu.e3learning.com.au>, select Your Learning Portal, then Case Studies, and read the thumbnail sketches of the case studies involving BAE Systems, Onesteel, Amcor, Mission Australia, Eldercare and Anglicare. Download either of the two latter case studies and prepare a one-page report evaluating the effectiveness of the training involved from a strategic standpoint.

ENDNOTES

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