Workforce Management — Training & Development

E-Learning Hits Its Stride

Despite some differing numbers, two widely regarded and independent reports on the U.S. training market conclude that 30 percent of employee learning last year occurred online. The question of whether workplace training improves worker performance remains unanswered, however.

By Garry Kranz

After years of budgeting money for software-based training modules, integrated learning systems and thick wads of online content, corporations are beginning to see those investments pay off in the form of increased use of e-learning.

Yet as more employees use online tools, corporations also are seeing their costs of delivery creep up slightly.

Those are among the key findings to emerge from a pair of annual reports that gauge the U.S. workplace training market. The research is from the American Society for Training & Development and private firm Bersin & Associates. The organizations, although not affiliated, each released data in January 2008.

Comparing the two reports can be tricky. In its 2007 State of the Industry Report, Arlington, Virginia-based ASTD estimates that U.S. organizations spent nearly $130 billion on employee learning and development in 2006. That figure includes direct expenditures such as salaries for learning professionals, administration, outsourcing activities and other non-salary delivery costs. The estimate is based on the average U.S. organization’s per-employee training expenditure—$1,083—multiplied by the number of full-time workers in the U.S., which ASTD puts at 119.7 million.

The report shows steady momentum for spending on training. In its 2006 report, ASTD estimated corporate learning expenditures in the U.S. at $109 billion.

Meanwhile, the Corporate Learning Factbook 2008, produced by Oakland, California-based Bersin & Associates, contains data on 2007 corporate training spending, which it says approached $58.5 billion. To arrive at that estimate, Bersin says it weights its data to more accurately reflect the makeup of businesses in the U.S., which tend to be small and medium-size, while most of its survey respondents were big companies. That weighting could account for the spending estimate being lower than that of the ASTD report, says company president Josh Bersin. The Bersin survey excludes government organizations, while the ASTD report includes responses from public-sector organizations.

Despite the variance, however, the reports corroborate one another on at least one important finding: One of every three hours of training is now being delivered via some form of technology, and that ratio is expected to climb in coming years.

ASTD says e-learning is becoming more prominent for several reasons. Among them: higher fees being charged for instructor-led classes, coupled with organizations' growing reluctance to have employees miss work to attend training sessions.

Shifting demographics probably are also aiding the momentum. As older, book-bound workers edge closer to retirement, a younger and more tech-savvy cadre of people is filtering into the nation's workforce, bringing an eagerness to use online tools to aid professional growth and development.

Technology-based methods accounted for 30 percent of all learning hours provided, a significant jump from 11.5 percent in 2001, according to ASTD. Even though e-learning methods aren't new, only within the past several years have they moved into the mainstream, according to ASTD research analyst Andrew Paradise, who wrote the report.

Many employers initially resisted e-learning because of high capital costs and the corporate pain associated with implementing comprehensive e-learning catalogs and systems. In an age of intense global competition, however, organizations began sinking money into technologies that build much-needed competencies and skills, Paradise says.

In particular, e-learning is gaining traction because it enables organizations to be more flexible and efficient, he says. "It's a shift away from the traditional classroom model to a more fluid model of training delivery."

As organizations make those investments, they actually are seeing a slight bump in learning metrics, such as direct spending per employee, which rose 1.76 percent to $1,040, according to ASTD's survey of 221 organizations, including some that are based outside the United States. The organizations have an average employee population of 27,549 and an average payroll of $1.1 billion. The development is exactly opposite of what business logic would dictate. When companies amortize large capital investments over time, it usually enables them to gradually reduce their expenditures.

In the case of e-learning, however, other factors are working to neutralize cost savings, Paradise says. Increased deployment of e-learning improves flexibility, but likely contributes to rising overhead for infrastructure and content development. The mixed results suggest that the learning function itself is reaching a new level of maturity.

"Companies are giving their earlier investments in [training technologies] time to blossom and assessing how well they work" before leaping headlong into changes, Paradise says.

Also contributing to the rise, Paradise says, is "a gain of a few million workers" to the nation's labor pool from 2004 to 2006. More people are being trained than in previous years. Paradise estimates that about 120 million full-time workers in the U.S. received some form of training in 2006.

Indeed, American companies are devoting a larger share of their training dollars to technology, according to Bersin's Corporate Learning Factbook. Technologies account for 11 percent of all U.S. training expenditures—well below the percentage for more traditional training approaches, yet double the percentage that Bersin reported in 2005.

Companies continued to invest in employee growth and development tools in 2007, albeit at a slower rate, perhaps indicative of a slackening domestic economy. Most companies are holding course on training expenditures, with only 16 percent expected to have less money in their training budgets this year. Fifty-four percent plan to boost spending on training, the Factbook says.

Like ASTD, the Factbook notes an "amazing transition" to e-learning, Josh Bersin says. In 2005, technology-based delivery methods accounted for 7 percent of employee learning. By 2007, about 30 percent of U.S. workers were pursuing development through e-learning environments like self-study and virtual classrooms.

"That increase is just astounding. We knew this was getting bigger year after year, but it's become pretty clear that companies simply cannot do corporate training without using technology," Bersin says.

Old-line companies are helping to propel adoption. That includes St. Louis-based Anheuser-Busch Cos. Although a well-run company whose HR processes are highly regarded, Anheuser-Busch is a latecomer to virtual learning, Bersin says.

"They reached a point where they had no choice, so there is a massive amount of training going on inside the organization on how to adapt and use these new tools," says Bersin, whose firm provided consulting services to Anheuser-Busch.

Other companies also are gravitating to virtual methods. By increasing the availability of online resources, British conglomerate Rolls-Royce Group saw a 250 percent spike in use of e-learning by employees in 2006. The company employs 38,000 people globally and operates numerous subsidiaries on four continents.

Rolls-Royce also was an early adopter of the now-mature learning management systems, says Michael Trusty, director of talent management for Rolls-Royce North America, an Indianapolis-based subsidiary that makes gas turbines.

Globally, Rolls-Royce uses a series of regional LMS platforms to deliver training in various languages, including English and French in North America. (In addition to its various U.S.-based operations, Rolls-Royce runs a facility in Montreal.) Its business also is growing in countries such as Brazil, prompting the need for programs to support its Portuguese-speaking employees.

"We're looking at aligning and going to a global LMS that would enable every Rolls-Royce employee to have access to the same learning catalog," Trusty says, a situation that should boost usage rates for e-learning even higher across the company.

Although 70 percent of large organizations have an LMS, unlocking the often-idle learning resources within discrete systems continues to be an issue. Bersin says this may illustrate a trend that learning professionals should watch for: The emergence of content management systems, which has been an immature market for the training profession up until now.

Other forms of technologies are gaining steam, according to Bersin's data. Nearly 11 percent of firms use collaborative learning through "communities of practice" to encourage employee learning, with interest slowly building in on-demand approaches like blogs and wikis.

The fascination with technologies does not obscure the very real human problem of too few people and too many leadership vacancies. Shoring up the leadership ranks continues to be the No. 1 driver of training investments, cited by 51 percent of companies surveyed by Bersin. Contrary to conventional wisdom, retention ranks dead last. Only 16 percent of firms cited retaining key performers as their top talent challenge in 2007.

As enlightening as both studies are, neither definitively answers whether learning actually improves employee performance. ASTD's best metric is anecdotal. It cites reuse rates, which refer to the number of times a given piece of learning is accessed by employees. Every hour of content provided was used an average of 41 times, and the ratio has been steadily climbing.

Although this reflects people's level of interest, it sheds little light on whether the learning is actually transforming employee performance. Paradise acknowledges it is a question "we get from time to time, and one we probably should start asking" in future studies.

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