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Corporate Training Efficiency: *More Work to Do*

About the Author



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This quarter, we analyzed a set of detailed data from 108 global training organizations to try to understand the “state of training efficiency.”¹ As we all know, training expense is one of the most difficult corporate spending areas to justify – and, while we all know that training programs are very much needed in good times and bad, organizations today want to know that their training investments are paying off with measurable results.

Demographics and General Spending

This sample of 108 learning organizations, on average, serves a community of 25,316 learners. These are relatively large companies with global L&D programs deployed in many locations.

On average, each company delivers an average of 363,000 hours of training per year (or 45,402 days – averaging 1.8 days of training per learner, per year). Average L&D spending per employee is \$52 per employee-training hour and \$416 per employee-training day.

On an annual basis, these companies spend between \$226 per employee per year to as high as \$4,600 per employee per year. Our *Corporate Learning Factbook*[®] benchmarking report² shows that, on average,

¹ The data for this research came from a survey available at www.TrainingEfficiency.com. Introduced a year ago, this online assessment was developed by learning services provider, Expertus, with research and benchmarking support from Bersin & Associates. The 16-question survey examines key performance indicators to help companies pinpoint and manage their particular strengths and weaknesses. Results from the first 108 participants have revealed some useful insights into the challenges corporate training executives currently face.

² For more information, *The Corporate Learning Factbook*[®] 2009: Benchmarks, Trends and Analysis of the U.S. Corporate Training Market, Bersin & Associates / Karen O’Leonard, January 2009. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/factbook.

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KEY POINT

In this survey sample, we found an average classroom utilization of only 56 percent.



ANALYSIS

Filling classrooms requires more time spent in scheduling, clear cancellation processes, and staff and systems support to maintain accurate information about registrations and enrollments.

North American training organizations spend approximately \$1,100 per employee and deliver approximately 17.2 hours of training per year. This average number varies widely by industry and company size, ranging from less than \$300 per employee in retail to more than \$1,600 per employee in professional services.

Classroom Utilization Low: Tremendous Opportunity to Improve

One of the key indicators we track in ongoing research is the ability for companies to manage their classroom utilization. In any training program, there is a set of fixed costs to administer, locate and deliver a class. When the class is not filled to capacity, this “underutilization” translates to lost money, similar to an airplane that flies across the country with empty seats.

Surprisingly, in this sample we found an average classroom utilization of only 56 percent. That is, on average, these companies are delivering training with 44 percent of their seats empty. If we consider the fact that these companies spend an average of \$18.9 million on training each (*the arithmetic average of total spending in this sample*), these companies are potentially “losing” \$6.7 million each by not filling their seats to 80 percent capacity. If we take a more conservative estimate and assume they could improve their “fill rates” by 10 percent, then they could save \$838,000 per company per year.

We fully recognize that filling classrooms is not an easy task; it requires more time spent in scheduling, clear cancellation processes, and staff and systems support to maintain accurate information about registrations and enrollments. However, this investment can clearly pay off – if these companies could increase their fill rates by only 10 percent with the support of an additional contractor, they would see a 10-fold return on that investment.

Lack of Efficiency Measurement

A second area we studied, which is also discussed in more detail in Bersin & Associates *The State of Learning and Talent Measurement*



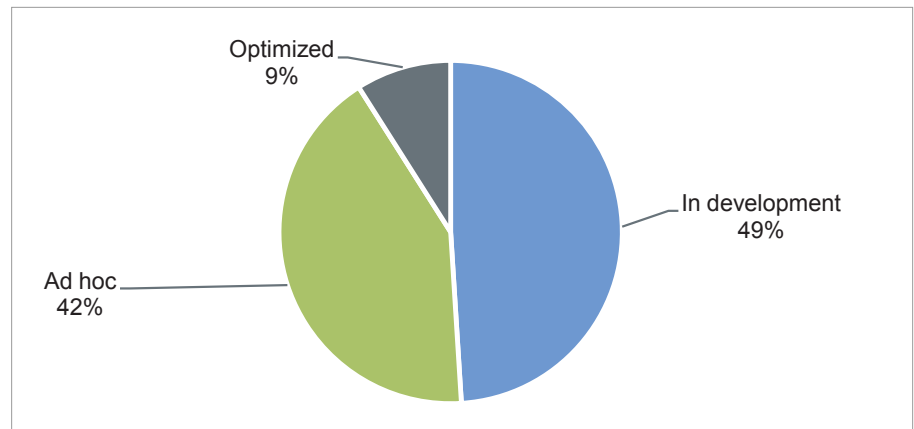
KEY POINT

Only 59 percent of respondents have a program in place to measure their training program efficiency.

report³, is that only 59 percent of TrainingEfficiency.com assessment respondents have a program in place to measure their training program efficiency. Many programs are delivered with little more measurement than student satisfaction ratings. While most companies do have information about class costs, fill rates and facility expenses, more than 40 percent of all respondents do not regularly use this information to analyze efficiency.

In fact, there is a general weakness in measurement overall. Even among these larger companies (which are more sophisticated than most), only nine percent claim to have an “optimized” process for measurement of their L&D functions. This data is very consistent with the information we obtained in the *State of Learning and Talent Measurement* research.

Figure 1: Immature Measurement Programs



Source: Bersin & Associates, 2009.

Wide Ranges in Productivity of L&D Organizations

We also found that L&D organizations in this sample have wide ranges of productivity. On average, these 108 companies have 87 people in their training functions, with an average employee to L&D staff ratio of 289 (thus, on average there are 289 employees per L&D staff member). But the ranges are very wide – some smaller companies

³ For more information, *The State of Learning and Talent Measurement*, Bersin & Associates / Josh Bersin, April 2009. Available to research members at www.bersin.com/library.





ANALYSIS

Those companies with employee-to-staff ratios lower than 200 should benchmark themselves against peer companies and think about how they can become more efficient.

had ranges as high as 2.5 employees per L&D staff member and some larger companies had productivity rates of 689 employees per L&D staff member. These ranges, of course, vary by many factors, including the size of the company, the percent of training delivered through e-learning and the industry.

Nevertheless, the data leads us to believe that those companies with employee-to-staff ratios lower than 200 should benchmark themselves against peer companies and think about how they can become more efficient. *The Corporate Learning Factbook*⁴ is one source of such benchmarking information.

When we look at total training delivered per staff member, the data varies even more widely. The average number of student-hours delivered per staff member in this sample was 5,120. But it had a huge range – from four student hours per year per staff member to more than 125,000. Again, after accounting for e-learning and other delivery models, there is tremendous opportunity to improve efficiency through benchmarking.

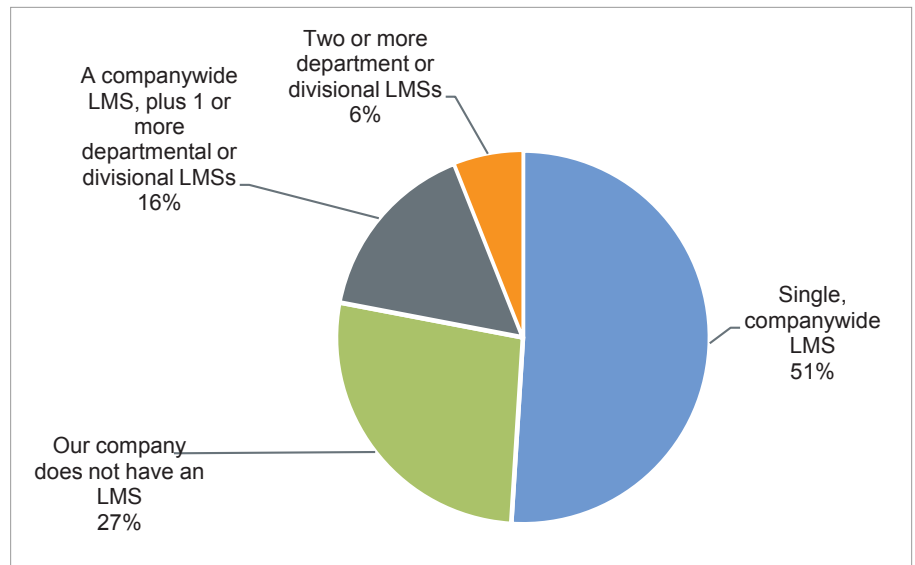
Continued Struggle with LMS Infrastructure

One of the most important tools companies have in finding ways to become more efficient is their learning management systems (LMSs). This data points out (*as our other research has shown, as well*) that companies are still weak in the implementation and usage of their LMSs.

Only 51 percent of these companies have a single system from which to draw data and only 19 percent are fully integrated into the other HR systems in the company.

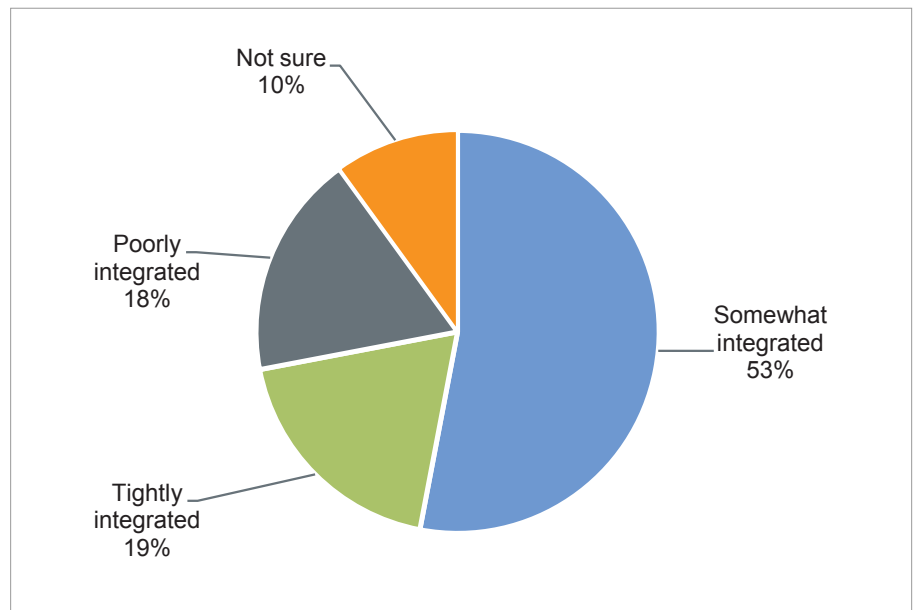
⁴ For more information, *The Corporate Learning Factbook*® 2009: Benchmarks, Trends and Analysis of the U.S. Corporate Training Market, Bersin & Associates / Karen O'Leonard, January 2009.

Figure 2: State of Your LMS Infrastructure



Source: Bersin & Associates, 2009.

Figure 3: State of Your LMS Integration



Source: Bersin & Associates, 2009.



KEY POINT

Only 51 percent of these respondent companies have a single LMS system from which to draw data and only 19 percent are fully integrated into the other HR systems in the company.

Integration is not simply a “nice to have.” Without an LMS (which is integrated with the company’s HRMS and other HR systems), it is difficult to measure efficiency by location, audience and program – and even harder to understand how development dollars link to other outcomes, such as employee satisfaction, engagement, retention and productivity. For more information on selecting and implementing the right LMS solution, please read *Learning Management Systems 2009*, the Bersin & Associates industry leading research on the LMS marketplace.⁵

Bottom Line

While many of these TrainingEfficiency.com assessment early respondents are focused heavily on the need to reduce expenses, consolidate and improve departmental efficiency, the data obtained from TrainingEfficiency.com indicate many opportunities for continued improvement.

⁵ For more information, *Learning Management Systems 2009: Facts, Practical Analysis, Trends and Provider Profiles*, Bersin & Associates / Josh Bersin, Chris Howard, Karen O’Leonard and David Mallon, April 2009. Available to research members at www.bersin.com/library or for purchase at www.bersin.com/lms.