Two companies are fighting for a leading position in their industries. Each must figure out what it takes to get there, knowing their moves could make or break their futures. One company looks toward aggressive expansion, building 12 new plants in China. Another intends to grow e-commerce through an omnichannel approach.

In making these decisions, the companies’ executives focus on the usual criteria—balancing growth and risk, weighing the business case, considering both physical and human resource requirements and costs, forecasting ROI, and more. Only one, however, ponders emerging critical factors:

- What talent is required to deliver the new plan?
- What capabilities must people possess?

The same company goes on to ask the logical follow-up questions that are our concern here:

- Is our learning organization able to deliver these capabilities to the business?
- Is it able to equip people with the skills that are required, when and where they are required?
- If not, how should the learning organization be reconfigured, if the aim is to support the business in this way?

If both organizations act on their plans, which do you think will be better prepared and more likely to realize its intended goals?
Taking advantage of business opportunities and executing strategy requires organizations to pull the biggest lever they have: activating their talent. But it’s time to think beyond traditional courses and programs to overcome gaps in what that talent can deliver. To that end, a new thread is emerging that can help companies set themselves apart. This thread is the commitment to first understand the readiness of leaders, staff, and even outside partners to support and drive business strategy, and then to focus the learning and development (L&D) function to build the capabilities and skills that might be lacking.

Business leaders who realize this often look to the learning function and see it is not designed to deliver in the new ways that are essential. Take another look at your learning organization. Is it capable of meeting your business need?

In the China example above, do the organization’s leaders on the ground in China really have the know-how to accomplish the incredibly complex task of delivering to the business 12 new world-class facilities from greenfields? If you are building rather than buying this capability, the learning team has to be fundamental in delivering the required knowledge and capabilities to the leaders responsible. In the omnichannel example, a traditional brick-and-mortar retailer will require an entirely new team with a set of new skills to deliver in an e-commerce world. Again, the job of the learning organization is to help field a team fully capable of operating at a world-class level in the new environment.

If your learning organization as it stands today is not structured to operate with this new focus—that is, not providing training but delivering business results through capability enablement—then it’s time to shift the perspective.

Learning should take its cues from the business

The learning organization can and should deliver on the main drivers of most business strategies: **growth** and **cost reduction**. This can be accomplished by transforming the learning function to build talent capabilities (growth) or to address operational inefficiencies (cost reduction). A primary reason to transform your learning organization—and to have a learning organization in the first place—is to deliver business results. And there are two fundamental ways to do this: **top-line growth** (through innovation, new revenue, new markets, etc.) and **bottom-line impact** (via operational efficiency for cost savings).

The concept of “transforming” an organizational function to make it more relevant and capable of meeting business needs isn’t new; Finance, Risk, Marketing, and other functions have led the way in this area. L&D, however, has often lagged behind. Learning transformation involves renovating learning strategy and operations to support and advance business strategy. Rather than “learning for learning’s sake,” the focus shifts to “learning for the business’s sake.”

As the following descriptions and examples demonstrate, L&D improvements can be driven in several areas, providing a boost to the business’s top line, bottom line, or both.

**Analyze form and function**

1. **Does the current structure of the learning organization make sense? Is it efficient?**

A well-defined learning organization is essential if its offerings are expected to infuse the workforce with business-driven skills for today’s and tomorrow’s needs. But too often what exists instead is a decentralized learning organization comprising many “departments” specific to business units or geographies, and that organization often becomes inefficient as years pass, acquisitions occur, or overall focus and governance wane. This can result in redundancies, inefficiencies, and wasted efforts and expenditures.

What does your learning organization look like? Reviewing the key components of the learning function will reveal what the staff does, identify the operating model in use, and determine the processes and potential for sharing resources across the organization, including opportunities for outsourcing and offshoring.

A recent example of the value of such a review comes from a U.S.-based pharmaceutical company that designed a new L&D operating model to enhance the productivity of its formerly decentralized L&D organization. The effort identified up to $75 million in annual cost savings opportunities achievable through a more centralized structure and rationalization of spend, staff, and offerings.

In another case, a small global bank conducted a productivity initiative to identify opportunities to enhance the effectiveness of its L&D organization. Through in-depth review and vision workshops, a path forward emerged that included a new L&D operating model—and with it the ability to reduce and control L&D costs. Overall, the effort enabled not only the L&D organization but also the global bank to deliver on its long-term strategy in ways not previously possible.
A further advantage of learning transformation: A robust, business-driven learning function can also attract and retain talent. As we have seen in our experience with clients and within our own organization, companies that invest in their people’s skills for strategic needs, and support individualized skill building for personal growth, appeal to top talent. Conversely, a Harvard Business Review study found that lack of formal development opportunities drives talent away. Moreover, employees who believe their employer is able to execute its business strategy are more than twice as likely to stay with that employer as employees who find their company’s execution capabilities lacking (70 percent expecting to stay vs. 33 percent seeking or planning to seek new employment). This seems to bode well for companies that focus their learning organizations’ structures and operations to support both business strategy needs and their employees’ development.

Overall, as Figure 1 shows, the advantages of building and cultivating a robust learning organization extend to many of the most important benchmarks organizations use to measure their performances.

**Exploiting the opportunity in analytics**

Learning is one of the last functions to the table when companies are figuring out how to use available data and apply analytics to develop strategy and forecast learning needs. Other functions in the organization are much more adept at using data in advanced ways to gain insights and predict needs. Learning’s lag is likely because analytics is not a skill inherent in L&D professionals. But it’s a skill that can be acquired—so learning organizations should focus on building the capability to understand and harness the power of data to anticipate learning needs and develop appropriate solutions in return.

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**Figure 1: Organizations with a strong learning culture significantly outperform their peers**

<table>
<thead>
<tr>
<th>Innovation</th>
<th>Productivity</th>
<th>Time to Market</th>
<th>Quality</th>
<th>Skills for the Future</th>
<th>Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>46%</td>
<td>37%</td>
<td>34%</td>
<td>26%</td>
<td>58%</td>
<td>17%</td>
</tr>
</tbody>
</table>

- more likely to be first to market
- greater employee productivity
- better response to customer needs
- greater ability to deliver “quality products”
- more prepared to meet future demands
- more likely to be market share leader

Source: 2012 Bersin and Associates

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Evaluate learning program performance

2. Is the learning organization doing its job, delivering the right content to the right people at the right time?

What we typically find when we analyze L&D organizations is not a lack of programs but quite the opposite. The situation at a global electronics conglomerate is a good example of what’s often the case—an overabundance of offerings with a shortage of impact. In this company, L&D content was scattered over many systems, and much of it was rarely used, while businesses within the organization reaped little or no benefit from the considerable investment in learning.

Why does this happen? When people and processes are working in silos, they are likely churning out content that is either not relevant to current business strategy or is redundant with other versions developed in previous years or elsewhere in the organization. In the electronics company example, the organization rectified this by synchronizing existing content and transforming the learning landscape through a series of steps, including establishing a leadership framework and introducing experiential learning. The effort is expected to yield a number of benefits: cost savings; the alignment of learning spend with the strategic direction set by the CEO; a culture of continuous improvement and learning; and the development of business-critical skills and capabilities.

Transformation can begin with a simple shift in perspective to ask focused questions: Is the nature of the programs we’re offering appropriate? Do they produce the skills needed to get talent to the next level and achieve the business strategy? Or does the curriculum consist of “nice to have” courses, such as generic sales training or all-purpose communications or systems training, that are not linked to what gets done on the job? These courses produce little real business impact. If growth and innovation are part of your business strategy, these kinds of courses won’t cut it. Instead, you should be looking to build skills that propel your workforce to embrace innovative thinking techniques and advance cutting-edge ideas.

To really drive top-line growth through learning takes understanding, investing in, and using key learning enablers. Advancements currently disrupting the traditional approach to learning include immersive or gaming-style learning as well as mobile and social learning delivery methodologies. For example, you might consider pushing TED Talks on innovation to learners for whom creativity is a key part of the job, or you might consider building in mobile learning courses as part of your omnichannel strategy if you are providing laptops or tablets to employees.

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Making your mark: Learning surges to the forefront for executives

In February 2013, the CEO of a multibillion-dollar global company announced a vision to establish the organization as a leading learning organization. A highly visible learning project was initiated to assess and recommend opportunities to enhance the learning operating model, content offerings, and processes. The effort included:

• Engaging key business leaders for strategic decision-making on high-impact learning initiatives
• Adopting a leading organization design focused on establishing learning capabilities in alignment with business needs
• Incorporating learning into the strategic planning process to align with strategic growth, capability, and business needs

The other point here: CEOs and other business leaders are thinking more and more about the legacies they will leave—in their organizations, in the community, and in the world. Some have concluded that this notion of creating a lasting culture of learning—for personal growth and for business impact—is among the most profound and enduring signature achievements that can be left for future generations.
Overall, redundancy in programs and systems leads to much higher-than-average annual spend per learner than the $1,074 spent per learner by most U.S. companies in 2013 and the $1,408 per learner by organizations with mature, effective L&D functions (what we call “high-impact learning organizations”).

Increase learning operations
3. Is the cost-to-value ratio of the learning organization favorable? (It should be.)

Many growing organizations end up with separate parts of the business having their own learning functions, either by design or, more frequently, by inertia. In these situations, multiple versions of the same learning development tools often exist. At times, several redundant learning management systems can be found, leading to increased technology costs, duplicative course development, and a suboptimal learner experience. Overall, this situation usually leads to much higher-than-average annual spend per learner than the $1,074 spent per learner by most U.S. companies in 2013 and the $1,408 spent per learner by organizations with mature, effective L&D functions (what we call “high-impact learning organizations”).

Whether a review of L&D operations is undertaken as part of an overall business optimization effort or as a discrete effort to reduce costs specifically in the learning and talent development function, significant prospects exist for real cost savings. For example, a deep-dive analysis into current learning spend, including learning technology and vendor engagement, often identifies significant spending the organization is not aware of, and these are clear areas of opportunity. In our experience, the costs saved from this exercise have been more than enough to fund the overall transformation. The savings could also be used to focus and improve the learning organization in ways that directly support business strategies.

A global investment management firm provides a case in point. Seeking to expand its geographic locations, as well as increase the overall impact of the learning organization, the firm conducted a current-state assessment and future-state recommendation for the L&D function, including L&D technology. One of the main challenges it faced was that current training modalities were not tailored to learners’ needs and were mainly instructor-led. Through a technology assessment, learning technology infrastructure capabilities were reviewed for (1) new delivery modalities and technologies that cater to millennial employees (e.g., mobile learning) and (2) opportunities to add efficiencies for learning (e.g., a learning portal and a data warehouse for reporting). The firm now envisions a learning organization that aligns to business strategy and contributes to business results using proven, innovative, accessible learning solutions. And it has a roadmap for how to adjust the learning function to better support the growing global business.

As another example, a deep dive into learning at a large pharmaceutical company identified several divisions contracting with the same vendors at different rates for the same types of services. Further analysis determined what needs the services were intended to meet and how those needs could be met most effectively, including renegotiating with vendors to get better contracts and quality. Cost-cutting was the main driver here—and it was accomplished, with $75 million in potential cost savings identified through L&D restructuring—but the effort also improved operational efficiencies and brand impact.
Make the shift
Learning strategy should shift from a model in which the learning organization "pushes" what it wants to audiences to one in which the business actively pulls only what it needs from learning to deliver business results. In a world where talent is scarce, business strategy has a critical path that relies on talent and business-related learning. The learning function should be aligned early with the broader organization’s direction, and it should focus on developing capabilities to create a competitive advantage and support the achievement of business goals. The return on investment is not measured in number of courses offered or hours of learning delivered, but rather in seeing the strategy or goal effectively executed.

Transforming the learning function to focus on business-driven learning proactively builds individuals’ capabilities to support strategic needs. Equally impressive, business-driven learning can deliver cost-reduction opportunities across the enterprise. The call to action for business-driven learning has created dramatic results for those organizations that have answered it—results that can be replicated elsewhere, whether an organization is large or small, local or global.

Where should you start?
How do you bring this holistic vision to reality and achieve meaningful business impact?
Here are some practical ideas:

• Talk with your head of procurement to initiate an analysis of learning spend across the organization. This is often an eye-opening exercise that uncovers significant cost-saving opportunities. Reviews of learning that we have conducted often reveal issues such as headcounts beyond industry averages; multiple vendors in use, selected without appropriate negotiations; multiple technology platforms that do the same thing; and general lack of standardization in terms of quality and where and how money is spent.

• Find out how the learning organization is spending its time. While they should be focused on business-critical issues, we have observed that many learning organizations actually spend disproportionate amounts of time on administrative activities. Some of our largest global clients are rethinking learning to make it more business driven.

• Meet with functional or divisional leaders and HR and L&D leaders about the capabilities needed to support business strategies. Do business leaders feel their people have the capabilities they need to execute these strategies? Are any L&D offerings aimed specifically to develop strategic competencies? Discuss the near-term business strategy and the talent needed to drive it, and identify any gaps. Then work with L&D to prioritize learning needs.

• Discuss with L&D leaders how the organization is addressing crucial talent issues. How do your L&D opportunities attract millennials, and if they don’t, how can they become a reason for younger people to join and stay with your organization? On the other end of the career lifecycle, what is being done to compensate for baby boomer retirements and the resulting "brain drain"?

• Discuss with L&D the impact of learning and consider the four E’s: (1) the formal Education (courses, learning events, curriculum, and so on), (2) the organization’s Expectations for performance, (3) an individual’s Experiences that contribute to learning, and (4) an individual’s Exposure to thought leaders, mentors, and others who help the individual learn in new ways. By combining these four elements creatively and in the right proportions, organizations can make learning become a powerful contributor to achieving business outcomes. Doing so makes effective use of resources and engages the individual.

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3 The Corporate Learning Factbook® 2013, Bersin by Deloitte.
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