



Trends Report

a publication of Tero International, Inc.

Five Employee Development Trends Every HR Professional Must Know

1. Strategy, Substance, Outcomes
2. Global Awakening
3. Options, Options, Options
4. Focus on the Individual
5. Shift from “or” to “and”

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As the role of human resources professionals has become more strategic, so too has the need for HR professionals to take the lead in planning for the future and addressing trends impacting organizational success.

HR is entrusted with the creation, implementation and ongoing care of the systems and processes that guide human performance in the organization. One of the critical systems garnering the keen attention of HR is employee development.

There is little disagreement about the importance of employee development among HR professionals. What is less clear is how the employee development efforts and resources should be directed to realize maximum organizational results.

Part One of this report provides readers with a look back and presents data around employee development efforts between 2002 and 2006 in US organizations.

Part Two of this report shifts from the past to the future and explores five critical trends impacting employee development.

Each trend is identified and presented with a description of the business or economic factors driving the trend. This is followed by a discussion of the implications to HR professionals.

Specific action plans are not included in this report. It is left to the individual human resources professional to determine the best plan of action to address each trend's impact within the unique organization and culture they serve.

The five trends highlighted in this document are:

1. Strategy, Substance and Outcomes
2. Global Awakening
3. Options, Options, Options
4. Focus on the Individual
5. Shift from "or" to "and"

Part One: A Look to the Past

According to the 2007 State of the Industry report published by the American Society of Training and

Development (ASTD) and reporting on fiscal year 2006 results, it is estimated that US organizations spent \$109.25 billion on employee learning and development annually, with nearly three quarters (\$79.75 billion) spent on the internal learning function, and the remainder (\$29.50 billion) spent on external services.

Legend:



The blue bar in each graph reflects the average of consolidated responses collected using a quantitative survey. This includes all of the organizations that submitted data for the particular year.

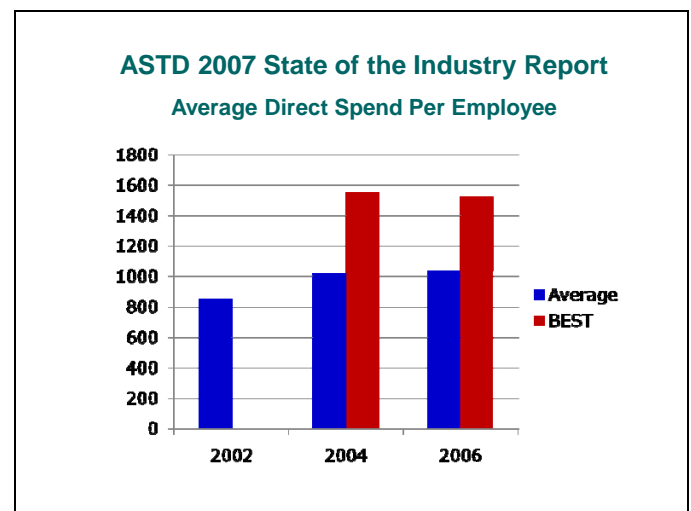


The red bar shows data for organizations winning an ASTD BEST Award. Conceived in 2003, the program recognizes organizations that demonstrate a clear link between learning and performance across the organization.

Average Direct Spend Per Employee

The average direct spend per employee in the average sample rose to \$1,040 per employee in 2006, an increase of 1.76 percent from 2004 and a staggering increase of 21.35 percent from 2002.

The average direct spend per employee for the BEST companies stayed roughly the same in 2006 over 2004 (\$1,531.23 compared with \$1,554.46). Data from this group was not available until 2003 so no comparison with 2002 is available.

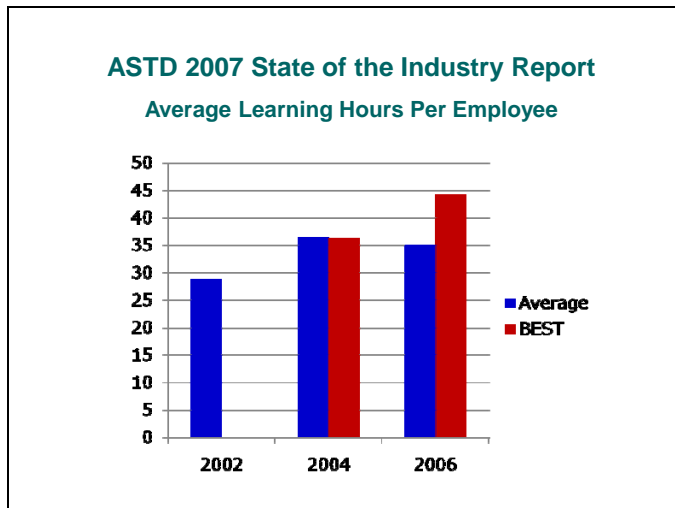


Average Learning Hours Per Employee

Learning hours used, which reflect the amount of formal learning content that employees are consuming, have been stabilizing. Employees in the average sample received an average of 35.1 hours of formal learning in

2006, down slightly from 2004 (36.4 hours) and up from 2002 (28.8 hours).

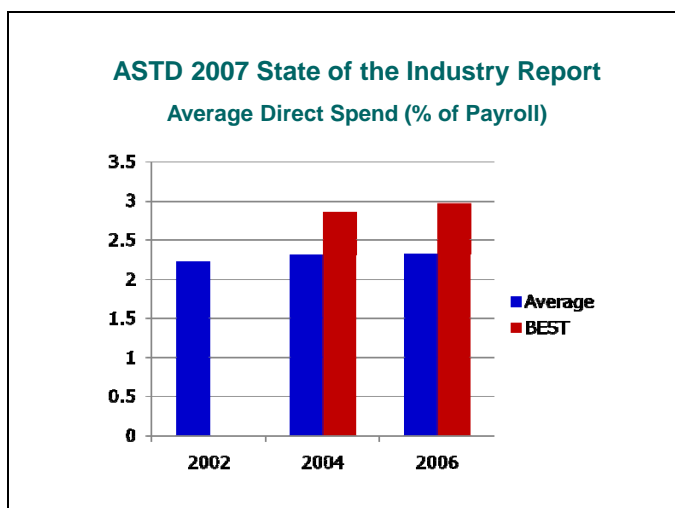
In the BEST organizations, average learning hours per employee in 2006 were 44.3 hours, a significant increase over the 36.3 hours reported in 2004.



Average Direct Spend (Percent of Payroll)

Expenditure as a percentage of payroll has remained relatively stable across the two comparisons. For organizations in the average sample spend was 2.22 percent in 2002, 2.32 percent in 2004 and 2.33 percent in 2006.

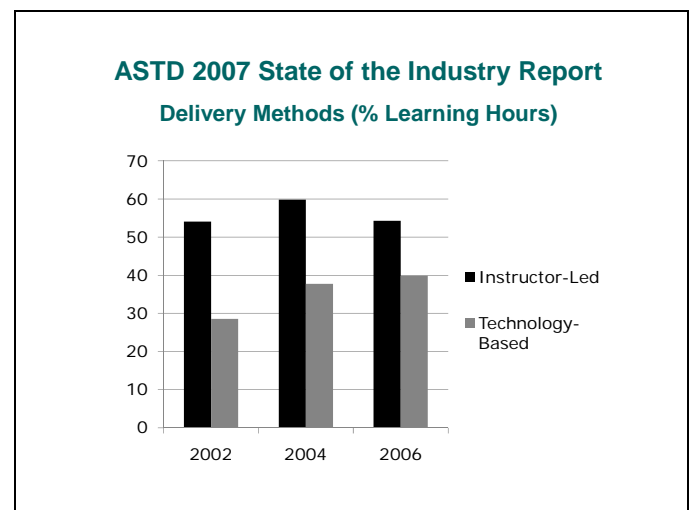
For BEST organizations, expenditure as a percentage of payroll was 2.86 percent in 2004 compared with 2.97 percent in 2006.



Delivery Methods (Percent of Learning Hours)

While instructor-led training remains the most frequently-used form of learning delivery, the maturation of technology as a delivery methodology has seen technology-based approaches on the rise in recent years.

Across the two groups, 54.24 percent of learning hours were instructor-led real time in 2006 compared with 59.77 percent in 2004 and 54.06 percent in 2002. Technology-based learning accounted for 39.85 percent of delivery methods in 2006, 39.69% in 2004 and 28.53 percent in 2002. Other methods not reported on this graph include blended (instructor-led technology) and non-computer approaches.



Content Distribution

In the average sample, the top three content areas, accounting for 36 percent of learning content were:

- Profession- or industry-specific content
- Processes, procedures, and business practices
- Management and supervision

The three areas to which the least content was devoted were:

- Executive development
- Basic skills
- Interpersonal skills

In the BEST sample, top content areas were:

- Profession- or industry-specific content
- IT and systems skills
- Processes, procedures, and business practices

The areas to which the least content was devoted were:

- Basic skills
- Executive development
- New employee orientation

Conclusions

After decades of striving (and sometimes failing) to identify its role, employee development has matured and stabilized. Today, the learning function is widely viewed as critically important. When well done, it contributes meaningfully to competitive advantage. And, when poorly done, can halt organizational success.

It is important to remember that the numbers reflected in Part One of this report are averages of a large and diverse sample and are of limited usefulness when considered in isolation. Since neither the standard deviation nor sub-groups (such as industry) breakdowns are provided, accurate comparisons to a specific organization are not possible.

Consider this example. The average weight of a woman in her 40s and living in the United States is 145 to 160 lbs. While a useful benchmark to know, more information is required when contemplating health and wellness planning for a specific individual who may or may not fall in the average range. Similarly, HR professionals are cautioned not to limit their research or set goals exclusively around these numbers when championing an employee development program.

In looking to the future, HR professionals are encouraged to consider the following trends and the impact they may have on the unique organization in question.

Part Two: Five Trends

To identify the top five employee development trends that HR professionals must know about in 2008, Tero International tapped several resources:

- Articles and research from the American Society of Training and Development (ASTD)
- Articles and research from the Society of Human Resource Managers (SHRM)
- Independent surveys and research
- Tero International's original research

Trend #1: Strategy, Substance and Outcomes

For many organizations, competitive advantage rests on the quality of people and the quality of the service they provide. It is no surprise therefore, that employee development has become a high priority to senior executives.

How to develop the skills and knowledge of people is a discussion that has found its way into C-level meetings. No longer simply providing lip service to the topic of training, top executives and their Boards of Directors are setting strategic goals around employee development, are committing substantial resources to these activities and are demanding results. They are challenging HR and training professionals to look at employee development in a new way.

As a result, the training function that merely offers a catalog of classes has fallen behind expectations. The days of hoping an employee learns just one new idea or gets entertained in a training session are over. Replacing the commodity, one-size-fits-all training programs of the past are heavily research, knowledge- and skill-based, customized, substantial training efforts that deliver proven results.



Implications

HR professionals must understand the organization's mission, vision, values, core business and key differentiators. Not simply an administrative function anymore, HR in its strategic role will be challenged to translate the goals of the business into core competencies that provide a framework for needs assessment, gap analysis and organizational development initiatives. Interacting with executives, internal stakeholders, and

external customers to learn their needs and provide custom content and expert delivery methodology to achieve desired outcomes will be critical.

The days of hoping an employee learns just one new idea or gets entertained in a training session are over.

With an increasing emphasis on strategic outcomes, customized and business-specific knowledge training will gain more importance. One solution is to equip leaders and employees alike with the skills to serve as coaches and trainers. In contrast to the training generalists of the past who provide training across a wide variety of topics, subject matter experts will be called upon to deliver content. Forward-thinking HR professionals will find themselves concentrating on how to train subject matter experts to train rather than helping trainers become subject matter experts.

Since strategic decision-making happens continuously, often driven by an immediate need for action, the related organizational development requirements have no clear ending. Markets and competitors are dynamic. New threats and opportunities emerge that were not predicted. A plan can be implemented perfectly but changing circumstances can render current solutions quickly obsolete. Additionally, planning is only as good as the information on which it is based. Since information may be faulty, employee development solutions must be extremely flexible.

Outsourcing will continue to be favored by many as a preferred way to bring expert solutions to the organization quickly while keeping costs in the variable expense column of financial statements thus ensuring maximum flexibility. It will be incumbent on the HR professional to ensure the partners sourced embrace the same philosophy around employee development shared by the executive team. Contract monitoring skills will become a more important skill as more outsourcing takes place.

The demand to get more and do more for less cost will continue. Measurement is important to validate the actions taken and to justify resources invested. Long accepted as the industry standard to measure training

success, Donald Kirkpatrick's (1979) four levels of training evaluation are hard for organizations to do and, as a result, are carried out infrequently (especially the higher levels). In Kirkpatrick's model, each successive evaluation level is built on information provided by the lower level. According to this model, evaluation should always begin with level one, and then, as time and budget allow, should move sequentially through levels two, three and four.

Level One – Reactions: Just as the word implies, evaluation at this level measures how people are reacting to training. Did they like it? Sometimes disregarded as a meaningless “smile sheet”, these initial reactions to training *are* important. Individuals who liked the training experience are more likely to implement the skills learned than those who didn't enjoy the experience.

Level Two – Learning: To assess the amount of learning that has occurred, pre- and post-tests are often used and compared. At this level, evaluation has moved beyond satisfaction and attempts to assess advances in knowledge and skills.

Level Three – Transfer: This level measures the transfer that has occurred in behavior. Are the newly acquired knowledge and skills being used in the intended environment? Surveys, observation, 360 degree assessments and interviews can all provide data around this level.

Level Four – Results: This level attempts to assess the impact in terms of business results. Often described as the bottom line, this level measures the success of the program in measurable business metrics (increased production, improved quality, decreased costs, reduced accidents, increased sales, etc.). An extension of Kirkpatrick's Level Four is a return-on-investment (ROI) measure sometimes referred to as Level Five and frequently demanded, especially in the private sector.

Outsourcing will continue to be favored by many as a preferred way to bring expert solutions to the organization quickly

HR professionals who hope to be considered strategic partners in their organizations are evaluating training processes and programs on all four levels. According to the Learning Resources Network, 77 percent of organizations use reaction measures; 36 percent use learning evaluations; 15 percent measure behavior change; and 8 percent measure results.

HR professionals know that factors such as employee engagement and capability will affect productivity and hence, profitability. HR must figure out how to demonstrate to senior management, with strong metrics, the correlation between the right people in the right jobs and the organization's profits.

Trend #2: Global Awakening

Organizations will continue to look beyond national borders for business efficiencies and competitive advantage. As off-shoring and international mergers and acquisitions increase, the need to identify and establish a corporate culture that crosses international borders is becoming more important to executives. It isn't easy. Local cultures and customs have a tremendous influence on the way business is conducted globally.

Today's workforce is more ethnically, geographically, educationally, and generationally diverse than at any time in the past. The result is diverse value systems and communication styles.

The labor supply will tighten as the number of adults of working age becomes smaller at the same time as the number of adults leaving the workplace for retirement becomes larger. This factor drives an attention to two important HR areas: viewing older workers as a valuable resource and a keen focus on immigration and emigration issues.

HR is lagging behind other business functions such as operations, sales and marketing in making progress in adapting to the global reality. This is evidenced by a recent global survey of HR executives which revealed that only 4 percent ranked cross-cultural awareness training as a top HR priority, even though it is regarded as a critical element of globalization.

These findings are troubling. While it is understandable that HR leaders spend the predominant portion of their time seeking immediate solutions to address short term problems, this study confirms that few organizations have a clear plan for addressing long term, future

requirements. An imminent change in mindset must prevail for HR professionals or they may find the struggle to catch up as the age of globalization arrives to be overwhelming.

HR is lagging behind other business functions in adapting to the global reality.

Implications:

A significant challenge and frequent barrier for companies that are attempting to become more global is shedding the tendency to be ethno-centric and shift to a world view that is ethno-relative to fully understand and embrace the cultures of other countries.

For example, US companies tend to have a US-centric perspective. When US companies set up operations in other countries, or employ international workers domestically, the corporate culture generally does not recognize or appreciate cultural differences. US companies tend to expect workers from other cultures and in other countries to adapt to and understand a US based corporate culture.

US companies often have ethical codes that usually do not take into account local attitudes toward corruption or sexual harassment. What is considered a bribe in one culture is considered a fee for service in another. Reconciling these differences is essential and cultural training is critical.



For greatest impact, employee development efforts around culture must touch all people involved. Individuals of all cultures should be schooled in intercultural competence to facilitate better communication and head-off expensive misunderstandings.

US companies are more driven by profit and compensation than is common in other cultures and countries. US companies tend to favor short term

thinking which differs from practices in other countries. They do not fully understand the business culture in other countries, nor do many other countries understand the unique US culture. It is important to understand values systems and what motivates employees in other countries before attempting to translate US practices overseas.

HR must build global awareness and champion employee development initiatives throughout the organization that address cultural competency. The diversity training of the past – accepting and valuing others – is no longer enough in this new global reality. Employees must be trained to communicate and demonstrate how they value others in culturally appropriate ways.

In the case of diverse workforces, HR professionals will need to bring awareness around the differences that make a difference. For organizations that are truly global, communicating to all locations the common culture while allowing local cultures to maintain their identity in the context of corporate culture is an essential challenge to master. Training addressing cultural competence will also prove a critical component in leadership development.

Trend #3: Options, Options, Options

There is a bilateral lack of loyalty. Organizations are not as loyal to their workforce as they were in the past and their employees are returning the favor.

Technical and professional employees are following the money, aided by a tightening labor market. Even in the face of challenging economic times, highly-skilled workers rarely have difficulty commanding top jobs at top pay.

Employers are following the “bottom line” with downsizing and rightsizing continuing to be common business strategies.

A more transient labor force results in a decrease in the number of workers who spend an entire career with one organization.

Implications:

For HR professionals, it will be necessary to anticipate future workforce needs and proactively address those needs in light of changes in the labor force.

The chance for ongoing growth and development is one of the top factors employees want to experience at work. In fact, the inability of an employee to see progress is an often cited reason for leaving an employer. Tero’s independent research on employee retention drivers revealed that 27.8% of employees would be enticed to leave an organization if they perceived a lack of growth and development. This compares with 25% who would leave for more pay and 16.7% who depart in search of new challenges.

As a retention strategy for preferred employees, training and development rates highly. This is in stark contrast to how training was viewed a mere decade ago. At that time, for many employees, development was considered punitive. “Why are they sending me to training? What did I do wrong?” Now, employees are demanding development as part of their compensation.

ASTD has traditionally recommended a minimum of 40 hours of training a year for every employee. This is consistent with the emphasis employees place on the opportunity to grow and develop both their skills and career while in your employ.

As a retention strategy for preferred employees, training and development rates highly.

Older workers wanting to stay in the workforce are requiring more flexibility in compensation plans and in work arrangements. These same workers, who many times have already achieved their financial goals, are looking to growth and development opportunities as a reason to select one organization over another.

Not the exclusive domain of the older worker, individuals entering the workforce and faced with the realization that they may work at many companies during their careers are seeking to build their marketable skills and knowledge. More and more, new entrants to the workforce, when faced with similar job offers, are choosing the organization that will promise to develop them. Excellent training and development programs characterize the organizations that are honored in surveys as “Best Places to Work”.

Sadly, like other trends discussed, organizations are getting a failing grade in keeping up with this trend. In her article *Career Development Gets Failing Grade from Many Workers* by Kathy Gurchief, *2008 HR Trend Book*, HR Magazine Supplement, the following survey results were described:

- 41% of respondents said their employer's approach to career development failed to meet their personal needs.
- 30% feel their employer is not committed to helping them achieve personal career goals.
- 44% believe their career aspirations are not supported with a talent management system or initiative.

It is clear that along with attention to compensation and benefit plans that are attractive to a transient labor force and provide for more portability of benefits, employee development opportunities are crucial.

Trend #4: Focus on the Individual

The customer of the HR professional is the individual employee. This is becoming truer as performance management systems and individual development plans replace traditional appraisal systems. Focus on the individual has never been more important.



What is driving this trend?

In today's information-rich, global economy, process and technological advances are easy for competitors to copy. In the absence of patents, and often even with the presence of them, a new product launch enjoys a very brief introduction to the market until competitors quickly reverse engineer and improve the product at less cost – bringing it to the competitive marketplace with lightening speed.

In the knowledge age, it is the knowledge and skills of individuals that are much tougher for competitors to

copy and that represent competitive advantage for organizations. Since each individual brings their own unique set of knowledge and skills to the job, the development needs are also unique.

Beyond present business needs, planning for an uncertain future also requires a unique and individual assessment of employee capabilities and associated development plans.

Succession planning used to only involve top executives in secret meetings where successors were named. Succession candidates rarely knew they were being considered.

Today the picture has shifted. New processes focus on meeting the needs of both the organization and the individuals involved. With the precise job positions of the future unknown, preparing for an uncertain future involves asking which qualities, competencies, skills, knowledge and abilities will be required. It also involves asking employees about their career goals and aspirations and providing highly customized, individualized development to prepare these individuals for a spot in the succession pool.

Implications

An organization's training and development platform is becoming as critical to success as the organization's information technology platform and sales and marketing platform. It is part of the organizational fabric which is further evidence that training is no longer an event with a beginning and an ending followed by a return to business as usual.

There will be fewer department-wide sessions and fewer company-wide classes offered. As strategically important as people are, it is a focus on growth of individual employees that will prepare organizations for the future.

This is amplified by the number of ways in which training will be delivered. In addition to classes, individual employees will learn through cross-training, stretching work assignments, lateral moves to different jobs, self-study, learning communities, one-on-one coaching and mentoring.

HR will be a liaison with the individual employee who no longer will have training "done to them" but will be an active and responsible partner in the process.

HR will be the keeper of the systems but must actively seek to help leaders, who are ultimately accountable for the development of the individuals entrusted to their care, to develop greater skill in communicating with their constituents. In addition to highly customized, individual training, leadership training will command a growing share of budget dollars and development time.

Personalized assessment, personal development plans, and shared accountability characterize the workplace of the future.

Trend #5: Shift from “or” to “and”

Organizations are demonstrating this fifth trend in action when their communications to stockholders, employees and customers includes phrases such as the following:

- Product Quality *and* Customer Service
- Work *and* Life Balance
- Profitable *and* Ethical
- Cost Conscious *and* Environmentally Aware
- Short term needs *and* Long term focus

For many organizations, it would seem the days of choosing between quality *or* service, work *or* life balance and profit *or* ethics have been replaced with a more holistic goal of embracing *and* in both word and deed.

This trend is a product of society’s demand for responsible organizations that are committed to meeting the larger societal needs in addition to business mandates.

Customers are more informed, thanks largely to the rapid growth of the internet. They know more about the organizations they do business with and they vote with their pocketbooks. It is the organizations that are able to achieve this delicate balance that earn their business.

Employees vote with their feet. For them, they devote their energy and careers to the organizations that go beyond simply a focus on the bottom line and also embrace values consistent with their own.

To achieve this, technical ability will remain important to employers. And, there will be a growing interest in measuring applicants’ “soft” skills – the skills that often drive the other side of the “and” equation.

Are the soft skills important? Norman Cousins, former *Saturday Review of Literature* editor and UCLA Professor said it this way:

The words “hard” and “soft” are generally used by medical students to describe the contrasting nature of courses. Courses like biochemistry, physics, pharmacology, anatomy, and pathology are anointed with the benediction of “hard,” whereas subjects like medical ethics, philosophy, history, and patient-physician relationships tend to labor under the far less auspicious label “soft” . . . [But] a decade or two after graduation there tends to be an inversion. That which was supposed to be hard turns out to be soft, and vice versa. The knowledge base of medicine is constantly changing But the soft subjects – especially those that have to do with intangibles – turn out to be of enduring value.

These observations are true for nearly every industry today. Where new discoveries and changes in nearly every profession necessitate the constant learning and re-learning of technical knowledge, most people would agree with Cousins about the enduring value of the intangible soft skills.



More evidence comes from Psychologist and researcher Daniel Goleman who coined the phrase “emotional intelligence” to refer to the possession and use of soft skills. His research revealed that although soft skills are harder to teach and harder to learn than technical skills, they contribute more to an employee’s ultimate success or failure than do technical skills or raw brainpower.

Goleman's research is supported by research conducted by Harvard University, the Carnegie Foundation and the Stanford Research Institute which has shown that technical skills and knowledge account for about 15 percent of the reason an individual gets a job, keeps the job and advances in that job. The remaining 85 percent of job success is based on the individual's "people skills."

Similarly, in his book entitled *People Skills*, author Robert Bolton reports that 80 percent of people who fail at work, do not fail due to their lack of technical skills but rather because of their inability to relate well with others.

There will be a growing interest in measuring applicants' "soft" skills - the skills that drive the other side of the "and" equation.

Because of their intangible nature, the training and development of personal and interpersonal skills has been largely overlooked both in employee development and in traditional education.

Evidence of this is found in the ASTD State of the Industry survey (see Part One of this report) where the section on Content Distribution reveals that training in interpersonal skills is one of the areas where historically the least content is devoted. Interestingly, those companies described by ASTD as BEST, did not report training in interpersonal skills in the least content devoted area. The shift has already occurred in the BEST companies and will continue to move through the rest.

What about traditional education systems? Schools continue to do an excellent job of transferring knowledge from professor to student but are falling short when it comes to equipping students with the personal and interpersonal skills they increasingly require for career success. But, should the development of these skills be left to the schools? Since, as Cousins says ". . . it is a decade or two after graduation that there tends to be an inversion . . .", isn't the development of these skills most appropriately left in the hands of the

professionals themselves and the organizations employing them?

Implications

Attention to interpersonal skills, the ability to work on teams, leadership capacity, ethics, attitude, and motivation are among the areas that will become more important. These areas are currently at a deficit in many organizations.

HR professionals will be challenged to devise valid recruiting and selection techniques that measure the soft skills reliably. Beyond hiring, HR will be called upon to monitor the acquisition and use of these skills throughout the organization. Additionally, HR is often looked to as the function most responsible for promoting a culture of ethical responsibility within an organization.

For everyone who has wrestled with how to deliver bad news to an employee, handle an emotional conflict, motivate a team, calm their own anger, inspire others toward a vision or persuade an audience to a course of action, it is vividly clear on a deep personal level how *hard* the *soft* interpersonal skills can be to master.

Helping people make tangible, define, develop and effectively use the soft skills that provide enduring value is one of the greatest challenges facing HR professionals.

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Tero International, Inc. is a corporate training and development leader, serving prestigious clients such as Wells Fargo, Pella Windows and Doors, Nationwide Insurance and Kemin Industries from its state-of-the-art training facility in Des Moines, Iowa. Since 1993, Tero has developed distinctive courses in corporate etiquette and international protocol, presentation skills, negotiations and conflict resolution, leadership, time management, teambuilding and interviewing skills and is currently educating businesspeople in the United States, Canada, Asia, India, Mexico and Europe.

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