The Great Training Robbery

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In 2012 U.S. corporations spent $164.2 billion on training and education
Overwhelming evidence and experience shows, however, that most companies are
unable to transfer employee learning into changes in individual and organization
behavior or improved financial performance. Put simply, companies are not getting
the return they expect on their investment in training and education. By investing in
training that is not likely to yield a good return, senior executives and their HR
professionals are complicit in what we have come to call the "great training
robbery."

Consider the Electronic Products Division (we'll call it EPD), rigorously research by
one of the authors. It illustrates the failure of training to change individual and
organizational behavior in a business unit of a large company and, as will show
later, the success of an alternative change strategy that embedded training in a
larger successful organizational change strategy.

The corporation invested in a training program to improve leadership and
organizational effectiveness. EPD, led by its visionary general manager and Vice
President Joe Bennett, was one of the first to implement this program. Virtually
every salaried employee in the division attended.

Participants described the program as very powerful. It engaged them for a whole
week in numerous group tasks that required teamwork to succeed and provided
real time feedback on individual behavior and group effectiveness. The program
ended with a plan for taking learning back to the organization. Pre and post survey
results suggested that participants changed their attitudes and behavior *during* the
program.

An assessment of the program requested by Don Rogers, who replaced Bennett as
EPD's Vice President and general manager two years later after Bennett's untimely
death, showed that while managers in the division thought the program had been

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powerful and engaging, they did not think it had changed the organization's effectiveness, its culture or its performance, particularly with regard to rate of new product development, which was critically important to the business' success. Problems of strategic clarity, Bennett's tops down leadership, senior team ineffectiveness, a political environment, and inter-functional conflict made it impossible for managers to change their behavior to the style advocated by the training program – leadership that combined a focus on performance and concern for people, teamwork and collaboration. As a member of Bennett's senior team explained during an interview to evaluate the program: "Bennett has had significant impact on our organization with all of us reflecting him in our managerial style. We are all more authoritarian than before," Training, as a change strategy, clearly had not worked.

Unfortunately, our consulting experience and research shows that the "great training robbery" persists in most companies. Consider a manufacturing company that suffered multiple fatal safety incidents in its operating plants despite an investment of $20 million in a state of the art safety-training center. Participants in corporate education programs in which we have taught often tell us why management and organizational barriers make it impossible at worst or difficult at best to apply what we teach about leadership and organization effectiveness, suggesting that organizational context matters.

In this article we will explain why training fails, provide some evidence for our assertion, discuss why the great training robbery persists, and offer a new framework for integrating leadership and organization change and development, and its implications for the corporate HR function.

Why Training Programs Fail:

Education and training with the objective of individual learning and development is a worthy endeavor in its own right. Individuals are eager to learn knowledge and skills that will advance their careers, unfortunately often in another company. However, senior executives and their HR professionals invest, we assume, to improve individual and organizational effectiveness and performance. Their assumption that leadership and management training will improve these is, as we illustrate above, wrong. The tragedy is that that much of the understanding about the transient effect of education and training has been known for decades.

A study by Mike Beer and his colleagues in the 1980's of corporate transformations found that companies that began their transformation with the education and training of hundreds and even thousands of employees lagged in their transformations compared to a company that never employed training and education as a strategy for change. Researchers dubbed this pattern the *fallacy of programmatic* change. The study concluded that the organizational and management system – the pattern of roles, responsibilities and relationships shaped by the organization's design and leadership that motivates and sustains attitude and

behavior - is far more powerful in shaping individual behavior than the capacity of well trained, even inspired, individuals to change the system. As Figure 1 shows the implicit assumptions underlying the fallacy of programmatic change, and on the other hand the assumptions of an organization development strategy that a system must be changed before individual behavior can be changed through training programs, the argument we maker here.

Figure 1

Understanding of the futility of training individuals to change organizational behavior without changing the organizational system began with the seminal Ohio State Leadership Studies in the 1960's. A leadership-training program successfully changed attitudes of first line supervisors about how they should lead. A follow-up study found, however, that most supervisors regressed to their pre-training beliefs about effective leadership. The only exceptions were those whose bosses practiced and believed in the new leadership style the program was designed to teach.

Amy Edmondson and her colleagues at the Harvard Business School found that success of a corporate program, aimed at enhancing manager-subordinate dialogue and problem solving, varied across multiple sub-units of the company. The quality of dialogue and actual changes in effectiveness were greater in those units that had developed a "psychologically safe" climate, one in which subordinates felt free to speak up. And they concluded that "fertile soil" is required for the "seeds" of a training interventions to succeed.

The idea that changes in roles, responsibilities and relationships powerfully influence individual behavior was demonstrated by research which showed that front line unionized factory workers promoted to first line management roles very quickly adopted pro management attitudes. Those managers who had to return to front line factory work due to market changes reverted back to their pro union and anti-management attitudes.

Harvard Business School professor Boris Groysberg found that "star" analysts on Wall Street, as rated by an independent agency, did not sustain their star status when they moved to another firm. In fact, they never regained their star status during the five-year period of the study. The only exceptions were analysts who took with them to the new company their whole team – the system that had helped them be successful. Again, context had shaped behavior and performance. Even individual analysts' success, that one might think is based solely on individual talent, is dependent on the system.

Numerous studies intended to evaluate the effectiveness of training and education find that training succeeds only when an individual's goals are aligned with training objectives, bosses and peers support newly learned skills and attitudes, trainees have the opportunity to apply newly learned abilities and there are sufficient resources (time and money) to practice new learning. These are all facets of the

organizational system – the context that shapes attitudes and behavior. Indeed, a Meta analysis of many training studies finds that only 10% of training programs are effective.

The effects of failed training are not only a poor return on investment. Education that advocates leadership behavior and values at odds with the organizational climate triggers cynicism as the EPD example illustrates. It also enables senior management to be fooled into thinking that they are implementing an organizational change, thus delaying their realization that they must themselves lead the change.

For these reasons we argue for a *new reverse logic* based on systems thinking, namely, that organizational change and development led by the senior team must be underway to create a favorable context for learning and development initiatives. The *seeds* of new individual skills, knowledge and attitudes can only thrive in *fertile ground* –a changed pattern of roles, responsibilities and relationships that typically emerge from a new organization design led by the senior team. These *encourage*, even demand new behavio*r*. Embedding training in a visible senior team-led change effort works for the following reason:

1. It motivates individuals to learn and change.
2. It creates the conditions (a supporting context) that enable individuals to successfully enact their newly learned knowledge, skills and attitudes.
3. It leads to changes that simultaneously foster immediate improvements in individual and organizational effectiveness *and* performance.
4. It puts the conditions in place – the new system – that allows individuals to sustain their newly learned skills, knowledge and attitudes.

Why the Great Training Robbery Persists:

HR professional are locked into a false implicit assumption about organizations, namely, that they function as an aggregation of talented individuals as opposed to a system of interactions shaped by multiple facets – strategy, structure, processes, leadership style, peoples' background, culture and HR policies and practices. These multiple facets drive individual behavior.

The *employee competence framework* widely embraced by HR researchers and professionals is a reflection of this false assumption. It prevents HR professional from reframing their intervention strategy as organization development and is at the root of persistent training failures.

Seeking to show the relevance of the HR function, HR professionals justify training budgets by tying their programs to strategy, but in an erroneous way. Requisite managerial competencies are defined by an analysis of the strategy. These are then translated into requisite education and training programs and sold to top

management as means for improving organizational effectiveness and performance. The model is based on the assumption we are calling into question, that well trained, even inspired individuals, can change the system.

Why does this model persist? Our work with organization suggests that many HR professionals find it uncomfortable or impossible to *confront senior leaders and their senior teams with the truth.* They find it hard to tell them about how their leadership, organization design and policies and practices are the root cause of failures in strategy execution and why they need to be changed to create fertile ground for training initiatives to succeed. *Senior management unconsciously colludes* with HR professionals through their reluctance to hear the truth about the system of management they have created and to embrace the challenge of organizational change. Given this conundrum, HR professionals turn to the easiest change lever to sell--education and training--and senior management agrees.

By enabling truth to speak to power in hundreds of organizations in the last twenty-five years we have gained insights into the aspects of the organizational system that block strategy execution and behavior change. Employee task forces commissioned to learn the truth reported to senior management teams that the problem is not the competence and commitment of people – they are the most important underappreciated strength. The task forces report on six organizational barriers that undermine execution of senior management's strategy [See Side Bar 1]. We call them "silent killers," They are un-discussible barriers because lower levels find it difficult to speak up about them. These are the barriers – particularly the leader and senior team - that must begin to change before training and education programs can be effective. All six barriers existed in the opening EPD example. It is not surprising then that HR professionals find it difficult to advocate changes in the barriers as a perquisite to change.

[Side Bar 1]

How the six silent barriers conspire to prevent leadership development was revealed to one of the authors when he was asked by the CEO of a company to help improve management development in the company. Unsatisfied with his management bench, the CEO had asked a team of HR professionals to recommend what should be done. They were planning to recommend investments in management training when the CEO decided to launch an inquiry into why management development was lagging, using confidential interviews with lower level employees by a task force of managers.

The task force did not report that lack of training was the problem. Instead they reported all six silent barriers in side bar 1. The senior team had not articulated a clear strategy and values, so lower level managers did not understand the

management practices and behavior expected of them. Nor was the senior team spending enough time discussing talent and planning developmental assignment for high potential managers. This was not happening because senior team members were hoarding the best talent and transferring the worst to enable their business to succeed. By enabling truth to speak to power the company avoided the great training robbery. Instead they were now poised to change the organization and their talent development strategy, with training as a later investment.

Integrate leadership development with organization development

We advocate a new logic. Senior executives and their HR professionals should embed individual or group development in an organization change and development strategy motivated and visibly led by the senior team. This contrasts sharply with the pervasive HR logic that leaps from strategy to definition of requisite individual competence and training, and neglects the systems perspective.

What is the sequence of steps embedded in the new logic (Figure 3)?

1. The senior team defines an inspiring strategic direction to motivate change in the organizational system
2. It then develops a diagnosis of the organization based on confidential interviews of key lower level people, and then redesigns the pattern of roles, responsibilities and relationships needed to enact the strategy.
3. Just-in-time coaching and process consultation follows to help people become more effective in their new roles, responsibilities and relationships.
4. Classroom education to impart requisite technical skills and knowledge follows.
5. Changes in various facets of the talent, management and HR system – new metrics for individual and team performance, performance appraisal system, the careers system to develop needed individuals as well as leadership succession decisions – follow to ensure sustaining change in organization behavior.

In practice these steps in the sequence overlap. We list them in sequence to emphasize that enabling managers to learn new roles, responsibilities and relationships *in real time is important*. Reversing the sequence endangers individual understanding, commitment and skilled behavior change.

What does such a sequence look like in practice? EPD, described earlier as an example of the great training robbery, became a natural experiment. The very same organization that did not respond to management training changed dramatically when the organization development sequence above was employed.

New VP Rogers did not start with training; he began by asking organization development specialists to interview key people about barriers to effectiveness, followed by an organizational diagnosis, followed by a redesign the organization.

Change began immediately with the creation of cross-functional new product development teams, a major departure from the functional structure that had blocked teamwork. The senior team's role in managing these teams through quarterly reviews, and the requirement that team leaders be transparent in each review about progress as well as attitudes and behaviors that were impeding progress, enabled ongoing assessment of attitudes and behavior change, and further initiatives to foster change.

By redesigning the *organizational system* – the pattern of roles, responsibilities and relationships – people had to change their behavior. Learning and development for senior and project team members followed and was embedded in the larger change effort through coaching and process consultation to the top team and each project team in the first year of change.

Eager to succeed in in their new roles senior team members and project team members were motivated to learn. They changed behavior, often ineffectively at first, because it was demanded by their new roles and responsibilities. That allowed them to learn from practice in their real work, not in a classroom. Coaching and process consultation for the senior team and each project team by internal organization development consultants enabled better team performance, and the effectiveness of the new management system changed attitudes. The senior and project team members were now motivated to learn from classroom training about analytic methods for new product planning and product management that followed.

At the end of two years a rigorous evaluation of EPD's transformation showed significant change in skills, knowledge, attitudes and behavior with regard to leadership and teamwork. This change strategy produced immediate performance improvements. Nine new products were developed in two years, compared to five in the previous four years. Revenues and profits improved significantly. The same organization that had not responded to a massive investment in training changed dramatically by starting with senior team-led organizational change followed by just-in-time learning through coaching and process consultation, with training as the final step. The EPD example illustrates the power of the reverse logic of starting with behavior change through organizational change, and only then following up with developing individual knowledge and skills through training.

This systems perspective suggests that corporate *training investments should be made on a unit-by–unit basis.* Senior teams in business, regional, functional, and operating units must first be actively engaged in leading change, supported by real time "in vivo" coaching and process consultation, before training and other investments are made (see Figure 3). If they are not, senior management must motivate them to lead change and HR professional must be able and resourced to support these efforts to create fertile ground for training and development.

Figure 2

Cardo, a Swedish industrial conglomerate, provides a powerful example of why a unit-by-unit change strategy is important and how "learning by doing" is effective. To support the corporate transformation, Cardo's CEO and HR VP commissioned an education program to teach key managers in two of the company's businesses how to lead change. The program featured four modules of education. Each manager in the program was charged with implementing organization change and improving performance in his or her sub-unit, following the sequence of steps outlined above. Managers were supported with consultation and coaching from program faculty and peers, and given the opportunity to speak to the CEO during each module about organizational barriers to effectiveness and performance. Evaluation of the program revealed significant changes in organization behavior and performance in . The CEO calculated that improvements in performance delivered a 10x return on the cost of the program.

The same improvements were not, however, observed in both business units. Business. Unit B's leadership team, in contrast to business unit A, was not motivated to lead change. There was no burning platform and the CEO had not created one, nor did he make clear the type of organizational transformation he expected the leadership team to make. The failure to assess readiness of the senior team to create the fertile context for what proved to be a highly effective program in business unit A led to Cardo committing the great training robbery in business unit B.

A New Strategy for HR:

The great training robbery will persist unless CEOs and their CHROs redefine their learning and development strategy. The conventional wisdom is that organizations will become more effective through talent acquisition and development of individual competencies. We do not argue that this is not important, but as the research and experience we have shared indicates, organizational and management systems powerfully shape attitudes and behavior. And a large complex organization does not have one management system and culture. Its multiple businesses, regions, functions and operating units have different cultures even in companies with strong leaders and corporate cultures as the examples above show.

CEOs and CHROs must begin to see the corporation as a series of nested sub-units, each with its own pattern of leadership, management and culture. They must define an integrated corporate organizational and leadership development agenda at the corporate level but then develop one *collaboratively* with each subunit leader. The following questions must be addressed by an honest assessment of the existing leadership and management system, first at the top, then in each major sub-unit:

1. Is the leadership team aligned around a clear, inspiring strategy and values?
2. Has the leadership team enabled the collection of the unvarnished truth about barriers that may be getting in the way of unit effectiveness and performance, including its own behavior?

3. Has the leadership team begun to lead a change process to address what the diagnosis revealed?
4. Is HR offering organization development consulting and coaching to enable real time learning and practice of requisite attitudes and behaviors?
5. Do corporate training programs properly support the unit's change agenda and/or does the sub-unit's leadership and culture offer a fertile context for corporate programs aimed at corporate change?

If your answer to any of these questions is not a clear yes, your company—with all the best intentions— may be falling victim to the great training robbery. Our experience suggests that an honest answer to the questions above will reveal underinvestment in organization development and overinvestment in training and education. This is partly due to the dominance of competency frameworks and the relative lack of organizational assessment and development skills in the HR function.

ASDA a grocery chain in the UK provides an example of taking the unit-by-unit organization and management development strategy seriously. Archie Norman, its CEO in the 90s led a turnaround of the company and its 200 stores by avoiding the fallacy of programmatic change. ASDA's HR function developed what came to be called a "driving test" to assess the readiness of each store to employ effectively investments in capability development. All investments in a store – the new store design, new merchandising concepts and training and development – would not be made until interviews and employee surveys showed that store leadership and culture provided the fertile context for change. If the store did not pass the driving test the leadership team received organization development support from corporate HR. If this support failed to change the pattern of management the story manager was replaced.

ASDA was widely hailed as the most successful corporate transformation in the UK in the 1990s and improved its market capitalization ten fold over approximately a decade. It is a powerful example of disciplined systematic application of the unit by change and development strategy.

Figure 1: Contrasting Assumptions About Capability Development

Assumptions when you start with leadership training…	Assumptions when you start with organizational development…
Problems in organizational behavior and performance stem from individuals' deficient knowledge, skills, and attitudes.	Problems of organizational behavior and performance stem from a poorly designed and ineffectively managed system. That context shapes individuals' knowledge, skills, and attitudes.
After individual behaviors are isolated and changed, organizational effectiveness and performance will improve.	People are motivated to learn and change their behavior when a changing context demands new organizational behavior, effectiveness and performance.
So…	So…
The target for change and development is the individual.	The primary target for change and development is the organization; the secondary target is the individual.

Adapted from Beer. M and Eisenstat, R. "Why Change Programs Do Not Produce Change," *Harvard Business Review*, 1990
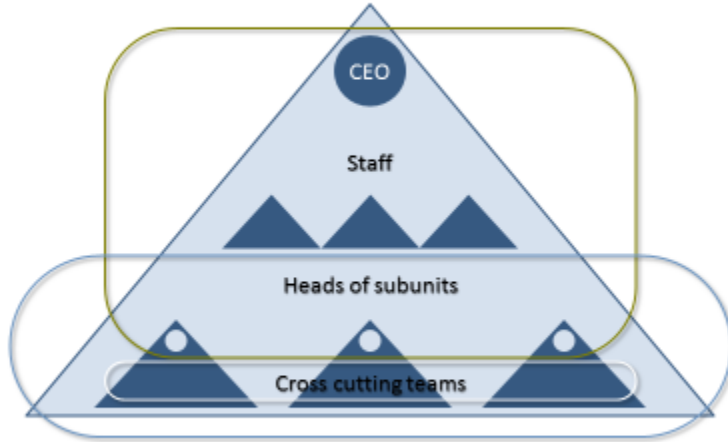
Side Bar 1: The Silent Killer

- Unclear strategy, values and conflicting priorities
-
- An ineffective senior team
-
- Leadership style – top down or laissez faire
-
- Poor coordination across functions, businesses and/or geographic regions
-
- Inadequate leadership/management skills and development in the organization
-
- Closed vertical communication – truth cannot speak to power

Adapted from Beer, M. and Eisenstat, R. "The Silent Killers of Strategy Implementation and Learning," *Sloan Management Review*, 2000.

Figure 2: Corporate Change Requires Unit-by-Unit Change