

Managing the Learning Function for Success



The Caterpillar University Experience

Global Network Presentation
Hong Kong

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2006 CLO of the Year
Founding and Former President, Caterpillar University

20 April 2007



Caterpillar University Awards

- Best Overall Corporate University
 - IQPC 2004, CUX 2004
- Ranked 1st in ASTD 2005 BEST Awards for learning among 89 organizations
- Best in Alignment, Measurement, Marketing
 - IQPC and CUX, various years

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The Potential Impact of Learning

- If learning is done right, it can
 - Contribute significantly to the success of the enterprise
 - Accelerate that success
 - Be a valued partner in the business
 - Be a key factor in attracting and retaining employees
 - Help create a culture of inquiry, innovation, and personal and professional growth

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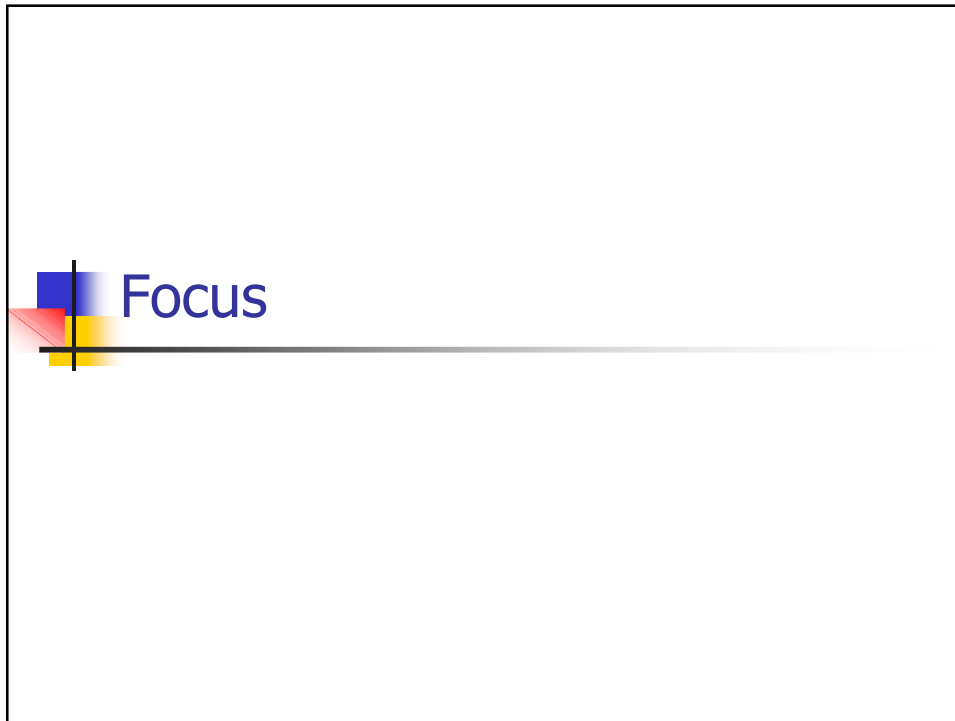
The Potential Impact of Learning

- Critical elements for your success
 - Strategic focus and alignment
 - Right structure
 - Effective governance
 - Strong sponsorship
 - Effective management of the learning function
 - Metrics, evaluation and measurement

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Focus: Strategic or Reactive

- Best corporate universities have a strategic focus
 - Aligned to organization's strategy and goals
 - Examples: Increase sales, improve employee engagement, reduce injuries
 - Majority of learning planned in advance as part of overall business plan preparation in consultation with senior leadership
 - Examples: Enterprise Learning Plan – A strategic document that contains detailed work plans and specific, measurable goals for learning
 - Learning is prioritized as part of strategy reflecting the organization's overall priorities
 - Approved by CEO or governing body



Focus: Strategic or Reactive

- Contrast with a reactive focus
 - No business plan for learning
 - Priorities not determined in advance
 - The L&D function responds to each request for learning as it comes in
 - Problem: How do you know you are doing the right learning?
 - May not allocate resources to the most critical needs

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Focus Recommendation

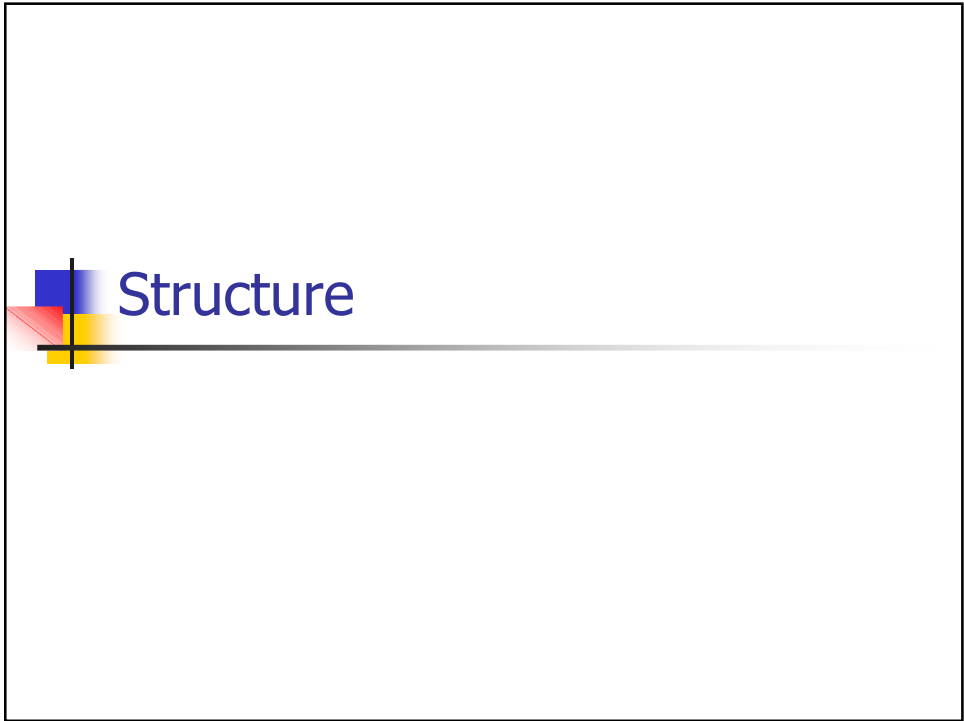
- Choose strategic focus
 - Align your learning to organization's goals
 - Create a plan for learning
 - Commit to it, manage to it
 - Be measured by your success

- "Plan to execute, then execute to plan"
 - Strategic focus allows you to run learning like a business

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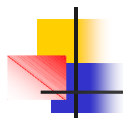
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Structure: Centralized or Decentralized

- **Centralized**
 - Corporate learning function with enterprise (global) responsibility for L&D
 - Programs (leadership, engineering, marketing)
 - Systems (LMS, knowledge sharing)
 - Processes (planning, budgeting, prioritizing)
- **Decentralized**
 - Each business unit has their own L&D function
 - Duplicate programs
 - Multiple systems
 - Different processes, no enterprise aggregation of learning data

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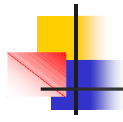
Hybrid Structure: Centralized Leadership in a Decentralized Environment

- Centralized and decentralized L&D functions present
 - Corporate focuses on common, enterprise wide
 - Initiatives (e.g., leadership, marketing)
 - Systems: one LMS
 - Processes: planning, budgeting, prioritizing
 - Business unit
 - Focuses on deploying corporate initiatives
 - Supplements with their own (no duplication)
 - Uses corporate systems (LMS)
 - Follows corporate processes (planning, budgeting, etc)

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Example: Caterpillar University Model

- Large corporate L&D group
- 30 Semi autonomous business units
 - Each has own L&D group
 - Dual solid line reporting
 - To Business Unit HR Manager
 - To one of Cat U Deans
 - Three to five goals set by Cat U
 - Joint performance evaluation
- Learning community
 - Monthly teleconferences
 - Annual meeting

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Strategic Alignment

- Ensures you are doing the right learning
 - To support your organization's strategy and goals
 - Necessary for your learning to have maximum impact on your organization's success
- The right strategic alignment will
 - Drive your detailed work plan
 - Determine your priorities
 - Guide your metrics, measurement and evaluation
 - Ensure that you are a valued partner in your organization's success

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What Alignment Is Not

- High Level 1 or learner feedback scores
 - They liked the learning
- High Level 2 scores for knowledge transfer
 - They learned something
- Even high Level 3 – 5
 - They applied it and it had impact
- In all these cases, the learning was good
 - But that is not enough
 - It has to be the RIGHT learning

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What Is the Right Learning?

- Learning that directly supports the highest priority organizational objectives
- Where do you find these organizational or enterprise objectives?
 - Organizations' long-term strategy and annual business plan
 - Or You will have to discover them by talking with senior leaders
- How you do this depends on the focus and structure of your learning function

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Implications of Focus and Structure on Strategic Alignment



<u>Focus</u>	<u>Structure</u>		<u>Implication</u>
	<u>Centralized</u>	<u>Decentralized</u>	
Strategic	Strategic L&D function with Enterprise responsibility. Proactively engage Corporate Sr Leadership in goal setting.	Strategic L&D function with Business Unit responsibility. Proactively engage Business Unit Sr Leadership in goal setting.	Need Annual Business Plan for Learning > Enterprise Learning Plan > Business Unit Learning Plan Learning will be Strategic. Focused on the most important goals.
Reactive	L&D function responds to ad hoc requests from Corporate or Business Unit Leadership.	L&D function responds to ad hoc requests from Business Unit.	Need a Process to prioritize ad hoc requests and accumulate objectives. Learning not strategic and may not be focused on most important goals.
Implication	Common metrics at enterprise and business unit managed by L&D function.	Metrics at business unit level, probably will not aggregate.	Strategic focus requires an Annual Plan. Metrics required in ALL cases but may not aggregate for decentralized structures.

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Implications for Strategic Alignment



- Really only possible in organizations where the learning group has a strategic focus
 - Can be done in either centralized or decentralized environments
 - Most powerful in a centralized or hybrid structure
- Very difficult where focus is reactive
 - Since there is no plan for learning
 - Will require a process for prioritizing requests for learning as they come to the L&D function

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Getting Alignment Right: The Annual Business Plan for Learning

- Strategic alignment depends on a business plan for learning
 - Tie learning to organization's strategy and goals
 - Prioritize learning initiatives
 - Detailed work plan
 - Metrics for success
- The Plan also makes the business case for learning

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Sample Chapter Titles from a Business Plan for Learning

- Summary
- Business Case
- Review of Last Year's Results
- Strategic Alignment
- Needs Analysis
- Learning Initiatives
- Prioritization
- Detailed Work Plan
- Summary of Metrics and Targets
- Evaluation Plan
- Communication Plan
- Improvement Plan
- History

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Example: Table of Contents from 2006 Caterpillar Enterprise Learning Plan

1.	Executive Summary	2
2.	Business Case and Metrics	9
3.	Learning Structure	28
4.	2005 Accomplishments	40
5.	Learning Needs Analysis	58
6.	Learning Initiatives	60
7.	Learning Expenditures	73
8.	2006 Work Plans	76
9.	Evaluation Strategy	113
10.	Strategic Communications	118
11.	Continuous Improvement	121

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Getting Alignment Right in a Strategic, Centralized Structure

- Does the enterprise have a well articulated strategy with goals and metrics?
 - Yes: Start with enterprise goals and metrics
 - Can learning assist in achieving these?
 - Meet with enterprise sponsors or owners of each goal
 - Discuss role of learning
 - Agree on programs, target audience, measures of success
 - No: Talk with CEO, Senior Leaders
 - Understand their goals for the next year or two
 - Find out who is implementing each goal for them
 - Meet with these goal sponsors or owners
 - Discuss role of learning
 - Agree on programs, target audience, measures of success

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Getting Alignment Right in a Strategic, Centralized Structure

- Following these strategic discussions
 - List your learning initiatives
 - Prioritize with input from CEO, governing body, senior leaders
 - Agree on measures of success
 - For learning's impact on organization
 - For number of programs to be developed, participants, Level 1-5 targets, etc
 - Create the actual enterprise Business Plan for Learning
 - Metrics will be aggregated at enterprise level
 - To CEO, governing body for approval

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Getting Alignment Right in a Strategic, Decentralized Structure

- Like Strategic, Centralized but
 - Replace enterprise with business unit
 - Goals, metrics will be at business unit level
 - Replace CEO, Senior corporate leaders with business unit leaders
 - Governing body will be at business unit level
- Process is the same, but result will be business unit level Plan for Learning
- Corporate sponsors may still be able to provide guidance

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Example Goal Statement Showing Strategic Alignment of Learning

Priority	Strategic Goal	Metric	Learning Program	Business Plan Goals for Learning						
				Impact of Learning	New Courses	Partici-pants	Level 1	Level 2	Level 3	
1	Increase Sales	20%	Marketing program for dealers Product program for employees	Medium Medium	1 3	500 200	85% 90%	80% 90%	80% 90%	
2	Reduce Defects	10%	Design courses for engineers	Medium	5	300	85%	85%	100%	
3	Reduce Injuries	25%	Safety courses for workers Safety courses for managers	High High	10 2	2000 100	80% 90%	80% 90%	90% 100%	
4	Improve Leadership	5%	Leadership for supervisors	Medium	1	150	95%	NA	85%	
5	Increase Retention	30%	Individual Development Plans Prof. development courses	High High		2500 2000	80%			
Total Top Five Priorities						22	7750	86%	85%	91%

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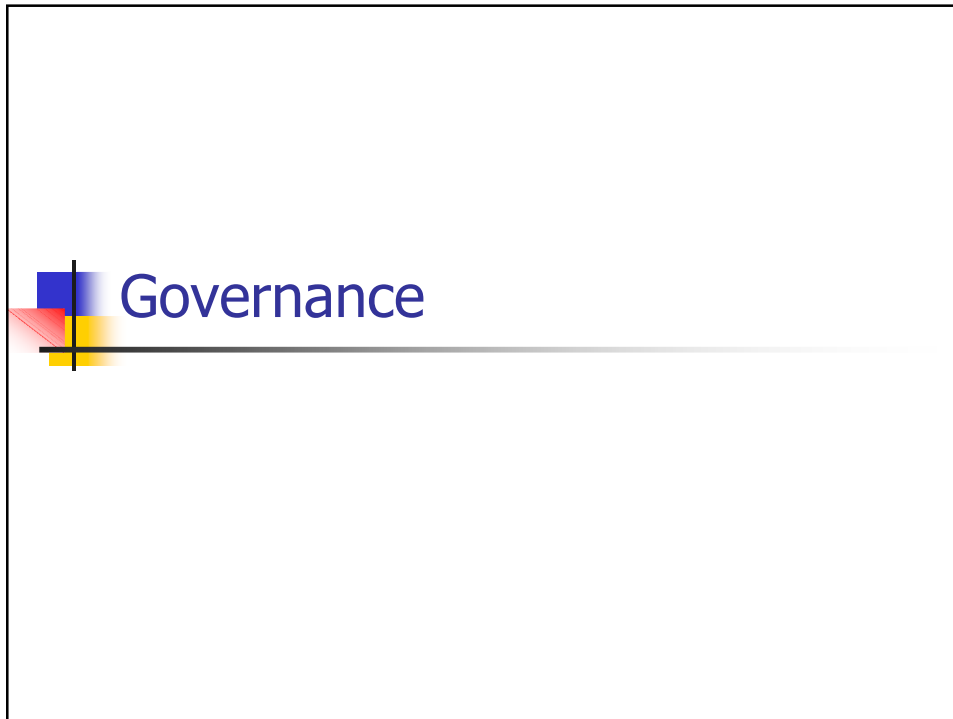
Strategic Alignment Summary

- Strategic alignment is critical to maximize impact of learning
- The process (discussions, prioritization, creating the business plan for learning) is as important as the result
- Start. Move towards the strategic focus
 - Multiyear journey
 - Never done
- Best way to help your organization and your L&D function be successful

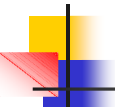
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Governance



Governance

Reasons to Have Governing Bodies

- Help you make better decisions
 - Make use of others' experience, expertise, point of view
 - They will ask good questions...ones you did not think of
 - They can help you avoid damaging mistakes
- Gives the corporate university more credibility, adds legitimacy
 - If senior leaders are willing to dedicate their time, it must be important

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Governance

Reasons to Have Governing Bodies

- They will help ensure you are connected with other leaders who should be working with you
- They can become excellent advocates for learning and for your L&D group
 - After all, they now have a vested interest in your success
- They can protect you

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Governance

Factors to Consider

- How much authority will the governing body have?
 - Decision making or advisory
- How will decisions be made?
 - Consensus or majority vote
- What will their scope be?
 - Broad or narrow
- Who will serve?
 - Number, term length
 - Who will select them?

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Governance Four Levels

- Highest level: Enterprise Board of Governors, Regents, or Directors
- Second level: Enterprise Learning Council
- Third level: Enterprise College or Program Advisory Board
- Fourth Level: Business unit Learning Council

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Governance Summary

- Board of Governors very strongly recommended
- Learning Councils also strongly recommended
- Advisory Boards especially helpful when launching a corporate university or significantly changing the program
- Run the boards like a business
 - Agenda
 - Send out Advance Material
 - Take minutes, distribute the minutes, approve the minutes
 - Take votes of note consensus in minutes
 - Corporate university provides staff support for enterprise level governing bodies

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Metrics, Evaluation and Measurement



Metrics, Evaluation and Measurement: Topics

- Know and Manage Your Costs
- Determine Your Performance Metrics
- Manage with Your Performance Metrics
- The Role of Net Dollar Benefits



Know Your Costs : Your Measurement Starts Here !

- Learning is an expensive and highly visible investment with tremendous potential
 - Manage accordingly
- Know your visible costs
- Know your invisible or opportunity costs
 - The value of people's time
 - Will often exceed the visible costs
- Both must be managed strategically, tactically and aggressively

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Manage Your Costs

- Budget visible costs
- Monitor and share visible costs regularly
 - Monthly comparison to plan
 - Include in Scorecard
- Use total costs (incl. opportunity costs) to
 - Select most efficient intervention
 - Determine return on learning
 - Decide whether the learning is even worth doing
 - Calculate net benefits
- Essential to run learning as a business

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Determine Performance Metrics

- Performance metrics should come from your organization's strategic focus and specific goals
 - Effectiveness metrics: How well are we meeting the goals?
 - Efficiency metrics: Are we minimizing cost?
- Your scorecard will be unique
 - Don't adopt a generic "balanced scorecard"

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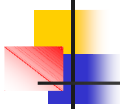
Managing with Performance Metrics

- Three levels of detail
 - Highest
 - 10-20 metrics
 - Summary metrics (e.g. total participants, avg Level 1)
 - Key initiatives
 - Effectiveness and efficiency metrics
 - Good for governing bodies, senior leadership
 - Include in Enterprise Learning Plan , Scorecard
 - Also for sharing with wider audience to increase their understanding of learning

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Corporate University Effectiveness Scorecard

Results Through June

Planning		06 Actual	For 2007			Forecast
			Plan	Jun YTD	% Plan	
Enterprise Learning Plan	% Compl	100%	100%	20%	20%	100%
Business Unit Learning Plans	Number	25	28	NA	0%	100%
Individual Learning Plans	Number	5,000	10,000	9,256	93%	95
Learning Conference	# of BUs	24	28	28	100%	28
Impact						
Total Participants	Number	40,000	50,000	22,013	44%	48,000
Unique Participants	Number	20,000	23,000	11,854	52%	24,000
Top Ten Programs						
Participants	Number	25,000	30,000	17,268	58%	32,000
Net Dollar Benefits	Million \$	\$40.0	\$50.0	\$27.2	54%	\$51.0
Top Priority Programs						
Safety	# Particip.	5,000	10,000	6,009	60%	11,000
Reduction in Injuries	%	-10.0%	-20.0%	-17.0%		-20.0%
Quality	# Particip.	1,000	5,000	2,089	42%	4,000
Reduction in Defects	%	-5.0%	-10.0%	-6.0%		-8.0%
Marketing	# Particip.	200	1,000	423	42%	700
Increase in Share	%	-1.5%	2.0%	1.0%		2.0%

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Corporate University Effectiveness Scorecard

Results Through June

Impact (cont)		06 Actual	For 2007			Forecast
			Plan	Jun YTD	% Plan	
Learning Index	%	70%	70%	70%		75%
Leadership Index	%	75%	80%	77%		80%
Feedback						
Participant	On 6 point scale	4.8	5.1	5.2	102%	5.1
Sponsor/Owner	On 6 point scale	4.5	5.0	4.8	96%	4.8
Partner	On 6 point scale	NA	4.5	NA		4.5
Reach						
Languages for LMS	Number	5	8	8	100%	8
ILT Courses in 5+ Languages	Number	10	12	11	92%	12
WBT Courses in 5+ Languages	Number	75	100	65	65%	120

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Corporate University Efficiency Scorecard

Results Through June

		For 2007				
		06 Actual	Plan	Jun YTD	%	Plan Forecast
E Learning						
Orders	Number	200,000	300,000	181,425	60%	360,000
Courses	Number	500	600	575	96%	600
Hrs as % of Total	%	50%	60%	65%	108%	65%
Savings	Million \$	\$20.0	\$30.0	\$18.1	60%	\$36.0
Synchronous						
Total Participants	Number	2,000	6,000	4,213	70%	8,000
Sessions	Number	200	400	208	52%	800
Savings	Million \$	\$0.2	\$0.6	\$0.4	70%	\$0.8
Development						
Standard WBT Cost	%	-5.0%	-20.0%	-21.0%	105%	-20.0%
WBT Development Time	%	-10.0%	-15.0%	-12.0%	80%	-15.0%
ILT Development Time	%	-10.0%	-10.0%	-8.0%	80%	-8.0%
Number of Partners	Number	50	40	46	40%	42
Reduction in Partner Costs	Million \$	\$0.5	\$2.0	\$1.1	40%	\$2.0
Avoiding Duplication						
LMS's	Number	3	1	2	50%	1
Business Units Adopting						
CU Safety program	Number	20	25	25	100%	26
CU Quality Program	Number	5	20	10	50%	20
CU Marketing Program	Number	1	10	3	30%	7
CU Leadership Program	Number	0	5	1	20%	5
Estimated Savings	Million \$	\$0.5	\$1.0	\$0.6	60%	\$1.0
Note:						
Total Efficiency Savings	Million \$	\$21.2	\$33.6	\$20.3	60%	\$39.8

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Managing with Performance Metrics

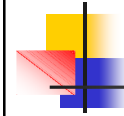
- Detail by college or program (e.g. leadership)
 - 10 -20 metrics per college
 - By each course or group (e.g. new supervisor course)
 - Development and delivery metrics
 - Effectiveness and efficiency metrics
 - Good for L & D senior leadership to manage the learning function

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Example of Scorecard for Monthly Management of Learning: Safety



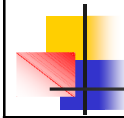
Performance Metrics for Safety												
Learning Performance Metrics Plan												
Enterprise Goal	Process	Impact	Metric	Value	Level 1	Level 2	Satisfaction	Proc Owner				
Safety	#	Metric	Value	Owner	Impact	Metric	Value	Level 1	Level 2	Satisfaction		
1	Injuries	-20%	VP Smith	High	Participants	2000	80%	90%	90%			
Deliver Phase 1 Modules					Completions	10000						
Develop Phase 2 Modules					Compl by 6/30	30				90%		
Deliver Phase 2 Modules					Participants	500	80%	90%	90%			
Develop Phase 3 Modules					Completions	2000						
Deliver Phase 3 Modules					Compl by 9/30	10				90%		
Develop Phase 4 Modules					Participants	400	80%	90%	90%			
Total					Completions	800				90%		
Modules					Compl by 2/28	70%	====	====	====	====		
Participants						40	80%	90%	90%			
Completions						2300						
						12800						
October Year-To-Date Results												
Learning Performance Metrics												
Enterprise	Value	100%	10/Plan	Metric	Value	% of Plan	Level 1	Level 2	Proc Owner	Current Forecast		
Safety	Injuries	-18%	19%	+1%	Participants	2200	110%	85%	85%	100%	2550	125%
Deliver Phase 1 Modules					Completions	13000	130%	n=1000	n=13000	100%	14500	145%
Develop Phase 2 Modules					Compl by 6/30	30 by 6/15	100%			90%	32	107%
Deliver Phase 2 Modules					Participants	500	60%	80%	92%	90%	600	120%
Develop Phase 3 Modules					Completions	860	48%	n=97	n=860	75%	2300	110%
Deliver Phase 3 Modules					Participants	100	25%	75%	86%	80%	270	88%
Develop Phase 4 Modules					Completions	150	19%	n=48	n=150	60%	360	45%
Total					Compl by 2/28	39%	43%	====	====	====	====	====
Modules						37	93%	80%	91%	78%	42	105%
Participants						2800	90%				3370	118%
Completions						14110	110%				17060	133%

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Example of Scorecard for Monthly Management of Learning: Safety (Top Half of Page)



Performance Metrics for Safety										
Learning Performance Metrics Plan										
Enterprise Goal	Process	Impact	Metric	Value	Level 1	Level 2	Satisfaction	Proc Owner		
Safety	#	Metric	Value	Owner	Impact	Metric	Value	Level 1	Level 2	Satisfaction
1	Injuries	-20%	VP Smith	High	Participants	2000	80%	90%	90%	
Deliver Phase 1 Modules					Completions	10000				
Develop Phase 2 Modules					Compl by 6/30	30				90%
Deliver Phase 2 Modules					Participants	500	80%	90%	90%	
Develop Phase 3 Modules					Completions	2000				
Deliver Phase 3 Modules					Compl by 9/30	10				90%
Develop Phase 4 Modules					Participants	400	80%	90%	90%	
Total					Completions	800				90%
Modules					Compl by 2/28	70%	====	====	====	====
Participants						40	80%	90%	90%	
Completions						2300				
						12800				

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Example of Scorecard for Monthly Management of Learning: Safety

(Bottom half of page)

October Year-To-Date Results											
Enterprise				Learning Performance Metrics				Current Forecast			
Metric	Value	Versus		Metric	Value	% of Plan	% of		Proc Owner	Value	% of Plan
		10/06	10/Plan				Level 1	Level 2			
Safety	Injuries	-18%	-19%	+1%							
Deliver Phase 1 Modules				Participants	2200	110%	85%	95%	100%	2500	125%
				Completions	13000	130%	n=3000	n=13000		14500	145%
Develop Phase 2 Modules				Compl by 6/30	30 by 6/15	100%			90%	32	107%
Deliver Phase 2 Modules				Participants	300	60%	80%	92%	90%	600	120%
				Completions	960	48%	n=97	n=960		2200	110%
Develop Phase 3 Modules				Compl by 9/30	7	70%			75%	10	100%
Deliver Phase 3 Modules				Participants	100	25%	75%	86%	50%	270	68%
				Completions	150	19%	n=45	n=150		360	45%
Develop Phase 4 Modules				Compl by 2/28	30%	43%			60%	60%	86%
Total											
Modules					37	93%	80%	91%	78%	42	105%
Participants					2600	90%				3370	116%
Completions					14110	110%				17060	133%

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Managing with Performance Metrics

- Lowest level of detail
 - 10 – 20 metrics per course or program
 - Effectiveness metrics like participants, evaluations
 - By course
 - By instructor
 - By location
 - Efficiency metrics
 - Cost per course
 - Development time per course
 - Good for Deans, program managers to manage at the course level

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Final Step: Net Dollar Benefits & ROI (Optional, but Highly Recommended)

- Calculate Net Dollar Benefits from learning
 - Net Benefits = Gross Benefits – Costs
 - Gross Benefits = Dollar benefit of learning's impact
 - Costs = Development + Delivery + Opportunity
 - Net benefit per person = Net Benefits / participants
- ROI % = Net Benefits / Costs
- Allows aggregation of dollar benefits

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Impact of Learning

Net Dollar Benefits for Top Ten Programs (Millions of Dollars)

Program	Net Benefit Per Person	2006 Actual		2007 Plan	
		Participants	Net Benefits	Participants	Net Benefits
1 Knowledge Sharing	\$500	10,012	\$5.0	10,000	\$5.0
2 Leadership Program for Supervisors	\$5,000	498	\$2.5	700	\$3.5
3 Leadership Program for Managers	\$10,000	96	\$1.0	200	\$2.0
4 Safety Initiative	\$2,000	9,124	\$18.2	12,000	\$24.0
5 Quality Initiative	\$3,000	1,279	\$3.8	1,500	\$4.5
6 Marketing Program for Dealers	\$5,000	578	\$2.9	700	\$3.5
7 Engineering Curricula Phase 1	\$4,000	25	\$0.1	500	\$2.0
8 Manufacturing Curricula Phases 1&2	\$1,000	1,954	\$2.0	2,400	\$2.4
9 Business Acumen	\$1,000	956	\$1.0	1,000	\$1.0
10 Change Management	\$2,500	752	\$1.9	950	\$2.4
Total		25,274	\$38.3	29,950	\$50.3

Note: Numbers are illustrative and for example.
Your net benefit will depend on your programs.

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Net Dollar Benefits Steps in Determining Them

- Talk with sponsor or owner to understand the impact learning is expected to have
 - If there is already a net dollar benefit associated with the initiative, decide what portion may be due to learning
 - Be very conservative
 - If not, make a reasonable but very conservative estimate of learning's impact
 - Discuss with sponsor, others, SMEs
 - Reduce until everyone agrees the estimate is conservative

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Net Dollar Benefits Steps in Determining Them

- Examples
 - Two day leadership program => 1% increase in productivity for leader and direct reports
 - In depth marketing program => .5 % increase in price realization or market share
 - Engineering drawing program => 20% reduction in drawing errors

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Net Dollar Benefits

Steps in Determining Them

- Convert increase in productivity, sales, etc to gross benefit dollars
 - Use fully burdened rate
- Calculate costs, including opportunity costs, for target audience
- Calculate net benefit
 - Also net benefit per person
- After deployment, then you might conduct a study to determine actual net benefit and ROI %
 - Useful to estimate net benefit of similar programs in the future

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Managing with Net Dollar Benefits

- Forecast the net benefit and ROI % before commencing development
 - Look at previous results, literature
 - Discuss with sponsor, SMEs
- Estimate the Net Benefits after pilot
 - Use gross dollar benefits from a sample
 - Refine your cost projections
 - Compare to Forecasted
 - Understand the differences
 - Do you still want to proceed

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Managing with Net Dollar Benefits

- Conduct a more thorough Net Benefit calculation after completion or after a significant number have completed the learning
 - Wait 3-6 months
 - Now ready for Level 3-5
 - Larger sample than the Estimate
 - Compare to Forecast and Estimate
 - Understand differences
 - Compare to other Net Benefit and ROI studies
 - Understand differences
 - What are the lessons learned?
 - What would you do differently next time?

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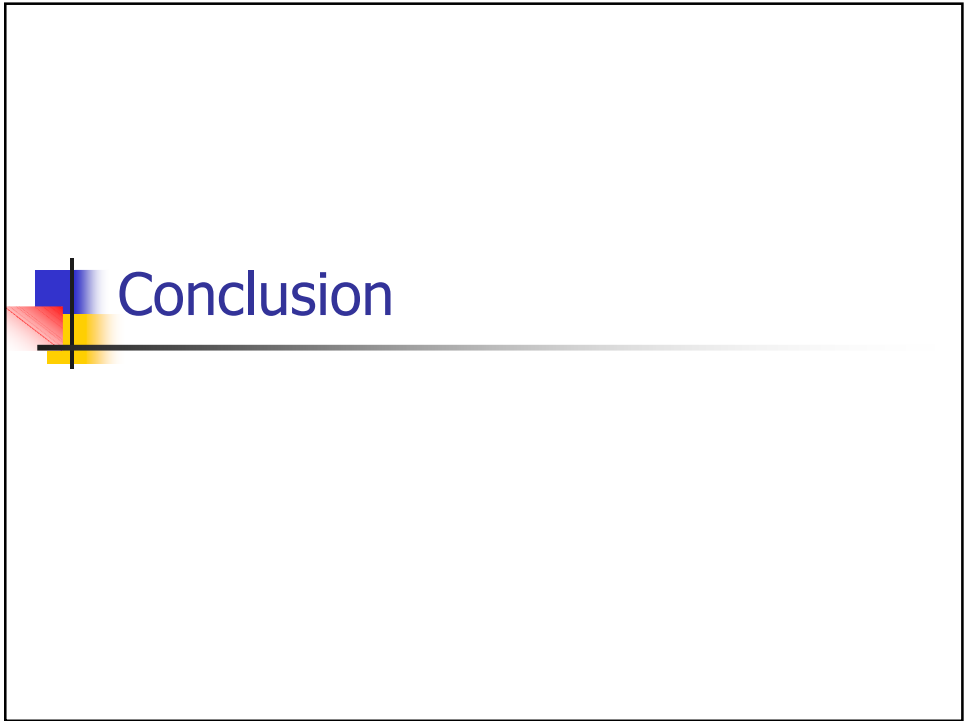
Metrics Summary

- Focus on what is most important
 - To your organization
 - To the learning function
 - You have to answer this for yourself
- Your metrics derive directly from this
 - Your metrics, scorecard should be unique
 - The same metrics are not important to all
 - Even yours will change every year
- Start modestly and build your metrics framework
 - Multiyear undertaking
 - Never done

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Managing the Learning Function for Success

- Keys are
 - Strategic alignment
 - Discipline to set specific, measurable goals and then manage against those goals on a monthly basis
 - Requires a plan and a process
 - Knowing and managing your costs
 - Good governance

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Managing the Learning Function for Success

- Results are
 - Maximum impact of time and money invested in learning
 - Demonstration of true potential of learning
 - Close partnership with senior leaders
 - Organizational success
 - Funding and staffing for learning
 - Recognition and personal satisfaction

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