Designing the Optimal Organization Structure and Governance Model

How To Make Good Decisions To Maximize The Efficiency and Effectiveness of Your Learning Business

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“The secret of all success lies in the organization of the non-obvious.”
- Marcus Aurelius

Why Decisions About Structure Matter

Today’s global corporations must find an optimal organizing structure to maximize their competitive advantages from a multitude of factors like worldwide labor costs, supplier proximity, distribution channel availability, off-shoring, enterprise-level economies of scale, and locally customized products and services. Consider the following example of a global food manufacturer that:

- Centralizes the purchasing of its key commodities to drive higher volume purchases across the enterprise with the goal of reducing unit costs.

- Builds regional manufacturing facilities to control expenses on spoilage, product distribution, and energy fees to refrigerate goods in the shipping process.
- Gives retail stores in every major city the autonomy to customize product promotions and pricing strategies to adapt to local events and economic conditions.

- Outsources administration and maintenance of the technology backbone that connects the transaction chain from the customer purchase all the way back to the order for raw materials.

Each decision is strategic in its consideration of potential efficiencies and economies of scale, as well as the stratification of the organization’s core and non-core capabilities, and each seeks to maximize the value it returns to the business. As the decisions are weighted by value and practicality, the organization gains clarity on where to locate systems, processes and transactions, and how to assign accountability for achieving expected results.

Learning executives must apply the same scrutiny to all aspects of how they are running the Learning & Development function to meet enterprise, regional and local learning needs at the optimal cost model, and without compromising program or service quality. Because L&D structures and governing models tend to mirror aspects of each organization’s unique business model and strategy, L&D teams can begin with a basic framework, but will find many activities require careful consideration and negotiations among teams to agree on how to staff and operate for optimal efficiency.

Not surprisingly, today’s L&D organizations illustrate a myriad of configurations because they’ve evolved from their own unique set of business conditions. For example, a company that’s grown rapidly through acquisitions often has many independent training functions operating throughout the enterprise because each training team came as part of the deal for the acquired organization. Acquired companies often conduct business-as-usual, until eventually, competitive conditions force the enterprise to drive bottom line growth by wringing costs out of their models through restructuring. Then the L&D leader confronts the difficult question about how best to consolidate the work and resources from the many independent teams.

In some cases, business units (BUs) have had nearly complete freedom to do what they think is necessary to achieve financial targets. These BUs also have owned responsibility to meet their own training needs. This complete decentralization often leads to dramatic inconsistencies, where BUs that are flush with cash operate sophisticated training functions, and smaller units with fewer resources outsource the little training they do to external partners, or beg, borrow and steal what they can from the larger units.
Or, when the company’s business model depends on strong core competencies in sales or information technology, it’s not unusual that those core functions have bigger budgets and more training resources than other functional teams or even the corporate L&D group.

If these Decentralized teams are required to make changes to achieve higher efficiencies, they will be asked to relinquish control of their non-core activities. That’s when formal governance comes into play so that the Decentralized teams can work together to define the services and service levels they want from an in-sourced or outsourced solution.

Part 1 of this paper helps learning leaders think about the pros and cons of organization models and formal governance and how those help learning executives ensure the effective stewardship of corporate investments in workforce learning and development. Part 1 analyzes:

- Characteristics of organizing models, and how to consider attributes of the business environment to find the most suitable model.
- Example schematics for what some models look like as they’ve been implemented.
- The value of establishing a formal governance structure, and considerations for how it should be formed.

In Part 2, we will look at extending factors for each of these models including:

- How to think about and resolve tensions in the pull and tug for Centralizing or Decentralizing certain training activities.
- New job roles a learning leader should institute to improve the learning team’s strategic focus and overall effectiveness.
- Principles of operating a shared services function and the metrics L&D should implement to drive continuous improvement and cost reduction.
- What to consider prior to making an outsourcing decision.

The current economic climate is demanding the careful scrutiny of all business functions to reduce costs and conserve cash while teaching the knowledge and skills required to survive a very tough business cycle and preparing people to find the opportunities that will arise from the eventual recovery. It’s perhaps the ideal time to reevaluate the work of L&D to decide which job roles and practices are core and critical to strengthening the team’s position as a strategic partner to the business and to establish effective governance practices that can ensure the company is spending money wisely to build work force capabilities.

Using this paper as a guide, L&D leaders can adopt the organizing principles and governing activities that best suit their unique conditions. The paper also raises the L&D team’s awareness of business conditions that can be indicators that it’s time reevaluate the L&D structure to ensure it’s appropriate for the current business climate.

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**Characteristics of Three Common Organization Structures for L&D**

There are 3 main models that characterize the majority of L&D structures:

1. Centralized
2. Decentralized
3. Federated
(Note: A 4th model – Integrated – is so rarely mentioned by organizations that it’s being eliminated from this discussion for simplicity. In the Integrated model, business units operate completely independently with no central coordination. BUs sometimes form a council to discuss and share practices but there’s no accountability for BUs to adhere to standards or to deliver results to the enterprise. A group using an Integrated approach may find little value in this paper because they do not concern themselves with the organization’s overall investment in workforce learning.)

No single model stands out as a clear leader across the more than 200 organizations that completed the Corporate University Xchange 9th Annual Benchmarking study in October 2008, although Experts show a leaning toward Centralization. A model where Learning and Development is completely Decentralized with no central control over anything, not even leadership, is the least popular.

Figure 1: Displays the distribution of L&D structures across 222 organizations that participated in CorpU’s 9th Annual Benchmarking study in October 2008.
Centralized L&D Function

Each of the three models is described in more detail below.

A Centralized L&D structure provides strong coordination for enterprise learning activities through a core learning team that reports to a single learning executive – the Chief Learning Officer or Vice President of Training – and has complete accountability for the enterprise-wide training budget, L&D talent, resources, facilities, and external partnerships.

Early versions of Centralized training functions often were optimized to create and deliver a wide variety of programs and courses designed for employees’ individual development. These early structures looked the way you might expect a services company to look if its core business was to build and deliver training programs. For example, people who were responsible to design and build courses – the curriculum managers, instructional designers, and facilitators - reported to a Learning Program Manager or Training Director, who also managed vendor programs. Those with responsibility for developing web-based content or configuring the Learning Management System reported to a Learning Technology Manager. The Logistics Manager oversaw training administrators, facilities and materials fulfillment. The three L&D Managers reported to the Vice President for Training who reported a Senior HR Vice President. (See diagram below.)

![Early Centralized Model Diagram]

**Figure 2:** The early versions of the Centralized training function organized the same way a for-profit training services company might. They focused on responding in a timely manner to management requests for courses and programs.
Early Centralized L&D teams took their role as a support function very seriously, and prided themselves on being highly responsive to management requests, and building increasingly strong internal capability to develop high-quality courses for all varieties of topics, including safety training and even Microsoft Office, which ultimately became available as low-cost, off-the-shelf commodities. The early model demonstrated efficiencies in helping L&D meet corporate mandates to have employees attend 40 hours of annual training whether they needed it or not. However, the early model was not optimized to deliver business outcomes because there were no formal connections or accountabilities to business unit leaders. Even before training groups made the shift to focus on performance improvement, they often failed to meet the needs of core groups like Sales and Information Technology whose work and job roles were changing rapidly with the emergence of new technology. As a result, functions like Sales and IT responded by funding and operating their own independent training programs, and many still do today.

While the Centralized model is sometimes the only option for small and mid-sized companies that don’t have budgets to support full-time L&D resources outside headquarters, it also has been adopted by large organizations that exhibit the following characteristics:

- Very tight product margins that demand an organization to minimize all overhead expenses.

- A high degree of work standardization where job skills and competencies are common across large populations of employees.

- A work force that doesn’t need a high degree of context built into course materials because employees aren’t being asked to interpret unique client needs to configure customized solutions.

Beyond these common characteristics, a few large organizations have been forced to Centralize because they’ve been unsuccessful in controlling the rampant proliferation of courses, vendors and training resources across the enterprise, and have had to clamp down on spending by moving everything under a central point of accountability.

The Centralized model has evolved over time as L&D teams have shifted their intentions and purpose from a tactical support group responding to training requests, to a strategic consultant and partner. These updated central functions know they must deliver value by increasing the success of change initiatives, building critical organization capabilities and improving business performance indicators, or risk having business leaders take back ownership for L&D.

As L&D sees its role more and more through a new strategic lens, Centralized teams have recognized the degree to which their success depends on creating many tighter connections to the businesses they support. Most have enhanced their structures by:

- Assigning L&D representatives to locate in the business units to deepen their specialized knowledge about the Unit, and build stronger relationships with leaders and managers.

- Establishing a governing board or steering committee of senior executives to gain early insight into the company’s strategic plans and critical initiatives.

- Creating functional and regional advisory boards to get feedback on the unique needs of other work groups, and tailor programs and services around local needs.
As noted above, being Centralized no longer means the entire L&D team sits in a building at headquarters. L&D resources often are physically located in the business units or regions but report through the organization hierarchy to the VP of Training or Chief Learning Officer for performance accountability. On some occasions, L&D resources in the business units have a dotted line reporting relationship to a BU senior executive which allows the BU executive to provide feedback in the performance review cycle but not to weigh in on or influence performance goals. Another less common model requires L&D representatives to report to both the CLO and the business unit executive through two solid lines, allowing both to share in the approval of the L&D rep’s performance accountabilities. With and without these reporting chains in place, the act of assigning one or more full-time people to consult on BU training needs gives greater assurance to BU leaders that their learning needs won’t be lost amidst training priorities coming out of corporate headquarters. These full-time assignments also make it more likely for BU leaders to see the value in investing time to teach their assigned L&D reps the ins and outs of the BU’s work.

**Summary of Centralized Model Characteristics**

- A central L&D team determines how the majority of the company’s training investments and resources will be allocated to deliver programs and services across the enterprise and in the business units.

- The core team is led by a Chief Learning Officer or Vice President, Training, who typically reports to a senior Human Resources executive or directly to the Chief Executive Officer (CEO).

- If there are L&D leaders assigned in the business units, they report through a solid line to the Chief Learning Officer/VP, Training, and occasionally through an additional dotted line to a BU leader.
Summary of Centralized Model Characteristics (continued)

• The majority of curricula are designed or sourced by the core team.

• The core team coordinates with L&D staff in the BUs to determine how training will be delivered, either by the BU’s own L&D team, or by contracted facilitators in the region where BU’s facilities are located.

• Business Unit L&D leaders are given criteria under which they are authorized to make customizations to programs or content.

• BU L&D staff monitor work force needs in the BU and provide that input to an annual L&D strategy.

• The core team works with a central HR group to integrate programs with organization competency models, as well as recruiting and performance systems.

• The core team typically administers a single, enterprise Learning Management System.

• The central team decides which activities are candidates for outsourcing and manages those contracts.

• The core team builds partnerships with academic institutions and with external partners to augment core programs with third-party content.

Advantages and Disadvantages of a Centralized Model

When the learning function operates in a Centralized structure, one major advantage is that the corporation has much greater control over its total investment in work force learning. The core team becomes a single point of accountability for how funds are spent. The Centralized structure is a strong antidote to the proliferation of courses, vendor contracts, Learning Management Systems, and part-time program administrators.

Under a Centralized model and with a strong governance structure in place, the organization’s total learning investment can be optimized to support enterprise strategic initiatives. For example, if the company plans to open new offices in China and wants to shift a significant portion of its total work force learning budget to gear up sales and support staff in China, it can easily allocate a percentage of the budget to the initiative without having to depend on each BU and Function to reapportion its budget to sufficiently fund startup efforts in China.

Other advantages include the improved ability to:

• Manage and allocate tasks to learning staff to optimize the team’s full productivity.

• Quantify the total value of tactical work streams that might be targeted for outsourcing.

• Leverage enterprise-wide technologies to reengineer work processes and streamline administrative processes.

• Consolidate tracking and reporting within a single system for an enterprise view on costs, utilization rates and accomplishments against the learning strategy.

• Adhere to and enforce standard operating practices.

• Apply continuous improvement practices to L&D process that reach across the enterprise.
Institute a common approach for integration points between L&D and other HR and Talent Management processes.

A Centralized function can present disadvantages especially if the core learning team fails to make deep connections into the businesses. A key indicator of failure shows up when BUs begin to procure their own programs and work around the core L&D group to meet their own learning needs. This is a risk even when the core team is in the process of making the necessary changes to become more strategic but has not quite crossed the chasm to achieve credibility as a strategic partner. During those transition times, the central team must do its best to implement effective processes, controls and communications to prevent businesses from returning to a pattern of ad hoc spending.

As corporate training has evolved from a tactical function proffering a catalog of courses for job skills and personal development, to a more strategic role that can strengthen the organization’s competitive capabilities, the Centralized structure has gone in and out of fashion. A more complex version of the Centralized model will be presented later in this paper to illustrate other ways core teams build connections to the businesses they support.

**Decentralized L&D Function**

Many corporations want to give their business unit leaders as much autonomy as they need to meet the business objectives they’ve been assigned to achieve. The nature of work across business units can be radically different, where one Unit makes chocolate, another manufactures pet food and another develops vending machine technology. This is one reason why an organization might allow each of its Units to manage and operate their own training function with few or no mandates from headquarters.

One global fashion company with more than a dozen strong global brands eliminated its entire central L&D team in 2009. The core team had been responsible for corporate programs and leadership development, as well as maintaining learning standards across the business units. However, each brand was so unique, the company decided that money saved and economies achieved through services offered by the home office did not outweigh the brands’ need for freedom and autonomy to pursue their own growth strategies. The responsibility for developing people and leaders went along with their new freedom.

When an organization’s work is highly technical in nature, it demands very specialized training by technical experts, and this also can become a driver for Decentralization. BUs know they must rely on industry experts and internal Subject Matter Experts (SMEs) to teach their complex topics and provide insights on the subtleties that distinguish top performance from mediocre work. The nature of this highly specialized training creates a challenging environment for L&D professionals to demonstrate they can add value with performance analysis, sound instructional design, as well as exercises, activities and follow-up to increase the degree that training translates to improved business results. L&D teams that can’t differentiate their value from the results BUs can achieve on their own working with SMEs, quickly find their budgets will remain flat or decrease over time.

One major oil and gas company, whose BUs are each as large as a major independent company, operated their L&D functions in a highly Decentralized mode. Job family teams, made up of technical experts, created job competency models, and SMEs and external industry specialists created and delivered the majority of training. L&D leaders in the BUs focused much of their time helping SMEs improve presentation skills or sourcing solutions to address performance problems in start-up facilities in other parts of the world.

As mentioned earlier, organizations with aggressive merger and acquisition (M&A) strategies often acquire new training teams with every new company they acquire, and allow each to operate independently for some period of time, until and unless the organization sees enough savings or value coming from a consolidation effort.
Each business unit operates its own L&D function to create and deliver learning programs and services, and is likely replicating many identical programs and services, with the exception of those that are truly unique to the work of that unit. While it’s obvious there are redundancies, there are times when the effort and cost to streamline activities does not yield enough savings and advantages to support the work required to consolidate or to add the required headcount to support regional or global coordination. This is often true of BUs that are very large and can justify staffing and operating their own L&D functions.

Summary of Decentralized Model Characteristics

- Each BU employs its own team of training professionals to assess requirements for workforce learning and to build or buy training to address requirements.
- BU L&D professionals integrate learning programs with HR and talent processes by working with HR generalists assigned in the BUs.
- Each BU tracks and monitors L&D programs through its own LMS or homegrown tracking system.
- BUs rely on managers to identify annual training needs to form the annual BU training plan, but BU plans are not rolled up to provide an enterprise view.
- Smaller BUs often do not have full-time training staff and assign people part-time responsibility to coordinate training, usually with a network of external partners. Smaller BUs sometimes ask their larger counterparts to borrow programs or let employees sit in on their programs.
Summary of Decentralized Model Characteristics (continued)

- BU L&D professionals often form a council with the intent of sharing best practices and content but there’s no incentive or mandate for any to adopt common processes or standards.
- The independent entities do not report to a senior executive or committee of leaders who monitor learning and workforce development at the enterprise level.

Advantages and Disadvantages of a Decentralized Model

The Decentralized model certainly offers BUs the most flexibility to invest their training dollars in programs and services they believe will best support their unique workforce capability and readiness requirements. BUs that can afford, and want to make larger investments in workforce development, aren’t constrained by limitations imposed when other business units want or need to pay less for programs or services.

Other advantages of Decentralization can include:

- Greater willingness of business leaders to assign SMEs to augment local L&D teams because there’s a natural tendency for BUs to rely more heavily on SMEs to conduct training.
- Stronger oversight on contracts with local vendors that are sourced at the BU level.
- Improved flexibility to address urgent BU performance challenges.

However, there are disadvantages to Decentralization that go beyond the obvious cost issues, including:

- Teaching varied approaches to job skills across the enterprise making it more difficult to move people around the company.
- Challenges to drive continuous improvement in enterprise-wide learning processes since BUs have unique training processes, and few, if any, are consistent across the company.
- Developing conflicting methods for organizations practices like project management.
- No structures for BUs to work collectively to solve problems together, such as sourcing and delivering training to small, remote employee populations.
- Likelihood that more L&D roles are filled with SMEs and technical professionals who may not understand how to create programs that lead to behavior change and performance improvement.

Highly Decentralized companies that suspect their training costs are higher than competitors or companies facing similar workforce development challenges, but are opposed to Centralization, should still consider instituting a governance structure and shared services function. The section on governance proposes a model for Decentralized L&D functions that allows each to maintain its autonomy but still work together to drive improved efficiencies.

Federated L&D Function

Organizations that adopt a Federated model often believe they’ve combined what’s best of both the Centralized and Decentralized models. These organizations have a central, core team that’s dedicated to building and delivering programs that are common across the entire enterprise, and often include
leadership, professional skills, project management, and new hire orientation. The core team usually gets the job to select and implement a single LMS for the company, and to integrate that with the organization’s key HR processes like Performance Management, Individual Development Planning and Succession Management so that these activities are performed consistently throughout the company.

Part of the job of the core team in implementing new systems is to gather requirements from all business units, and to configure the new systems in the best way possible to meet the essential needs of all BUs. Core teams in a Federated model rarely have the authority to force BUs to adopt their systems or processes, and must convince BUs the new approach will not diminish or eliminate the capabilities they had when running their own systems. The risk here, of course, is that if the core team doesn’t work hard to ensure buy-in from all BUs, some will refuse to adopt the new methods and the company won’t achieve the benefits it defined to justify the investment in a new, consolidated approach.

Those who have implemented a Federated model say that one of the most challenging aspects they face is the constant reminders and education of new team members about why BUs need to relinquish control of their tactical work to the core team. While it is sometimes human nature to want to own the services that are offered to your customers, these situations require BU learning leaders to think like executives, and consider what is best for the enterprise as a whole.

When a core team owns responsibility to standardize technology across the enterprise, they must configure the system so that it accommodates as many requirements of BUs as possible. Those configuration decisions also require the core team to establish and enforce rules about managing training activities to comply with the system configuration.

Figure 5, below, illustrates the basic elements of the Federated model where the central L&D team owns L&D programs that are applicable to the entire enterprise, the company’s learning technology platforms and tools, and shared services that they make available to the BUs.

Figure 5: The Federated model provides enterprise-wide technology and administrative services, along with some enterprise-wide programs, while enabling business units to maintain control of learning critical to reaching their goals.
In time, if the core team builds confidence among BUs that its services are valuable, it often gains credibility to encourage BUs to adopt common processes such as standardized approaches for assessing performance problems, designing courses, and measuring performance improvement. Eventually, the core team may decide to coordinate additional services on behalf of the BUs such as sourcing and managing an approved list of vendors and partners, developing relationships with academic institutions that can support common learning needs worldwide, or creating a pool of performance consultants for BUs to share when performance problems arise.

Summary of Federated Model Characteristics

- A central L&D group implements and manages enterprise technology, ensuring that system configuration decisions meet the basic needs of all BUs.
- The central L&D team works with BUs to establish standards, and encourages BUs to adopt best practices.
- The core team develops curriculum that is common across the enterprise and relies on teams in the BUs to manage the delivery of common programs.
- The core team identifies and offers “shared services” to help BUs offload tactical work to a team that will optimize the efficiency of those services.
- The core team coordinates efforts to reduce curriculum and course redundancies across BUs, and to manage an approved list of external content partners.
- BUs create their annual learning strategies to share with the core team, who creates the overall enterprise plan to share with a governing board.
- BU L&D teams meet periodically as a group with the Central team to discuss best practices, and provide suggestions and feedback on services offered by the core team.
- BUs and the core team continue to look for commonality among local programs to reassign those for regional or global coordination.

Advantages and Disadvantages of a Federated Model

The Federated model helps to eliminate redundancies in programs and technologies, and drive greater consistency in common L&D practices across the enterprise. At the same time, BUs maintain ownership for their own workforce development programs and can target investments to build the workforce capabilities they see as most critical to their success.

Advantages of the Federated model include:

- Eliminating redundant learning technologies, and driving consistency for data entry and reporting activities.
- Gaining economies of scale in purchasing third-party content that’s common across BUs.
- Developing and adhering to standardized learning processes, and instituting a discipline of continuous improvement.

The potential disadvantages of the Federated model arise when the core team fails in its efforts to have BUs adopt common technologies and processes. Core teams may have to make a business case to show BUs the value of taking advantage of central services, and be sure they can deliver equal or better service than BUs would achieve working alone.
Table 1: Strengths and Weaknesses of Three Common Organizing Structures

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<tr>
<th>STRENGTHS</th>
<th>Centralized</th>
<th>Decentralized</th>
<th>Federated</th>
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<tbody>
<tr>
<td><strong>Has strong control over all aspects of L&amp;D, and central integration points to HR processes</strong></td>
<td>Empowers BU L&amp;D teams who are likely in a better position to understand the needs of the customer</td>
<td>Balances freedom with control among the central team and separate BU L&amp;D organizations</td>
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<td><strong>Concentrates decisions in the hands of a single group</strong></td>
<td>Allows freedom and ownership among training groups</td>
<td>Fosters a strategic, longer-term approach and informal agreements exist between operating units</td>
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<td><strong>Provides a single voice to ensure consistent messages across the enterprise</strong></td>
<td>Provides quick response to immediate needs</td>
<td>Requires staff with strong consultative and team building skills</td>
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<td><strong>Offers easier developing and branding for a single identity for L&amp;D</strong></td>
<td>Promotes the perception of programs as being more relevant to the needs of the workforce</td>
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<td><strong>Eliminates redundancy</strong></td>
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<tr>
<th>WEAKNESSES</th>
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<th>Federated</th>
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<tr>
<td><strong>Eliminates diversity across programs that can provide insights on the “Voice of the Customer”</strong></td>
<td>Fosters fragmentation and duplication of effort</td>
<td>Delays action as a result of consensus decision-making</td>
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<td><strong>Presents challenges ensuring programs and services adequately meet the unique needs of the business units</strong></td>
<td>Presents difficulties in creating common skills and approaches across the organization</td>
<td>Limits consistency as some L&amp;D teams may opt out of agreed programs</td>
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<td><strong>Sustains weaker relationships with BU managers</strong></td>
<td>Focuses on daily challenges, so may not be optimally strategic</td>
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<td><strong>Puts forth “corporate” flavor in learning programs</strong></td>
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<td><strong>Creates image of central team being reactive</strong></td>
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Matching Organization Characteristics to The Right Model

While L&D teams generally can say their structures adhere to one of the 3 models above, there often are nuances in the models as you look deeper to the process level. For example, an organization might be mostly Centralized but a separate training function exists to train channel partners or to teach specialized technical skills. Another might be mostly decentralized but has a core team that’s responsible for all leadership development. Even companies with a Federated model sometimes must allow one or two BUs to operate their own Learning Management Systems to deal with special compliance and regulatory issues.

Table 2: Characteristics That Favor Adoption of Particular Models

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<tr>
<th>Centralized</th>
<th>Decentralized</th>
<th>Federated</th>
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<tr>
<td>Small and mid-sized organizations who can’t afford to have training resources in their BUs</td>
<td>BUs or functions with highly specialized core competencies and a workforce with a high degree of technical knowledge and expertise</td>
<td>The outcome of consolidating many BU training functions that were perhaps acquired through an M&amp;A strategy</td>
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<tr>
<td>Large organizations that have otherwise failed to control the proliferation of training staff and programs</td>
<td>Numerous strong brand identities that are given complete autonomy to run their business, including their own training functions</td>
<td>Increase accountability to adopt and apply corporate standards, especially for support functions operating in the BUs</td>
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<td>To standardize the approach to develop leaders and job skills across the enterprise</td>
<td>HR programs restricted to no increases or reduced budgets and BUs unwilling to risk service levels being reduced if they move to HR</td>
<td>To optimize efficiency and effectiveness across distributed L&amp;D teams</td>
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<tr>
<td>To support BUs that have previously had little or no training</td>
<td>To support new BUs that have a high degree of knowledge work in comparison to older BUs</td>
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The Formal Governance Structure

Organizations have placed new importance on establishing formal governance for Learning & Development as their levels of investment in workforce learning increases. Corporate governance refers to processes and structures that are put in place to inform, direct, manage, and monitor organization activities. Governance can consist of a separate process, or as part of a larger management process for monitoring operations.

Strong visible support from the top is critical to the overall success of an enterprise learning strategy, and direct guidance from business unit heads assures that learning serves business objectives. The optimal governance structure is one in which the top executive and the next level of senior leaders work with the CLO to achieve a vision for developing a competitive advantage through employees’ knowledge and skills.
Governance systems vary considerably, ranging from CEO-led policy boards with line, area, and corporate staff representation, to steering committees drawing representation from line management, employees and labor representatives. Some of the more prominent L&D teams, which exercise broad strategic influence within their companies, have governing boards composed of senior line and corporate staff executives. Some very large multinational corporations also have regional L&D boards throughout the world.

Organizations without governing boards have other ways by which to align the corporate learning team’s efforts with business goals. They interview business managers through needs analyses that are conducted by corporate university staff members. Large organizations, those with more than 10,000 employees, where diverse interests and perspectives regarding learning compete, nearly always have governing boards to evaluate investment strategies and negotiate agreements on programs and services.

**Key Goals of Corporate Governance**

Governance of countries around the world is evaluated on six key indicators: political stability, corruption, applying the rule of law, government effectiveness, regulatory quality and level of violence. The World Bank and others monitor metrics on these indicators to monitor the rate of each country’s development, and to provide a common approach to evaluating economic and living conditions around the world.

Good corporate learning governance addresses the following five important goals for stewarding corporate investments:
Without formal governance in place, learning leaders often go around the company interviewing leaders to piece together a view of the company’s critical objectives. While they may do an admirable job identifying projects to support, the approach lacks the coherence that occurs when senior leaders agree on the best, highest priority investments for building work force capabilities. Decisions about which people to develop and why can be as strategic to the firm as deciding which markets segments to pursue.

Implementing formal governance involves asking senior executives to act like a “Board of Directors” overseeing the business of running the enterprise L&D business. Senior leaders who place significant value on work force learning and development recognize the significance of attending at least a quarterly meeting to dialogue with Learning leaders about work force needs and progress.

When a Governing Board, Regional Advisory Boards and L&D Reps in the business units are connected by a formal governance structure, it strengthens the idea that all are working together in partnership to achieve business objectives and drive performance improvement. But governance doesn’t begin and end with the establishment of formal committees or boards of business advisors, even though they are essential Good governance requires instituting all the mechanisms below and more.

Governance practices consider all aspects of the L&D function, and how each relates to making investments, incurring costs, tracking and reporting the allocation of funds, and monitoring the value returning to the organization from the whole conglomeration of activities and decisions. Finding the right structure and implementing good governance requires attention at the macro and detail level, and gives stakeholders confidence that learning leaders understand their fiduciary obligations for corporate investments.