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LEARNING & DEVELOPMENT IN THE PUBLIC SECTOR

The case for maintaining investment in the
tough times

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Post GPO Box 2696, Canberra ACT 2601

Email enquiry@aim.com.au

www.aim.com.au

Researcher

Trish Bergin

FOREWORD

This discussion paper has been produced by the Australian Institute of Management as a contribution to leading thought on relevant management topics.

The Institute's vision is "Better Managers and Better Leaders for a Better Society", and we believe that contributions of this nature are directly relevant to the achievement of our vision. They also serve to engage both our members and the broader management community in the work of the Institute, and provide an innovative source of content for our training programs.

The "Discussion Paper" designation signifies that this document:

- Provides an overview of the perspectives and issues on a particular topic that has relevance to the management community;
- Is ready for circulation to both members of the Institute and the broader management community, to inform discussion, policies and practices.

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ACRONYMS

ACCC	Australian Competition and Consumer Commission
AIM	Australian Institute of Management
AIM NSW & ACT	Australian Institute of Management NSW & ACT
AIM WA	Australian Institute of Management – Western Australia
APS	Australian Public Service
APSC	Australian Public Service Commission
CLC	Corporate Leadership Council
HR	Human Resources
L&D	Learning and development
ROI	Return on investment

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RESEARCH PROCESS

The insights contained in this discussion paper are based on a combination of:

- Desktop research covering:
 - contemporary approaches to L&D
 - the impact of L&D on individual and organisational performance.
- knowledge built through AIM's training and development of management practitioners
- Consultation:
 - Confidential interviews with 22 HR managers and Senior Executives from 13 large, medium and small agencies across the Australian Public Service
 - A roundtable discussion with Fellows of AIM NSW & ACT
 - Two case studies developed from discussions with senior learning and development executives:
 - a case study of the Australian Competition and Consumer Commission (ACCC), which highlights the budgetary challenges faced by the APS and some effective responses to deal with these challenges; and
 - a case study with IBM, to provide a contrasting view of the approach to investment in L&D by a successful, global company.

INTRODUCTION

In an era of fiscal restraint, the outlook for all forms of public sector spending, including internal agency spending on learning and development (L&D) is challenging. The L&D budget is often an early target when agency budgets contract. As Australian public service interview participants explained to us, L&D is, at times, viewed as a “swing variable” and used to plug other budget gaps in the organization.

The tendency to view L&D as a cost centre to be minimised, rather than an investment to be managed is underpinned by a number of pressures:

- Insufficient L&D planning aligned with agencies’ strategies
- A focus on what is being spent on training rather than the relevance and effectiveness of training being undertaken—that is, a focus on inputs rather than outcomes
- Insufficient data on the return on investment (ROI) of L&D accruing to either organisations or individuals and the value of L&D more broadly

The pressure to reduce investment in L&D comes at a time when the operating environment—characterised by rapid change, heightened community expectations and intractable policy problems¹—demands that employees update and develop their skills and capabilities. At the same time, a reduction in the public service’s engagement of external consultants and contractors,² means there is an increased reliance on the skills, capabilities and adaptability of public service staff. In this environment, concerted induction, on-the-job learning and tailored skills and development activities are required in order to sustain performance and productivity.

What can be done in the face of heavily constrained budgets to think differently about this issue—to ensure that people have the skills, knowledge and judgement required to constructively work through some of the major public policy issues before us?

The Australian Institute of Management (AIM) has developed this discussion paper to:

- identify the benefits of investing in L&D and the risks of a failure to adequately invest
- identify the barriers to sustaining investment in L&D in the public sector environment
- identify the elements that enhance the return on investment

This paper focuses on the Australian Public Service, however we believe that many of the key issues discussed hold relevance for a broader public sector audience and, indeed, for community and private sector organisations.

¹ For discussion on the contemporary challenges facing governments and public services in Australia and globally see for example: APSC Management Advisory Committee, 2010: 11-15 and Benington and Hartley, 2009.

² Reducing the public service’s use of external contractors and consults was one of the efficiency measures introduced in the 2012-2013 year.

BACKGROUND TO L&D

L&D: contemporary approaches

Over the past 20 years there has been a growing shift in emphasis and terminology from ‘training’ to ‘learning and development’ (Sloman, 2007). In response to increasingly complex and competitive work environments, the acquisition of sophisticated skills and knowledge to support the ongoing performance of people and organisations has demanded an equally more sophisticated approach to learning and development. Fifty years ago, training was focused largely on skills and specialist knowledge acquisition. People tended to stay in the one organisation for much longer periods of time, so that the ‘art’ of how to apply this knowledge and skill was generally learned through extensive on the job coaching and learning. With the workplace characterised by long careers in the one organisation, people also knew their network of contacts, (who in turn tended to stay in place for longer periods), forming strong working relationships.

Over time, the workforce has become more mobile, less hierarchical and increasingly technologically advanced. To meet this changed environment there has been a shift in focus from just purely technical skills and knowledge to include non-traditional components. Capabilities in areas such as emotional intelligence, communication and leadership have emerged as essential skills in the workplace.

At the same time, there have been advances in our understanding of how adults are best able to learn. As a result, the emphasis on training has swung from one which is ‘trainer-centric’ to an approach which is much more ‘learner-centric’. That is, “training is the input, while learning is the outcome” (Baker & McKenzie et al, 2011: 467). Learning and development (L&D) includes formal training, but also explores other avenues for learning such as on-the-job training, network building and stretch assignments³ to enhance performance.

Sloman characterises this distinction between training and L&D as follows:

“Training: An instructor-led, content-based intervention, leading to desired changes in behaviour” vs “Learning: A self-directed, work-based process, leading to increased adaptive capacity”.(Sloman, 2007)

L&D encompasses:

- *technical* skills and knowledge;
- *relationship* skills and knowledge (for example, network of contacts, knowing the field of players); and
- *Situational judgment* – how skills and knowledge are applied in context.

How do people learn and develop?

Learning requires motivation on the part of the learner as well as an environment that challenges and supports the learner, through coaching and stretch work assignments. It also requires an environment conducive to learning; that is, a culture which values learning and development and ensures its managers are well equipped to coach and assist their staff to apply their learning. In environments where learning opportunities are

³ A stretch assignment is a task or project that challenges a person’s current skills and capabilities with a view to that person acquiring new skills/capabilities and further realizing their potential.

commonly described as a ‘day off’, people tend to view learning as optional rather than a critical enabler of organisational performance.

Much of the current thinking around learning and development in the work place is based on extensive research findings which indicate that our learning comes (unsurprisingly), from a combination of formal and informal sources—that is, through formal training programs, as well as on the job learning from colleagues and peers, trial and error in our work and through having a manager who provides coaching and feedback. This concept underpins the widely used ‘70:20:10’ model of learning and development (Lombardo & Eichinger, 1996). This model observes that, in general, people learn through a combination of on-the-job learning (70 percent), relationship based learning or learning from others (20 percent) and through formal, structured learning (10 percent).

A useful example of the 70:20:10 model in practice is learning to drive. Experienced drivers generally have good practical skills of interpreting traffic and road conditions, navigating and so on. However, they may still have some ‘less than perfect’ technical driving habits that have crept in over time.

Against this backdrop, a learner driver, solely taught by a parent, may learn some of the bad habits of their parent, which can impact their driving technique (with attendant risks to themselves and other road users), irrespective of the amount of time that the parent spends teaching the learner driver. It makes sense to invest in training learner drivers professionally (10%), with the parent’s role being one of spending time in the car with the learner driver supporting and encouraging (20%) and ensuring that they experience a range of road and weather conditions (70%).

The 70:20:10 model is an *observation* of how people learn. What it tells us is that for a formal training intervention to result in good learning outcomes it must be supported by opportunities to apply or incorporate the new skills/knowledge *in situ* with appropriate support and coaching from others. The three dimensions of learning work together in roughly the ascribed ratio, noting that the ratio may change slightly depending on the work context.

The 70:20:10 model should, therefore, be an “*influence* on strategy rather than a fixed strategy in itself.”⁴ As noted by L&D practitioners, there is a risk that the model will be used as a rationale for cutting the formal training budget rather than as a guide for supporting formal training interventions with experiential learning opportunities.⁵

The 70:20:10 model of learning is, of course, part of the core philosophy guiding the Australian Public Service Commission’s (APSC) Strategic Centre for Leadership, Learning and Development. The Strategic Centre was established in July 2010 in response to recommendations in the APS reform paper, *Ahead of the Game: Blueprint for the Reform of Australian Government Administration* (Advisory Group on Reform of Australian Government Administration, 2010), which identified a requirement to improve talent management, and “strengthen learning and development to ensure a sustainable APS”. The Centre aims to enhance L&D practice in the APS, including by seeking to ‘balance on-the-job and experiential learning with classroom-based learning (APSC, 2011: 2).

⁴ LINE Communications, London Conference of L&D Practitioners, Dec 2010. The media release noted that: “*Heads of Learning & Development at global organisations have expressed concern about how the 70/20/10 model – which has been highly influential in spreading awareness of the importance of informal learning – may be interpreted and used within some organisations.*”

⁵ LINE Communications, London Conference of L&D Practitioners, Dec 2010.

Timing is important too

As well as designing L&D interventions around the principles of *how* people best learn, it is also important to ensure interventions are based on *when* people learn most effectively (Collins: 2001: 1). In part, this means ensuring that the timing of interventions matches the needs of the learner and the organisation. Technical skills are often required at the point of entry to an organisation forming a critical component of a new employee's induction. As management expert Dr Roger Collins observes, there are also other critical times or “transitional career points” at which L&D interventions work particularly well—points at which the learner is more receptive to learning:

Research clearly indicates that learning and development can be accelerated at career transitions: from specialist to generalist, from operational to strategic, from HR generalist to line manager, from line manager to HR leader. Such transitions can create receptiveness and pliability as people are more aware that career changes demand higher level or qualitatively different skills and contributions.
(Collins: 2011: 1)

This observation resonates with the concept of the “leadership pipeline” developed by Charan, Drotter and Noel. The pipeline entails a series of ‘turns’ or key transition points at which development is required in order for an individual to step up to the next level. The transition points may vary depending on the size and type of organisation. One clear example, which is relevant in most workplace contexts, is the transition from self-managing to managing a team (Charan et al., 2001).

Importantly, Collins recognises that “transitional career points” within an organisation may not only exist for promotional opportunities (vertical transitions) but also horizontal transitions—for example, moving from one function in an organisation to another or expanding a role to incorporate new functions.

More and more, organisations must be ready to redeploy their ‘human capital’ across business/program areas to respond to changing market and community needs. The public sector is not immune to this. As one of our roundtable participants (a senior public servant) observed,

Increasingly, policy people are being given operational roles but they are not trained to do this; there is a skills gap.

This may mean being one step ahead. That is, developing employees in readiness to take on new roles and responsibilities as the situation arises.

BARRIERS TO INVESTMENT: AN INSIDE VIEW

We explored the barriers to sustaining public sector investment in L&D in our interviews with HR and senior line managers, and in our roundtable discussion. It was encouraging to hear that a number of agencies have an integrated approach to L&D, which ensures that strategic planning and L&D planning are aligned. Notwithstanding this, interview and roundtable participants identified some barriers to investment as captured in the discussion below.

Some interview participants noted that their agencies have yet to elevate capability development to a strategic, organisational priority. In these organisations, L&D is characterised as having “no perceived value” and formal programs are viewed as “junkets” and/or “inappropriate” in circumstances where there are staff cutbacks. These participants noted that, as a result, L&D is mostly limited to technical skills and compliance (for example, work health and safety training) and little value is placed on training in the ‘soft’ skills of people management, communication, employee engagement and motivation.

In one of these organisations, the HR practitioner commented that the challenge was to hold the L&D spend centrally and direct it to technical training rather than allow it to be spent in a “random manner” unrelated to the person’s performance improvement (for example, low value add conferences or even activities unrelated to L&D). In such circumstances, the HR practitioner feared that even with a central budget for L&D, this was at risk of being used as a “swing variable” to fill other resource priorities. It was noted that, due to this culture, there was a possibility of an L&D budget underspend which would in turn “set a new low benchmark for the agency in the L&D budget in the coming year”.

Interview participants noted that the ongoing effects of the annual efficiency dividend had also led to a shaving of L&D budgets to a point where expenditure is, in some cases, fragmented and unfocused.⁶

A former senior departmental executive observed that a barrier to an organisation-wide focus on L&D was that training decisions tend to be made lower down in the organization; secretaries do not have a grasp on, or ownership of, the training needs in their department. It was explained that:

The energy of secretaries and senior leaders is invested in managing up. They need also to be looking down and understanding the L&D needs of their people and how it relates to the business.

A number of those interviewed discussed the “Senate Estimates” effect. They reported that during scrutiny of agency expenditure, L&D activities often came under intense questioning in a way that reinforced the notion that these activities were of minimal importance to the continued capability development of the organisation and the Service as a whole. This insight resonated with an observation made by a former senior public official who noted that the “short-termism of ministers” and other parliamentarians meant that

⁶ It is worth noting that training was one of the areas identified for agency savings in the “one-off” increase to the efficiency dividend, which was introduced in the 2012-2013 year. See Senator the Hon. Penny Wong (November 2011) “Driving Efficiency Savings within Government, Media release, PW 253/11. The proposed increase to the efficiency dividend to 2.25% per annum for the three years from 2014-15 in the Government’s recently released (2 August) *Economic Statement* could have further implications for public service spending on L&D.

investment in the learning and development of public servants was not recognised as a priority.

These observations provide some context to the *State of the Service* report statistic noted earlier in this paper—that in 2011-2012 only 51% of APS agencies had a fully developed learning and development plan in place and that of the completed plans a limited number were the result of agency-wide workforce planning; rather, many were based on “individual strategies set through individuals’ self-identification” (APSC, 2012: 38).

The discussion above can be distilled in to three interrelated themes:

- Insufficient support from the top for L&D
- An absence of a culture of learning
- L&D is not linked to the organisational strategy

Parliamentary (and consequently, public) scrutiny of public expenditure (the “Senate Estimates effect”) is, off course, particular to the public sector and it is easy to see how this might foster a culture where L&D spend is viewed as discretionary at best and wasteful at worst, with consequent pressure on public sector leaders to minimize their L&D spend.

As discussed later in this paper, this pressure may be alleviated by enhancing the return on investment and better demonstrating how those returns are realized.

INVESTING IN L&D

What are the benefits of investing in L&D? What are the risks of not investing?

Our consultations with AIM fellows and senior public sector L&D managers elicited a clear message: not only could benefits be gained from investing in L&D; a failure to invest could result in a 'net loss' or failure of service delivery. Investment in L&D is, therefore, as much about risk management as it is about performance improvement.

L&D investment – managing risk

Sometimes we only know that we haven't invested enough in L&D when things go wrong.

Step back to 2005. The findings of the Palmer Report into the wrongful detention of Cornelia Rau and then the Comrie Report a few months later into the wrongful deportation of a permanent Australian citizen, Vivian Alvarez Solon were released. These reports found systemic problems within the (then) Department of Immigration and Indigenous Affairs, DIMIA.

Specifically the Palmer Report found that:

DIMIA officers are authorised to exercise exceptional, even extraordinary, powers. That they should be permitted and expected to do so without adequate training, without proper management and oversight, with poor information systems and with no genuine quality assurance and constraints on the exercise of these powers is of concern. (Palmer, 2005: ix)

The Inquiry went on to make major recommendations on the urgent need for:

... a legislative training package that provides the officers with the requisite knowledge, understanding and skills to fairly and lawfully exercise their power. (2005: xv)

Fast forward to August 2008. The Callinan Inquiry report into the outbreak of Equine Influenza states:

What I describe bespeaks an organisation that lacked clear lines of communication;... one in which there was insufficient training and education in relation to the procedures and instructions to be followed...(Callinan, 2008: xxii)

As our roundtable participants observed, one of the consistent themes of these inquiries into failures of public administration is a finding of insufficient investment in learning and development for the people who operate within these complex systems. More than ever we need people who have the skills, knowledge and experience to work effectively across government to address these challenges. They need detailed technical knowledge and skills as well as highly developed interpersonal and leadership skills. Critically, they also need that elusive part of the alchemy of great policy development and program delivery – *judgment*.

Learning and development, then, speaks to risk management as well as overall organisational performance. Without adequate L&D interventions, good administrative processes may degrade over time, creating the opportunity for damaging public policy and program management outcomes.

L&D Investment – the link to performance improvement

A principal reason for investing in L&D is to improve individual and organisational performance.

There is growing evidence that organisations that invest in learning and development achieve higher performance than those that invest little (Baker & McKenzie et al., 2011: 488). A number of studies identify a positive correlation between investment in L&D and an increase in the bottom line, for example:

- Global company IBM has established a positive correlation between increased investment in L&D and company profitability (Appendix 1: IBM Case Study)
- Data from the American Productivity and Quality Centre (APQC) supports the strong link between investment in employee learning and development and a quantifiable increase in the bottom line. APQC, as part of its Open Standards Benchmarking Collaborative research study, found that organisations that invest in more training days and dollars per employee produce greater revenue per employee than those that invest less (APQC, 2008).
- Another study of US firms across several industries noted that a firm's spending on formal learning and development of its employees had a positive correlation with sales per employee, gross profit margins and stocks that outperform bottom ranked firms by almost double (Bassi et al, 2004: 15-16).
- The Australian National Centre for Vocational Education Research (NCVER) found that higher productivity tends to be associated with those organisations where HR (and capability development) is seen as an integral component of the business strategy (Smith, A. et al, 2012).

The literature also describes other benefits of L&D investment that may indirectly link to improved organisational performance, which are reflected in AIM's case studies of the ACCC and IBM (Appendix 1). These benefits include:

- Enhanced organisational success as an 'employer of choice'. Access to relevant and quality L&D and career opportunities can be a determining factor in attracting talent (Baker & McKenzie et al, 2011: 489). This may be of particular benefit for agencies whose workforce could command higher salaries in the private sector.
- An increase in employee motivation and an improvement in staff retention (Parry and Tyson, 2007).
- Greater retention of corporate knowledge within an organisation—developing existing employees is a key tool to avoid the loss of organisational knowledge and experience from employees moving on to external opportunities, including retirement⁷ (CIPD, 2006).

Formal training

A study conducted by the Institute of Fiscal Studies in the United Kingdom, reported a difference between the effects of formal (external) training and informal on the job training, noting that formal training generated a longer-term transfer of learning:

⁷ Workforce shortages arising from demographic change will create an increasing need to keep people in the workforce for longer. See AIM's discussion, *Engaging and retaining older workers* - www.aim-nsw-act.com.au/engaging-retaining-older-workers

Formal off-the-job training is found to generate substantial long-lasting externalities, while informal training appears to generate externalities only in the first year of a worker's tenure at a firm (Blundell et al, 1999: 13).

The 'externalities' described in the study were found to include positive benefits such as increased retention, productivity and innovation, which contributed to greater profitability of the firm.

One of the most significant benefits of engaging in formal training is that it occurs with other people. Whether it is within a specific work team, or across organisations or even industries, the opportunity to become better acquainted with individuals and to build personal connections is a key part of organisational effectiveness, particularly in times of crisis or emergency.

One manager interviewed as part of the development of this paper was involved in the 2005 London underground bombing response. He noted that the effectiveness of the response was vastly enhanced because of the strong interpersonal relationships that emergency service staff shared across agencies. These relationships had been built up, in part, through shared development and networking opportunities.

Along these lines, another senior public servant observed that despite the increasing presence of 'wicked problems'⁸ and the need for whole-of-Government solutions, agencies continue to operate as silos, with diminished cross portfolio collaboration and communication. In this participant's view, off site training—in particular, training residential— is integral to building the trust and rapport between agencies that enables effective decision-making and collaborative practice:

Collaboration is all-powerful—knowing who to ring and who to talk to.

Similarly, Dr Collins states that:

Formal programs, despite their expense and disruptive impact on work and personal life, provide opportunities to develop networks with new colleagues, and the chance for individuals to benchmark themselves and their potential against their peers. If designed and delivered appropriately they can enable participants to transfer knowledge, develop skills, enhance motivation and encourage participants to develop new perspectives across organisations, industries and cultures. (Collins, 2011: 2)

This is not to pitch external training against in-house training. The provision of in-house training is clearly integral to communicating internal policies, procedures and technical skills. Along with this, facilitating internal networks and cross-functional communication is as important as establishing cross-agency networks.

However, some of our interview and roundtable participants observed that external training and, in particular, multi-day residential were increasingly being viewed as an unnecessary "luxury", rather than an opportunity to build relationships and bring in new perspectives and ideas.

⁸ The term "wicked problems" originally coined by urban planners, H. W. J. Rittel and M. M. Webber, in 1973, is used in a policy context to refer to complex policy problems that are, in themselves, difficult to define and for which there is no straightforward solution.

SUSTAINING INVESTMENT IN L&D IN THE TOUGH TIMES

Practitioner insights

We asked interview participants how their agencies managed to sustain investment in the tough times.

Some participants indicated that after years of trying to shave the L&D budget this was no longer an option and a completely different emphasis and approach was needed. They explained that their agencies are responding to the challenges of ongoing budget cuts and efficiency dividends by re-engineering their approach to align L&D, and HR generally, to an executive, strategic level.

In doing so, these interview participants reported that they are seeking to deploy L&D resources in a targeted manner, drawing on a more careful understanding of their capability requirements over the longer term. This approach to sustainable investment concurred with observations made in the roundtable that good training needs analysis is required. Such an analysis, it was explained, should be linked to an agency's business and risk management plans. As noted earlier, Roundtable participants speculated that had training needs been considered within the context of risk management, then certain failures of public administration may not have occurred.

Some interview participants noted that their approach to L&D is changing. Specifically, they reported that their agencies are becoming highly innovative and selective in their use of blended learning approaches and are supplementing training with good on-the-job opportunities.

One HR manager from a 400 person strong agency provided a brief agency history explaining that in responding to years of budget cuts, the agency had reduced its L&D spending by half and then another third. During this time, the L&D budget was centralised, which, as the HR manager noted, resulted in L&D spending being limited to critical business skills mainly around compliance and essential qualifications. It was noted that while a centralised L&D budget avoided the problem of diffuse and ad hoc spending, it was also at risk of being seen as a 'pot of money' that was easily redirected to other priorities in internal budgeting processes.

This interview participant reported that the shift came with a new executive who had a strong history in the business side of the organisation. In this environment, the interview participant has been supported in becoming a strong, vocal and credible senior sponsor who is prepared to champion capability development. This allows for better engagement across the agency executive team, with the agency in the process of developing a five year L&D plan that links with business objectives and promotes a positive learning culture. As the HR manager put it:

We are moving to a dynamic where the L&D team is seen as key partners with the business.

A number of interview participants from agencies that were investing in L&D commented that the Secretary of their organisation made public commitments to maintaining L&D spending, even in the face of sometimes very significant budget cuts. In these organisations, where it is clear that top management is serious about strategic L&D, the organisational culture is more aligned with gaining returns from that investment.

Making the L&D business case

Ensuring a good return on investment and being able to demonstrate that return are, of course, critical factors in making the L&D business case. AIM's consultations revealed three interrelated factors that contribute to sustained investment in L&D in a tough fiscal environment:

- L&D is elevated out of the 'problem for HR' dimension and linked to the strategic goals of the organisation;
- organisations strive to "close the gap" between their investment in L&D and the investment outcomes; and
- organisations place greater focus on the effective evaluation of L&D investment to identify the impact of the investment in terms of business outcomes.

Linking L&D to strategic goals

The business case for L&D investment must be targeted at both the line manager as well as the executive group of the organisation. Line managers are looking for ways to enhance individual team members' performance; the executive is generally focused on organisational performance towards corporate goals. An articulated approach which links these two perspectives (through a clear description of the necessary capabilities to achieve organisational goals) is necessary to engage both levels of management. It should communicate 'what's in it for me' by indicating how L&D strategies will make meaningful contributions at the work unit and organisational levels.

As described in our case studies with IBM and ACCC (Appendix 1), a well developed L&D strategy for the organisation is an important part of this approach.

'Closing the gap'

As well as asking "what is the value of L&D?" it is also meaningful to ask "what factors enhance the value of L&D investment?" As management expert, Cyril Kirwan, puts it: "closing the gap between what is invested and what is returned should be a priority for any organization" (2009: 2).

Linking L&D to strategic goals is one way of closing the gap or refining the relationship between inputs and outcomes. If the L&D strategy is integrated with the overall organisational strategy then L&D interventions will be targeted and relevant and, therefore, value-adding.

Developing the L&D strategy should involve an L&D needs analysis—that is, collecting data on existing employee capabilities and mapping this against current and future organisational demand for capabilities.

Equally as important is maximising how effectively individual learning outcomes are realized in the work context. This issue is ordinarily framed through the concept of 'learning (or training) transfer'. Simply expressed, learning transfer looks at the extent that skills and knowledge acquired in a learning context are applied in a work setting and how the learnings acquired persist over time (Blume et al., 2010: 1067-8).

The literature on learning transfer identifies key factors that affect the transfer of learning. These factors have been summarised by the Australian Institute of Management – Western Australia (AIM WA) as follows:

- the motivations, cognitive ability and emotional stability of learning participants;

- the learning culture of the organisation;
- The extent to which objectives and desired outcomes of the training are understood by the learning participant and the organisation (Ridley, 2011).⁹

Similarly, Broad and Newstrom argue that organisational culture and specifically the attitude and engagement in the learner's development by the learner's line manager have a major impact on the effectiveness of L&D in boosting performance (cited in Baker & McKenzie et al, 2011: 476). In organisations where there is a culture of dismissing the value of L&D or where it is seen as a 'nice to have', 'HR's problem' or there is a view that 'we are too busy to develop others', spending on L&D is far less likely to have a significant positive impact on individual and organisational performance.

As demonstrated in our case studies (Appendix 1), the corollary is that to maximise the impact of L&D on organisational performance, the culture of the organisation must explicitly demonstrate a commitment to ongoing learning and development initiatives. This requires managers who take an active interest in the learning and development of their staff, demonstrated by:

- working with staff members to identify meaningful development goals;
- helping source appropriate formal training; and
- providing relevant opportunities for the application of staff learning in the workplace.

Strategies for enhancing the transfer of L&D

- Select people for training who have both the ability and willingness to participate and implement the learning.
- Select people for training who are positively disposed to the training experience
- Ensure participants have access to a supportive supervisor and supportive colleagues
- Define the learning outcomes clearly and make them known to the participant, their supervisor and the training provider
- Adjust the approaches to the training depending on whether the training is for "open" or "closed" skills.
- Use a variety of methods to increase the transfer of learning.
- Ensure the objective is the effective transfer of learning.
- Consider longer term interventions with an action learning component.

Source: Ridley, S. (2011) *Training Transfer*, AIM WA

⁹ See also, Blume et al (2010) and Kirwan (2009).

Evaluating L&D investment

Evaluation is critical to understanding the effectiveness of training programs on individual and business outcomes. Yet as the Chartered Institute for Professional Development (CIPD) in the UK points out, many organisations limit their evaluation of L&D programs to the ‘reaction level’—that is, how the participants felt about the learning experience.¹⁰ This is an important dimension of evaluation, providing insights into the quality of the program. It is a relatively easy and inexpensive form of evaluation to undertake.

It is only one aspect of evaluation however. As the Corporate Leadership Council (CLC) observes, learner satisfaction is not in itself a predictor of L&D transfer, with high levels of satisfaction having minimal impact on learner performance (CLC, 2011). Evaluation tools that measure the transfer of learning and its application in the workplace and the effects on organisational performance are required.

An evaluation framework for L&D initiatives ideally has quantitative and qualitative returns on investment. To be meaningful, these need to be closely linked to the performance objectives of the business that the L&D initiatives are designed to address. Strategic imperatives for L&D in terms of business outcomes occur across a range of capability dimensions (Rylatt, 2001):

- Human capital development (technical skills as well as generic skills such as communication, management and problem-solving)
- Customer value (how well the person understands the needs and preferences of their ‘client’ groups and how to deliver this)
- Relationship capital (this involves the knowledge of other key players across the industry, particularly necessary in working effectively across government).

Global company, IBM, notes that “rigorous” evaluation of L&D programs is undertaken in that organisation, which enables the return on investment to be understood (Appendix 1: IBM case study).

Measuring the dollar return on investment from L&D interventions¹¹ and L&D impact on organisational performance more broadly is not without its challenges. The interaction of workplace variables (for example, changes in employment conditions) and demographic variables (such as, length of employment) may make it difficult to isolate the effects of training from the effects of these other variables. Further, the literature on evaluation suggests that studies that have endeavoured to measure the ‘transfer of training’ outcomes have used different standards of measure, in turn leading to a variety of results (Blume et al., 2010: 1065).

¹⁰ According to the *State of the Service Report 2011-2012*, APS agencies rely, to a relatively large extent, on participant feedback to evaluate investment in learning activity. It is encouraging to see, however, that 58% of agencies measure improvements in job performance, 33% measure improvement in agency performance and 31% measure return on training investment (40).

¹¹ The Australian Institute of Management – Western Australia (AIM WA) has produced a [ROI calculator](#), which enables a simple calculation to be undertaken of the potential returns from an investment in a particular training program (the self development calculator). A ‘multiplier effect’ calculator has also been developed, which adjusts for performance improvements for team members (the multiplier effect) resulting from their manager/supervisor undertaking a particular training program.

Notwithstanding these challenges, interview and roundtable participants were clear that improved evaluation of L&D interventions is integral to both refining those interventions and making a case for ongoing investment.

CONCLUSION

The question, “are skills a cost or an asset?”,¹² lies at the heart of workplace approaches to learning and development (L&D). When resources shrink a workplace that characterises L&D as a cost is more likely to treat L&D expenditure as discretionary and therefore one of the first areas to cut back on. Conversely, workplaces that frame their human capital and associated skills as assets are more likely to maintain investment in their employees, including through continued investment in L&D.

AIM’s vision is developing better managers and better leaders for a better society and we believe that L&D is an integral part of achieving this vision. Building employee capability is critically linked to building organisational capability, which in turn contributes to improved organisational outcomes.

In an environment of shrinking resources—both financial and human¹³—the need for careful and sustained focus on learning and development of remaining staff is critical. The benefits of this are twofold: to assist staff to meet performance objectives; and to offset the risk associated with the departure of those with extensive corporate knowledge and skills.

It was clear from our consultations that some agencies are well focused on current and future workforce issues and are actively seeking to maintain their investment in L&D—and seeking to maximize the return on that investment. These organisations have a focus which is less about the size of the “the training budget” but rather about positioning the L&D strategy as an integral component of the organisation’s overall business strategy.

Such a focus requires sustained commitment to both formal and informal avenues of capability development and a culture that situates learning as a critical component in performance and risk management. HR areas must continue to play their part in this by elevating their view from that of a service provider to a strategic partner. This involves working alongside line areas to identify capability development objectives and to link these with clever, cost-effective and high value L&D tools and approaches. Line managers must be supported to enhance their skills in linking formal learning opportunities with meaningful on-the-job opportunities.

We hope that public (and private) sector leaders will take inspiration from the case studies included in this discussion paper and place learning and development—and their human capital—at the centre of strategic investment.

¹² This is the title of a paper by Lauri Bassi and Daniel McMurrer (2004), who argue that skills acquisition and development should be treated as assets rather than costs

¹³ In the short-term, possible public sector cuts following the 2013 election mean that enhancing the productivity of remaining employees will be important. In the longer term, anticipated future workforce shortages due to demographic trends, means that investing in, and increasing the productivity of, employees will be critical.

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Resources

ROI calculator, AIM WA - www.aimwa.com/roicalculator/default.htm

APPENDIX 1: CASE STUDIES

IBM

IBM has a long history of investing in human capital as a key functional enabler of its overall business strategy. The company has a sophisticated learning and development model that supports its workforce capability development and ensures that across IBM's world-wide network of offices people have the skills, competencies and understanding of key business priorities and directions to perform at the highest level. Globally, IBM has been the recipient of many awards from international learning and development organisations, including most recently awards from the American Society for Training & Development for Education of Leaders, Pre-On-Boarding, and On-Boarding.¹⁴

Even in times of economic slowdown, IBM has a mantra that the one area of expenditure that is not subject to budget cuts is the learning and development budget. In its own White Paper "The Value of Training" (2008), which focuses on training IT professionals, IBM argues that "more than 60 percent of IT managers believe that the skill of their teams is the most important success criterion for critical IT functions." This does not just include technical skills, but extends to sales, interpersonal and other 'soft' skills. They also quote the US publication, *HR Magazine*, which notes that companies in the top quarter of training expenditure per employee per year average 24 per cent higher profit margins than companies that spend less per year.¹⁵

Lorraine Farah, Global Professional Development Executive, based in Sydney, describes how the annual budget allocation process sees L&D on the investment side of the ledger, not a cost centre. She noted that every line of business in IBM has funds allocated to L&D investment, with all areas spending the same or more – not less – each year.

This investment in people is based on a carefully crafted L&D strategy, founded on a deep understanding of core skill and competency requirements for each job type, which are classified in terms of job families. In the budget process each year, General Managers are required to make an assessment of skill needs across the business in terms of target audience and target programs. There is an 'exempt list' of programs which support capability development to deliver business outcomes. These are programs for which no further business approval for employee attendance is required. In addition, there is a suite of mandatory training programs (for example, for new starters, new sellers and new managers), which are delivered over several weeks or months, and are tracked across the organisation. The span of L&D is also very broad – from technical skills, right through to the soft skills required to grow good leaders.

Farah notes that IBM has a rigorous process of post-program evaluation, including assessment of training 'application' or impact, in the workplace. From this feedback they have analysed and been able to point to a positive correlation between increased investment and higher profitability for the company overall. She pointed to the correlation between technical and sales training (which have a direct impact on revenue growth) as well as broader leadership training, which has a more indirect link to improved profit performance, through increased engagement of staff, morale and motivation (higher productivity) as well as increased higher levels of retention (less cost of staff turnover).

¹⁴ ASTD (American Society for Training & Development) is the world's largest association dedicated to workplace learning and development professionals. ASTD's members come from more than 100 countries.

¹⁵ Susan J Wells *HR Magazine*, April 2001.

Farah comments that line managers are highly engaged in the process of integrating training and development in the workplace, reflecting the embedded nature of L&D in leadership culture. Staff development and how it links to corporate goals is discussed as part of business planning activities and overall performance reviews. “Help IBMers succeed” is an IBM competency of managers/executives on which they are assessed annually, including through surveys and upwards feedback for new managers. They are a focal point of review for training undertaken by their staff and are expected to track their development against their individual learning plan.

Part of IBM’s success is in ensuring this development is effective even in a resource constrained environment. Farah points to a recent Global Conference for newly hired IBM staff around the world that was held using ‘second life’ or avatar technology. Participants from anywhere in the world were able to access the conference, hear presentations, ‘stroll’ through a career fair and attend information sessions about latest technological developments. Similarly, the company employs the latest virtual training techniques to simulate a classroom with global participants for knowledge transfer, complemented by local face-to-face sessions for behaviour practice.

Finally, Farah reflected that IBM is particularly good at linking talent development and learning to ensure future business success. They have a keen focus on the critical roles in each business unit and location and constantly assess and identify the emerging talent to fill these roles, as well as the pathways and pipelines necessary to fulfil this potential. Programs and initiatives, both formal and informal, are then set in place nationally and globally to develop this future capacity.

With such a strong focus and firm eye on sustaining future business through investing in its people, it is no wonder that learning and development expenditure is seen as a vital investment at IBM; not an easy cost saving in tight economic times.

Australian Competition and Consumer Commission (ACCC)

The Australian Competition and Consumer Commission (ACCC) is now a well-established force in the Australian marketplace, promoting competition and fair trade to benefit consumers, businesses and the community. It also regulates national infrastructure services. It was founded in 1995, so is now maturing in organisational chronology. From all perspectives, the ACCC has a reach beyond its resources, an impact achieved in large measure through the commitment and talent of its staff.

The ACCC has grown quickly over time and has worked hard to attract top quality staff, particularly lawyers, economists and other professionals, many of whom have come from the legal and economic sectors. In the early years of the ACCC, much of the training for staff was heavily focused on technical skills – investigation, regulation and dispute resolution. Staff are highly committed to and passionate about the role of the organisation.

Learning and development has increasingly played a significant part in supporting the performance of the ACCC. Given that the primary asset of the ACCC is its staff, its well-developed learning and development function is seen as being “integral to the success of the organisation” according to the Executive General Manager of Corporate services in ACCC, Ms Jo Schumann. The CEO of the ACCC, who has been with the organisation for over 12 years is known as driving the culture of continuous learning and growth within the organisation. However this commitment is evident throughout, with extensive involvement from middle and senior managers in learning and development functions that in many other organisations would be wholly owned by the HR department. For example, the Senior

Executive line managers drive much of the oversight and induction of the annual graduate program, which incorporates a strong business focus as a result.

The ACCC recruits a large graduate program each year, which is seen as essential to the future capability of the organisation. This is another area that is quarantined from budget cuts, with the ACCC taking on a good pool of graduates each year in proportion to their staffing numbers. There is a generous studies assistance program to assist staff to continue their formal studies as well as a wide range of development opportunities for staff such as secondments to other departments, scholarships for staff to live in an Indigenous community to address a specific issue, as well as support to undertake studies at the Australian and New Zealand School of Government (ANZSOG) and the Company Directors program with the Australian Institute of Company Directors.

The ACCC is also committed to promoting a safe, healthy and respectful work environment for all people. A significant part of this is a health and wellbeing strategy that is aimed at raising awareness and providing support to staff and managers on a range of health related matters. A Wellness Calendar links in with certain wellness activities and assists in promoting events more broadly across the ACCC such as R U OK? Day, Mental Health Week, Blood Donor Day and World Health Day to name a few. These all have a learning component through raising issues for discussion and highlighting preventative measures.

ACCC representation of women at senior levels is very uneven. At EL 1 and EL2 level, women represent between 50.5% and 44.6% respectively of staff at these levels. In order to improve representation and opportunities for women the following learning events are included:

- Mentoring
 - The ACCC coordinates a structured 12 month internal mentoring program commencing in May each year. The aim of the Program is to provide a framework for employees to regularly meet and be guided and supported by more senior and experienced staff within the ACCC.
 - EL2 Talent Management Program –A new initiative for 2013 that all female EL2s within the Agency will be provided with a mentor.
 - The ACCC participates in the Women in Law Enforcement Strategy (WILES) Mentoring Program. This program was established to encourage women to pursue careers and senior positions in Australian law enforcement and regulatory agencies. The ACCC has been a participant of this program since the 2000 pilot program with 23 program graduates.
- Training on confidence for women – will focus on building confidence for female staff. Work undertaken in the public and private sector indicates this type of training is highly effective in facilitating gender equality.
- Scholarships to attend AICD Company Directors Course Program – As part of the ACCC's International Women's Day a number of scholarships will be offered.

The ACCC has a very high level of retention of staff, with roughly half of the current Senior Executive Service staff having started with the organisation as graduates. With such a high proportion of staff remaining with the organisation, Jo Schumann notes that it is critical to invest in not only skills based training, but also personal development, particularly as these staff take on management and supervisory roles. With the recognition of the importance of the need for emotional intelligence, or the 'soft skills' of management, the learning and development focus is increasingly on areas such as leadership, management, staff engagement, performance management and capability development.

Patricia Hopkins, A/g Director of Learning and Development, notes that the L&D budget has been shifted from a pool held centrally by Corporate Division, to one that is now split

between some corporately held funds and the remainder devolved to line areas. Under the previous arrangements, the L&D budget was being spent earlier and earlier in the budget year, with much of the focus being on organisation-wide technical skills and without an overall strategy to guide expenditure. Patricia sees this shift to be central to a much more effective deployment of expenditure, with corporate priorities focusing on organisation-wide *emerging* priorities for the longer term, while the business areas are able to target specific skills and immediate individual needs. The funding devolved to line areas is managed by an L&D Reference Group, which is made up of very senior managers together with a representative from HR. This Group approves the budget and L&D plans for each of the business areas to ensure that this is well targeted and effective.

As a result, the annual L&D program now differentiates between, and seeks to better balance, technical skills and interpersonal and leadership development. This facilitates broader individual as well as organisational capacity growth, while ensuring that immediate skill needs are addressed. The role of HR in the delivery of this approach is that of organising the delivery of corporately funded initiatives, such as leadership, performance management etc, as well as providing strategic advice and brokerage functions to the line areas as they implement their L&D programs.

Finally, the ACCC currently undertakes reaction level evaluation of all its L&D activities, and would really like to do more in this area. In broader terms, the ACCC measures effectiveness of L&D expenditure in terms of employee engagement, retention and other measures such as unscheduled absences. As Jo Schumann notes, access to great L&D opportunities is seen as a key part of the ACCC brand, which helps to attract and retain professionals.