

How to Address the Pervasive Waste in Talent Development

Situation

Despite constrained resources, corporate L&D functions are delivering more content through more channels than ever before.

Insight

A substantial portion of the learning delivered is never applied back on the job, ultimately resulting in a waste of time and resources.

Potential

By adopting new metrics and analytic techniques, organizations can not only recapture that waste, but also double or even triple the performance improvement from learning.

Situation > Insight > Potential > Action

More Learning, Less Appreciation

L&D functions are striving to provide a range of talent development options to meet the business's rising demands, despite constrained time and budget.

Promoting Learning Participation

To build a culture of learning, heads of L&D are prioritizing driving participation in formal and informal learning. The effort is succeeding—compared to two years ago, more employees are participating across the board:

- 64% of employees participating in more formal learning,
- 59% of employees using more social learning technology, and
- 65% of employees accessing more channels for information and learning.¹

This increased learning has been accomplished in spite of largely flat or declining L&D budgets and intensified business pressure to provide learning solutions more rapidly and with more customization. As a result, 93% of heads of L&D report increased complexity in L&D solutions.²

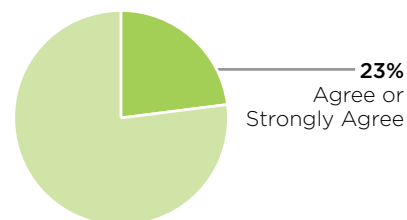
Despite these efforts, a disconnect remains between L&D and the business. Eighty-eight percent of business line leaders believe that employee development is critical to achieve their business outcomes,² but fewer than one in four leaders are satisfied with the overall effectiveness of the L&D function.³ This relegates L&D to an order-taker position and blocks aspirations to become a strategic business partner.

About Metrics That Matter™ from CEB

A new standard in talent development analytics, Metrics That Matter™ from CEB enables more precision in strategic talent decisions, moving beyond big data to optimizing your workforce learning investments against the most business-critical skills and competencies. Our cloud-based talent analytics software and proven methodology enable organizations to run learning and talent like a business by establishing the right metrics, comparing against external benchmarks, and leveraging automated insights. Over 500 organizations use Metrics That Matter™, including the most widely recognized organizations for talent development.

Line Leaders Not Satisfied with L&D's Effectiveness

Line Leaders Reporting Satisfaction with the Overall Effectiveness of the L&D Function



n = 350.

Source: CEB 2011 L&D Team Capabilities Survey.

¹ CEB 2014 Learning Culture Survey.

² CEB 2012 L&D Team Capabilities Survey.

Significant L&D Waste

Scrap Learning

Learning that is delivered but not applied back on the job

For the average organization, 45% of learning investments are scrap learning.

As learning participation increases, employees devote a higher percentage of work time to learning activities. This temporarily lowered productivity is a worthwhile trade-off when the new knowledge and skills can be applied on the job and increase performance. But when employees spend time in learning activities that do not directly translate to increased performance, employee time and L&D budget are wasted. This is referred to as **scrap learning**, defined as any learning that is delivered but not applied back on the job.

A wide variety of causes exist for scrap learning; some are within L&D's direct span of control, others relate to the learners themselves, and some of the causes relate to the business environment.

Root Causes of Scrap Learning

Ineffective Delivery	Content Not Directly Relevant	Low Learner Motivation
Content Quality Issues	Wrong Learners Attend	No Opportunity to Apply
Examples Do Not Connect	Misalignment with Priorities	Low Organizational Support
Insufficient Practice	Delivered at Wrong Time	Insufficient Time to Apply
Inadequate Support Materials	Learners Already Know Information	Lack of Manager Support

Source: CEB analysis.

The learning measurement processes of most L&D organizations are ill-equipped to identify the root causes of scrap learning for a given program, let alone prescribe recommendations for addressing the causes. As a result, the average organization has a scrap learning rate of 45%, which translates to nearly half of L&D investments and the time employees spend in formal learning programs producing no organizational value and ultimately going to waste.⁴

A large part of the disconnect between L&D and the business is that the increase in learning participation has not translated into an increase in performance gains due to learning. The high level of scrap learning occurring is the primary barrier to seeing the necessary performance gains.

Reduce Scrap, Increase Performance

Financial Impact

L&D functions that do not actively measure and reduce scrap learning lose \$2.1 million per month for every 10,000 employees.

By starting to measure scrap learning and making continuous improvements to programs based on the analysis, the typical organization is able to reduce the average rate of scrap learning from 45% to 33%. With the typical L&D function per employee spending \$1,195 the annual savings represented by this 12% drop in scrap learning would be over \$1.5 million for an organization of 10,000 employees.⁵

The more significant opportunity, though, comes with transforming scrap learning into effective learning. As organizations systemize the approach of identifying and reducing waste in their L&D programs, they see the performance gains from learning programs increase significantly. The average organization's L&D programs increase employee performance by 6% annually, whereas organizations that actively measure scrap learning see annual employee performance gains of 10%. That 4% difference in performance improvement represents \$24 million in opportunity costs for every 10,000 employees in organizations that do not take a proactive approach to reducing scrap learning.

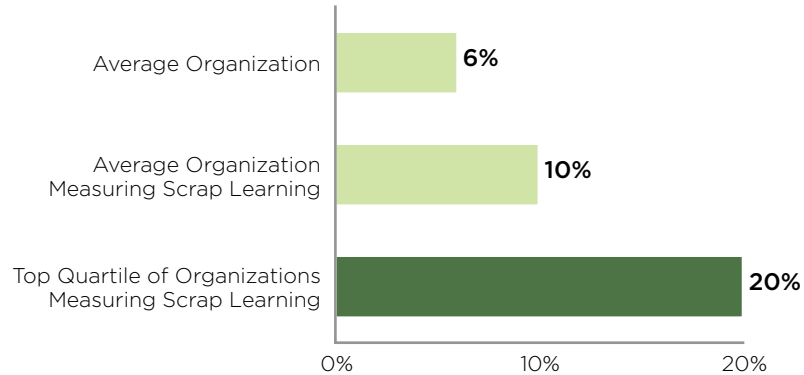
⁴ CEB 2014 Training Effectiveness Dashboard.

⁵ ASTD Research, "2013 State of the Industry," 2013, http://files.astd.org/Research/Infographics/2013_SOIR_Infographic.pdf.

As organizations become more adept at addressing L&D and business environment causes of scrap learning, they realize even greater gains. The top quartile of organizations measuring scrap learning manage to reduce it to only 18% and achieve annual performance gains due to learning that are more than triple that of the typical organization.

Performance Gain Due to Learning

Annual Increase in Employee Performance Attributable to L&D Programs



n = 18,582,356.

Source: CEB analysis.

Situation > Insight > Potential > **Action**

Drive Impact with Analytics

Reducing scrap learning and improving performance impact requires a fundamentally different approach to measurement that pinpoints what is and is not working and why. Five key areas differentiate high-performing organizations:

- **Metrics**—To gain a complete picture of learning impact, the metrics that L&D tracks and reports will need to shift from volume, cost, and satisfaction to a comprehensive set of metrics that include learning efficiency, effectiveness, and business outcomes.
- **Sources**—To uncover all root causes of scrap learning, the sources for these metrics will need to expand from just the LMS and learner feedback to include instructor and manager feedback, as well as business data.
- **Timing**—To identify the gaps that occur outside of the learning intervention, the measurement approach needs to incorporate post-learning and on-the-job data.
- **Benchmarks**—To optimally prioritize necessary improvements, benchmarks need to include external comparisons of learning impact to competitor organizations.
- **Process**—The four changes above are not possible with a manually intensive measurement process, so high-performing organizations use learning analytics software to automate and scale measurement to be consistent and have significant influence throughout the enterprise.

L&D functions that aspire to be more than order-takers and desire to have a seat at the table recognize that the first step is to demonstrate true stewardship and accountability for talent development investments. By proactively tackling scrap learning and systematically increasing performance gains, L&D functions establish the right foundation to become true strategic business partners.

About CEB

CEB is the leading member-based advisory company. By combining the best practices of thousands of member companies with our advanced research methodologies and human capital analytics, we equip senior leaders and their teams with insight and actionable solutions to transform operations. This distinctive approach, pioneered by CEB, enables executives to harness peer perspectives and tap into breakthrough innovation without costly consulting or reinvention. The CEB member network includes more than 16,000 executives and the majority of top companies globally.



Contact Us to Learn More

Phone: +1-800-561-3341 or +1-312-676-4400

Email: MTMsales@executiveboard.com

Web: www.cebglobal.com/mtm