Chapter One

Introduction to Employee Training and Development

Objectives

After reading this chapter, you should be able to:

1. Discuss the forces influencing the workplace and learning, and explain how training can help companies deal with these forces.
2. Draw a figure or diagram and explain how training, development, informal learning, and knowledge management contribute to business success.
3. Discuss various aspects of the training design process.
4. Describe the amount and types of training occurring in U.S. companies.
5. Discuss the key roles for training professionals.
6. Identify appropriate resources (e.g., journals, websites) for learning about training research and practice.

Forces Affecting the Workplace Make Training a Key Ingredient of Company Success

Customer service, employee retention and growth, the economy, a multigenerational workforce, the use of new technology, extending learning beyond the classroom—these are just some of the issues affecting companies in all industries and sizes and influencing training and development practices. The four companies discussed below—Best Buy, Valvoline, Sonic Automotive, and Dow AgroSciences—show how these concerns have affected companies in several different business sectors and how training and development have helped them succeed.

Many companies, recognizing that learning goes beyond typical face-to-face classes, are using technology to make it easier for employees in different locations to learn and share knowledge through formal courses, as well as through collaboration. For example, Best Buy, the electronics retailer, introduced a new app called Gravity to appeal to the way that millennial employees prefer to access training materials and learn. Users of any type of smart device such as a smartphone or tablet computer can use Gravity to scan a product’s UPC or QR code and
access short training videos and key product information. This allows employees to personalize learning by scanning products as they walk through the store when they are not helping customers. Employees can use Gravity to expand their knowledge on a product they are somewhat familiar with or learn about new products. They also can use Gravity to quickly answer a customer’s question. Best Buy employees are using Gravity at an amazing rate and it’s paying off. In less than one year, employees have used Gravity more than one million times; on average, they have viewed three unique pages of information each time. Products supported by Gravity show an average increase of 23 percent of unit sales compared to before the app was available.

The next time you pass an oil change store while driving or purchase an oil change for your car, consider the training received by the employees who are servicing your vehicle. Valvoline Instant Oil Change’s training program includes online, managerial-led and instructor-led training combined with skills assessments and tests. Within 60 days of their hire date, new team members complete 270 hours of training, earning them certification in top-side (garage floor), bottom-side (under the automobile), and guest greeting procedures and 10 additional services.

Sonic Automotive, an auto dealership with over 100 locations, faced the challenge of how to decrease the turnover rate and develop the leadership and management skills of its Service and Parts leaders whose previous jobs involved working close to the customer. Sonic developed a new program to help these leaders become more proficient in the managerial and leadership skills needed to effectively perform their jobs and to help them avoid feeling frustrated in their new role. The Fixed Operations Academy at Sonic includes two interactive, instructor-led, one-week training sessions; debrief webinars in which the leaders-in-training share their experiences as they try out their new skills; and assessments used to evaluate leaders’ skill acquisition. Also, each leader identifies how they can improve at their store and completes and implements an action plan to do so.

Dow AgroSciences provides products and services to help produce food to feed the world. Its products include seeds and pest and weed control products, as well as services such as pasture management. The sales professionals at Dow AgroSciences work in a business environment that is increasingly competitive, with demanding customers and frequent new product and process innovations. To prepare new sales professionals to be successful in this environment, training at Dow AgroSciences includes actual selling scenarios, role plays, peer and trainer feedback, and access to learning resources. Trainees work on projects for eight months before they are assigned to a sales territory.

Several companies are trying to meet millennials’ need for opportunities to grow and develop. At Amazon, millennials can move at their own pace because the company does not have any time-in-position requirement. All employees are encouraged to ask about development opportunities and one-on-one conversations are held to communicate opportunities within Amazon. At Taco Bell’s restaurant support center, millennials can serve on cross-functional employee teams that meet for one to two months to work on business challenges. This provides an opportunity for millennial employees to work creatively, take responsibility for solving an important
problem, and network with others. One of the challenges with all employees, including millennials, is making sure they recognize the value of in-job and lateral development opportunities that don’t immediately result in a promotion. Lincoln Financial Group emphasizes that for career success millennials should expand their portfolio of experiences rather than solely focusing on promotions along a specific career path.


INTRODUCTION

The examples discussed in the chapter opener illustrate how training can contribute to companies’ competitiveness. Competitiveness refers to a company’s ability to maintain and gain market share in an industry. Although they are different types of businesses, these four companies have training practices that have helped them gain a competitive advantage in their markets. That is, their training practices have helped them grow the business and improve customer service by providing employees with the knowledge and skills they need to be successful.

Companies are experiencing great change due to new technologies, rapid development of knowledge, globalization of business, and development of e-commerce. To remain competitive in this environment, companies must take steps to attract, retain, and motivate their workforces. Training is not a luxury; it is a necessity if companies are to participate in the global and electronic marketplaces by offering high-quality products and services. Training prepares employees to use new technologies, function in new work systems such as virtual teams, and communicate and cooperate with peers or customers who may be from different cultural backgrounds.

Human resource management refers to the policies, practices, and systems that influence employees’ behavior, attitudes, and performance. Human resource practices play a key role in attracting, motivating, rewarding, and retaining employees. Other human resource management practices include recruiting employees, selecting employees, designing work, compensating employees, and developing good labor and employee relations. Chapter Two, “Strategic Training,” details the importance placed on training in comparison to other human resource management practices. To be effective, training must play a strategic role in supporting the business.

Human resource management is one of several important functions in most companies. Other functions include accounting and finance, production and operations, research and development, and marketing. Keep in mind that although human resource management practices (such as training) can help companies gain a competitive advantage, the company needs to produce a product or provide a service that customers value. Without the financial resources and physical resources (e.g., equipment) needed to produce products or provide services, the company will not survive.
This chapter begins by defining training and development and discussing how the training function has evolved. Next, the forces that are shaping the workplace and learning are addressed. These forces influence the company’s ability to successfully meet stakeholders’ needs. The term stakeholders refers to shareholders, the community, customers, employees, and all the other parties that have an interest in seeing that the company succeeds. The discussion of the forces shaping the workplace (including technology, globalization, and attracting and winning talent) highlights the role of training in helping companies gain a competitive advantage.

The second part of the chapter focuses on current trends in training practices. This section also introduces you to the trainer’s role in a business and how the training function is organized. This section should help you understand current training practices, the types of jobs that trainers may perform, and the competencies needed to be a successful trainer (or, if you are a manager, the competencies needed to identify a successful trainer). The chapter concludes with an overview of the topics covered in the book.

**TRAINING AND DEVELOPMENT: KEY COMPONENTS OF LEARNING**

Our focus in this book is to help you understand the role of training and development in today’s organizations. To do this, it is important for you to understand what training and development means in the broader business context. Figure 1.1 shows the role of training and development for the business. The overall goal of training and development is learning. Learning refers to employees acquiring knowledge, skills, competencies, attitudes, or
behaviors. But the focus of training and development is not just on employees learning for its own sake. Today, merely offering training programs is not enough to get support and funding from executives and to establish the credibility of the training and development function to managers and employees. Learning needs to demonstrate how it contributes to the company's competitive advantage through improving employee performance, supporting the business strategy (such as growing the business), and contributing positively to business outcomes such as quality, productivity, development of new products, and retaining key employees. From a company's perspective, what employees learn contributes to the development of intangible assets such as human capital. **Human capital** refers to knowledge (know what), advanced skills (know how), system understanding and creativity (know why), and motivation to deliver high-quality products and services (care why).\(^1\) Human capital may be more valuable than physical capital (equipment or technology) or financial capital (monetary assets, cash) for providing a company with an advantage over its competitors, because it is difficult to imitate or purchase and it is unique to the company.

There are a number of different ways that learning occurs in a company. They are represented on the outside of the circle in Figure 1.1. **Training** refers to a planned effort by a company to facilitate learning of job-related competencies, knowledge, skills, and behaviors by employees. The goal of training is for employees to master the knowledge, skills, and behaviors emphasized in training and apply them to their day-to-day activities. Traditionally, companies have relied on formal training through a course, program, or "event" to teach employees the knowledge, skills, and behaviors they need to successfully perform their job. Development is similar to training, except that it tends to be more future-focused. **Development** refers to training as well as formal education, job experiences, relationships, and assessments of personality, skills, and abilities that help employees prepare for future jobs or positions. We will discuss development in more detail in Chapter Nine, "Employee Development and Career Management." **Formal training and development** refers to training and development programs, courses, and events that are developed and organized by the company. Typically, employees are required to attend or complete these programs, which can include face-to-face training programs (such as instructor-led courses) as well as online programs. As you will see later in the chapter, U.S. companies invest billions of dollars in formal training.

Informal learning is also important for facilitating the development of human capital.\(^2\) **Informal learning** refers to learning that is learner initiated, involves action and doing, is motivated by an intent to develop, and does not occur in a formal learning setting.\(^3\) Informal learning occurs without a trainer or instructor, and its breadth, depth, and timing is controlled by the employee. It occurs on an as-needed basis and may involve an employee learning either alone or through face-to-face or technology-aided social interactions. Informal learning can occur in many different ways, including through casual unplanned interactions with peers, e-mail, informal mentoring, or company-developed or publicly available social networking websites such as Twitter or Facebook. The application of social media from a marketing strategy to a learning strategy and the availability of Web 2.0 technologies such as social networks, microblogs, and wikis allow employees easy access to social learning or learning through collaboration and sharing with one or two or more people.\(^4\) One estimate is that informal learning may account for up to 75 percent of learning within organizations.
One reason why informal learning may be especially important is that it may lead to the effective development of tacit knowledge, which can be contrasted with explicit knowledge. Explicit knowledge refers to knowledge that is well documented, easily articulated, and easily transferred from person to person. Examples of explicit knowledge include processes, checklists, flowcharts, formulas, and definitions. Explicit knowledge tends to be the primary focus of formal training and employee development. Tacit knowledge refers to personal knowledge based on individual experiences that is difficult to codify. The characteristics of formal training and development programs, such as the relatively short duration of classroom or online training and limited opportunities for practice, may limit the extent to which tacit knowledge can be acquired. Thus, informal learning is central to the development of tacit knowledge because it involves employee interactions in personal relationships with peers, colleagues, and experts through which tacit knowledge is shared. It is important to recognize, however, that informal learning cannot replace formal training and employee development. Formal training and development are still needed to prepare employees for their jobs and to help them advance to future positions. Informal learning complements training by helping employees gain tacit knowledge that formal training cannot provide. In fact, research suggests that providing opportunities for formal training encourages employees to engage in follow-up informal learning.

Knowledge management refers to the process of enhancing company performance by designing and implementing tools, processes, systems, structures, and cultures to improve the creation, sharing, and use of knowledge. Knowledge management contributes to informal learning. Consider G4S Secure Solutions, which provides security solutions around the world. Its employees are spread across field offices and client locations. Most G4S security officers don’t have computer access or are restricted by client firewalls. But security officers need timely information in order to protect clients and property. Seeking and sharing knowledge can help save lives. As a result, the company developed an Internet and social networking solution. It provides access to company materials, announcements, policies and procedures, training manuals, operational and support tools, and best practice forums. It can be accessed from anywhere, giving employees the ability to ask questions across the company as well as within their office, location, or work team. The solution includes social networking features similar to Facebook. Employees can create profiles that have their skills, interests, achievements, projects, and contact information. They can participate in threaded discussions. Tags can be used to identify similar documents or discussions on the same topic. Caterpillar Inc., a manufacturer of construction and mining equipment, engines, and gas turbines, has likewise moved toward becoming a continuous learning organization with the help of knowledge management. Thirty years ago, Caterpillar had most of its value in its plant and equipment. Today, intangible assets account for most of the company’s value. Caterpillar’s web-based knowledge management system, known as Knowledge Network, has thousands of communities of practice. They range in size from small teams to hundreds of employees worldwide. The communities of practice are useful resources for employees to gain both explicit and tacit knowledge. They are used to distribute information, post questions, and provide space for reference materials. One community of practice focused on bolted joints and fasteners, thus giving specialized engineers who generally work alone in manufacturing facilities the ability to ask other engineers questions or get second opinions on designs and problems. The communities of practice at Caterpillar have resulted in improved decision making, increased collaboration...
and teamwork, and better product design and development. For example, members of the Bolted Joints and Fastener community and the Dealer Service Training community have saved the company more than $1.5 million using online discussions.

Many companies that recognize the value of learning have taken steps to ensure that formal training and employee development are linked to strategic business objectives and goals; use an instructional design process to ensure their effectiveness; and compare or benchmark the company’s programs against competitors or other companies in the industry.\(^{10}\)

Consider the role of learning at Western Union.\(^{11}\) Western Union, a financial services company, faces many business challenges such as changing regulations, intense competition, and the need to deliver a better customer experience by providing new products and enhanced technology for making payments and sending money. One estimate is that Western Union conducts 31 customer transactions per second! Meeting these challenges required its managers to create and model a new high-performing work culture for employees. Leadership in Action (LIA) was designed to get its top leaders to embrace the change and help teach other managers about it. The company’s top leaders met with small groups of company leaders each month to discuss key leadership topics such as empowerment, accelerating performance through feedback and accountability, and making informed pay decisions. The face-to-face learning circles were supplemented with other content delivered in a number of different ways, including instructor-led training, e-learning, role play, serious games, and social media.

This discussion is not meant to underestimate the importance of “traditional training” (which focuses on the acquisition of knowledge, skills, and abilities), but it should alert you that, for many companies, training is evolving from a focus on skills to an emphasis on continuous learning and the creation and sharing of knowledge. This evolution of training is discussed in Chapter Two.

**DESIGNING EFFECTIVE TRAINING**

The training design process refers to a systematic approach for developing training programs. Figure 1.2 presents the seven steps in this process. Step 1 is a needs assessment, which is necessary to identify whether training is needed. Step 2 is to ensure that employees have the motivation and basic skills necessary to master the training content. Step 3 is to create a learning environment that has the features necessary for learning to occur. Step 4 is to ensure that trainees apply the training content to their jobs. This step involves having the trainee understand how to manage skill improvement, as well as getting co-worker and manager support.

Step 5 is to develop an evaluation plan. Developing an evaluation plan includes identifying what types of outcomes training is expected to influence (for example, learning, behavior, or skills), choosing an evaluation design that allows you to determine the influence of training on these outcomes, and planning how to demonstrate how training affects the “bottom line” (that is, using a cost-benefit analysis to determine the monetary benefits resulting from training). Step 6 is to choose the training method based on the learning objectives and learning environment. This step may include a traditional training method of face-to-face interaction with a trainer or e-learning using web-based training or mobile learning. Step 7 is to evaluate the program and make changes in it or revisit any of the
FIGURE 1.2 Training Design Process

1. Conducting Needs Assessment
   - Organizational Analysis
   - Person Analysis
   - Task Analysis

2. Ensuring Employees' Readiness for Training
   - Attitudes and Motivation
   - Basic Skills

3. Creating a Learning Environment
   - Learning Objectives
   - Meaningful Material
   - Practice
   - Feedback
   - Community of Learning
   - Modeling
   - Program Administration

4. Ensuring Transfer of Training
   - Self-Management
   - Peer and Manager Support

5. Developing an Evaluation Plan
   - Identify Learning Outcomes
   - Choose Evaluation Design
   - Plan Cost-Benefit Analysis

6. Selecting Training Method
   - Traditional
   - E-learning

7. Monitoring and Evaluating the Program
   - Conduct Evaluation
   - Make Changes to Improve the Program

earlier steps in the process to improve the program so that learning, behavior, change, and other learning objectives are obtained.

The training design process shown in Figure 1.2 is based on principles of Instructional System Design. Instructional System Design (ISD) refers to a process for designing and developing training programs. There is not one universally accepted instructional system development model. The training design process sometimes is referred to as the ADDIE model because it includes analysis, design, development, implementation, and evaluation. In Figure 1.2, Step 1 (Conducting needs assessment) and Step 2 (Ensuring employees' readiness for training) are related to analysis. The next three steps—Creating a learning environment; Ensuring transfer of training; and Developing an evaluation plan—are design issues. Step 6 (Selecting and using a training method) relates to implementation. Step 7 (Monitoring and evaluating the program) relates to evaluation. Regardless of the specific ISD approach used, all share the following assumptions:

- Training design is effective only if it helps employees reach instructional or training goals and objectives.
- Measurable learning objectives should be identified before the training program begins.
- Evaluation plays an important part in planning and choosing a training method, monitoring the training program, and suggesting changes to the training design process.

Trainers for AbsorbU, the internal college for ITU AbsorbTech, an industrial laundry service company, design courses using the ADDIE model. AbsorbU focuses on learning needs related to customer service, production, leadership, and sales. AbsorbU trainers find that using the ADDIE model helps them to identify training needs and desired results and focus attention on knowledge transfer or behavior change. Also, they use ADDIE when they are revisiting courses to ensure that the content remains useful.
Overcoming the Flaws of the ISD Model

Some training professionals argue that the ISD model is flawed for several reasons. First, in organizations, the training design process rarely follows the neat, orderly, step-by-step approach of activities shown in Figure 1.2. Second, in trying to standardize their own ISD method used in the training function, some organizations require trainers to provide detailed documents of each activity found in the model. This adds time and cost to developing a training program. Third, the ISD implies an end point: evaluation. However, good instructional design requires an iterative process of design, execution, evaluation, and reconsideration of the needs that the program was designed to meet, as well as the learning environment, the transfer of training, and all of the other activities in the ISD process. Fourth, many companies claim to use an instructional design approach but dilute its application. This might include assuming that training is the best solution without investigating other causes for performance gaps, failing to identify training objectives and results, focusing too much on the training method while ignoring the role of the work environment in transfer of training, and concentrating evaluation on whether trainees liked the program rather than measuring the impact of training on job performance or business results. Despite these criticisms, use of the ISD process is the best way to help ensure the effectiveness of training and development.

The training design process should be systematic, yet flexible enough to adapt to business needs. Different steps may be completed simultaneously. For example, as Suffolk Construction's business grew, the company experienced an increased need for training. Company leaders also needed the training department to reduce the amount of time it typically used for developing and revising training. As a result, the training team adapted the ADDIE model to include three "lean" management principles (flow efficiency over resource efficiency, active visualization, and continuous improvement). Use of the lean principles has allowed Suffolk to provide internal clients with benchmarks of time and cost estimates for designing and developing learning content. It can also provide internal clients with a visual model of the course creation process so they can better understand it. Keep in mind that designing training unsystematically will reduce the benefits that can be realized. Choosing a training method before determining training needs or ensuring employees' readiness for training increases the risk that the method chosen will not be the most effective one for meeting training needs. Also, training may not even be necessary and may result in a waste of time and money. Employees may have the necessary knowledge, skills, or behavior but simply lack the motivation to use them.

The introduction of new technologies such as mobile learning (discussed in Chapter Eight) highlights a shift from trainees having to learn from an instructor in one location to trainees learning independently and not being bound to learning in the workplace. Still, good training design requires determining the trainees' needs, identifying resources so that trainees can learn what they need to know, and providing trainees with access to reference materials and knowledge bases when they encounter problems, issues, or questions on the job.

The development of a web-based training program focused on teaching managers the skills needed to run effective business meetings provides a good example of the instructional design process. The first step of the process, needs assessment, involved determining that managers lacked skills for conducting effective meetings and helped to identify the type of meetings that managers were involved in. The needs assessment process involved
interviewing managers and observing meetings. The needs assessment process also identified the most appropriate training method.

Because the managers were geographically dispersed and had easy access to computers, and because the company wanted a self-directed, self-paced program that the managers could complete during free time in their work schedule, the training designers and company management decided that web-based training was the appropriate method. Because training was going to be conducted over the web, the designers had to be sure that managers could access the web and were familiar with tools (e.g., web browsers) involved in using it. This related to determining the managers’ readiness for training.

The next step was to create a positive learning environment on the web. Designers made sure that the program objectives were clearly stated and provided trainees with opportunities within the program for exercises and feedback. For example, trainees were asked to prepare an outline for the steps they would take to conduct an effective meeting. The designers built into the program a feedback system that indicated to the managers which of the steps they outlined were correct and which needed to be changed. The designers also included assessment tests that allowed the trainees to receive feedback through the program and to skip ahead or return to earlier material based on their test scores. The assessment included a test of meeting skills that the managers completed both prior to and after completing the program. Results were stored in a data bank that the company could then use to evaluate whether trainees’ meeting skills had improved from pretraining levels.

THE FORCES INFLUENCING WORKING AND LEARNING

Table 1.1 illustrates the forces that influence working and learning. Globalization of business, demographic changes, new technologies, and economic cycles are some of the forces shown in Table 1.1 that influence all aspects of our lives—how we purchase products and services, how we learn, how we communicate with each other, and what we value in our lives and on the job. These forces are affecting individuals, communities, businesses, and society. To survive, companies must address these forces—with training playing an important role.

Economic Cycles

Today, there are many signs that the U.S. economy is healthy. The stock market recently reached record highs: The Dow Jones Industrial Average has exceeded 20,000 in 2018. Annual growth in economic output is close to 3 percent. Based on their confidence in the

<table>
<thead>
<tr>
<th>TABLE 1.1</th>
<th>Forces Influencing Working and Learning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic cycles</td>
<td></td>
</tr>
<tr>
<td>Globalization</td>
<td></td>
</tr>
<tr>
<td>Increased value placed on intangible assets and human capital</td>
<td></td>
</tr>
<tr>
<td>Focus on link to business strategy</td>
<td></td>
</tr>
<tr>
<td>Changing demographics and diversity of the workforce</td>
<td></td>
</tr>
<tr>
<td>Talent management</td>
<td></td>
</tr>
<tr>
<td>Customer service and quality emphasis</td>
<td></td>
</tr>
<tr>
<td>New technology</td>
<td></td>
</tr>
<tr>
<td>High-performance work systems</td>
<td></td>
</tr>
</tbody>
</table>
economy, many U.S. businesses are adding jobs and expanding. The labor market is at or close to full employment, with an historically low employment rate that has reached below 4 percent. For some workers, wages have increased as the economy grew, unemployment dropped, and companies experienced labor shortages. For example, pay for workers in retail jobs rose 3.8 percent in the second quarter of 2018. Skilled job candidates in high-demand fields such as information technology received competing offers with increasing pay. Regardless of wage growth, because the consumer-price inflation remains low, workers lose less of what they earned due to the rising costs of goods and services. It is important to recognize that regardless of the current economic cycle, training has been shown to positively contribute to a company's performance. For example, companies that used more selective staffing and training before the economic recession of 2009 outproduced and had better performance than competitors before the recession and recovered more quickly.²¹

However, there are several threats to economic growth.²² The Federal Reserve is faced with the challenge of how much to raise interest rates to avoid inflation or stimulating a recession when unemployment rates and economic growth move back toward their historical levels. President Trump has proposed tariffs on imports from China to try to reduce the U.S. trade deficit, which was over $502 billion in 2016 and the largest deficit in four years. He is also renegotiating the North American Free Trade Agreement (NAFTA) with Canada and Mexico. The U.S. trade deficit means that the United States imports more products than it exports to the rest of the world. President Trump believes that taking actions on trade will continue to stimulate economic growth and support U.S. jobs, especially for working-class Americans. However, the relationship between trade, economic growth, and employment is complex, and it is influenced by factors such as currency exchange rates and government spending and taxation. In fact, the United States has had trade deficits during periods of economic expansion and recession, and under high and low employment. If the United States enacts tariffs and tough trade policies, other countries may retaliate by placing tariffs on U.S. imports. This could actually hurt and not help U.S. businesses. For example, U.S. manufacturers such as John Deere and Boeing, which use imports such as aluminum and steel from other countries to make their products, would experience increased production costs, which could result in the loss of jobs. Tariffs on U.S. products would also hurt technology companies such as Apple, which has a large global market for its products, including China.

One of the implications of the current economy with low unemployment rates is that companies are unable to find employees with the skills they need to expand their operations, replace retiring employees, or keep up with increased demands for their products and services.²³ Also, valuable high-performing employees may be looking to change jobs for higher wages or better career opportunities.

As a result, companies in many industries, including hospitality, retail, and manufacturing, are having problems attracting, finding, and retaining talented employees with the skills they need. Many are using training as part of the solution. For example, consider the hospitality and retail industries.²⁴ One estimate is that there is a 70 percent annual turnover rate in hospitality jobs, which includes hotels and restaurants. A large number of employees in hospitality jobs are leaving for more attractive and better-paying jobs in other industries with more career opportunities. This has created an urgent need for hotels to take steps to attract and retain employees. One of the steps being taken by the hotel industry is to offer tuition assistance to attract, retain, and prepare new employees for managerial roles.
The American Hotel & Lodging Association and Pearson PLC are testing a new program for hotel industry employees that will cover the cost of a two-year online associate's degree and a significant portion of the cost of a bachelor's degree. Ten companies, including Red Roof Inns and Wyndham Hotels and Resorts, with a total of 50,000 employees are participating in the program.

Retail is an increasingly competitive business, with companies striving to meet customer needs at the lowest price yet attract and retain valuable employees. To avoid losing employees who otherwise might leave for a better career opportunity, Walmart has made a two-year investment of over $2.7 billion to increase workers' wages as well as provide additional training. Walmart's training for both new and experienced associates is designed to provide them with the interpersonal and business skills they need to be successful, share possible career paths they might pursue, help them understand the retail business model, and explain the reasons for the job tasks they are asked to perform. For one part of the training, Walmart has built over one hundred training academies located across the country. Associates attend classroom training, provided in rooms in the back of stores, and practical training on the floor of the store. Associates can choose to study topics such as leadership, merchandising, operations, technology, and customer service. They also receive training related to the department in which they work, such as produce. The goals of the training investment are to increase employee satisfaction and skills, which in turn lead to better customer service.

Some companies are even extending training beyond their current workforce to ensure they have employees available in the future.25 GW Plastics, based in Vermont, provides high school students with for-credit classes in advanced manufacturing at its plant. The company also has a scholarship program that pays for the cost of tuition and provides a paid internship for students earning a degree in mechanical engineering technology at Vermont Technical College. APT Manufacturing Solutions, a robotics company, created a training center at its plant that offers high school students courses they can take for college credit. APT also created an apprenticeship program. APT will pay tuition for apprentices who attend school while working 40 hours per week. Wichita, Kansas, is home to several aircraft manufacturing companies. Overall, the number of available jobs in the aircraft manufacturing industry has declined but retiring employees and the use of new manufacturing technology have created a skills gap and a labor shortage. As a result, companies such as Textron are working with local technical colleges to help ensure current and prospective employees have the necessary training for manufacturing jobs. With financial support from local companies, Wichita Area Technical College provides a tuition-free program, including courses in sheet metal assembly and composite technology.

Globalization

Many companies are involved in international markets by exporting their products overseas, building manufacturing facilities or service centers in other countries, entering into alliances with foreign companies, and engaging in e-commerce. One estimate is that developing economies and emerging markets such as those found in the BRIC nations (Brazil, Russia, India, and China) are responsible for 19 percent of the world's economy.26 Other countries such as Indonesia, Malaysia, Kenya, Columbia, and Poland, which have a growing middle class, strong infrastructure, business-friendly regulations, and stable governments, are likely new emerging markets. The importance of globalization can be seen in the recent hiring patterns
of large U.S. multinational corporations that have increased their overseas workforce, particularly in Asia. German brands Audi, BMW, and Mercedes-Benz are the top-selling luxury brands in China, but U.S. automakers are trying to take away some of their market share. Ford Motor’s Lincoln brand opened three showrooms in China in 2014, and by the end of 2016 it planned to have 60. Lincoln discovered that the customer focus was lacking in the Chinese market. So it hired Mandarin Oriental staff to train showroom salespeople in customer service. Globally, Yum! Brands opened over 2,000 restaurants in 2016, with 600 of those in China contributing over 50 percent of the company’s profits. Global companies are struggling to find and retain talented employees, especially in emerging markets. Companies are moving into China, India, eastern Europe, the Middle East, Southeast Asia, and Latin America, but the demand for talented employees exceeds the supply. Also, companies often place successful U.S. managers in charge of overseas operations, but these managers lack the cultural understanding necessary to attract, motivate, and retain talented employees. To cope with these problems, companies are taking actions to better prepare their managers and their families for overseas assignments and to ensure that training and development opportunities are available for global employees. Cross-cultural training prepares employees and their families to understand the culture and norms of the country to which they are being relocated and adjust to their home country after the assignment. Cross-cultural training is discussed in Chapter 10. For example, McDonald’s has designated Russia as its high-growth market, with more than a dozen restaurants in Siberian towns and plans to open more. When a new McDonald’s opened in Tomsk, it served 6,000 customers in the first day of operations. To train future managers in the store operations, leadership, and staff management skills needed for global expansion to be successful, McDonald’s has seven Hamburger Universities in the United States and abroad, including campuses in Oak Brook, Illinois; Sydney; Munich; London; Tokyo; São Paulo; and Shanghai. All provide training materials and tools in different languages and cultures. To successfully compete with its Indian rival, Ola, Uber is challenged to recruit and train a million new drivers in India, where most people do not drive or own a car, and few potential drivers understand English or how to use an app. The stakes are huge given the market size: India has 1.2 billion people. Uber has recruited Indians driving taxis, buses, and rickshaws; private drivers working for companies and families; and individuals who have never driven before. To be successful in India, Uber has to teach new drivers how to speak politely, dress well, and follow traffic rules. They have to check to ensure recruits have necessary licenses and other documents, teach them how to use the Uber app, and instruct them in how to use online banking so they can see if they have been paid. Uber also helps drivers lease automobiles. Uber currently has 400,000 drivers, but it wants to add 1 million in the next two years.

Mars, the global candy company (you may enjoy M&M’s or Skittles), helps interested employees develop their skills through partnerships around the world. The Mars Ambassador Program provides employees with the opportunity to share their expertise and develop skills by spending up to six weeks supporting projects managed by organizations such as the Rainforest Alliance or the World Wildlife Federation or working with local communities. For example, one Mars Ambassador team spent a week in Puerto Rico rebuilding an animal shelter. The local community benefited by being able to provide better care and quality of life for the animals. The employees learned how to work as a team in a challenging situation. Another team worked with students in Bucharest, Romania, to design and implement an energy audit for their school, which resulted in cost savings and energy conservation.
Globalization also means that employees working in the United States will come from other countries. Immigration contributes to the diversity of the U.S. population and workforce. Many U.S. industries, including high-technology, meat-packing, construction, farming, and service, rely on immigrants to perform jobs that U.S. citizens find undesirable because they require physical labor or pay low wages. Although a common belief is that most immigrants have rudimentary skills, the percentage of highly skilled immigrants now exceeds the percentage of low-skilled immigrants. There is an ongoing debate in the U.S. government about the role of both legal and illegal immigration in terrorism and the reduction of job opportunities for U.S. citizens. Over 40 million people living in the United States were born in other countries, and approximately an equal number have a foreign-born parent. More than one million immigrants come to the United States each year, and 4 out of 10 are relatives of U.S. citizens. Mexico, China, and Cuba are the leading countries of birth for lawful permanent residents or “green card” recipients, who may live and work anywhere in the United States. Another 12 percent come on work-related visas, some of which are available only for workers with exceptional qualifications in science, business, or the arts. The U.S. government also provides temporary visas to a limited number of highly educated workers, allowing them to work in the country for a set period of time but not to remain as immigrants.

Regardless, many companies would face severe hardship if they were forced to no longer rely on immigrants. A low unemployment rate means that many employers are struggling to fill both full-time and seasonal skilled and unskilled jobs. For example, the King of Texas Roofing Company has turned down projects worth millions of dollars because it can’t hire enough roofers, who come primarily from Mexico. Thousands of Mexican workers and other immigrants are needed to pick citrus crops in Florida, work in restaurants such as Tacolicious in San Francisco, and do landscaping in Colorado. Apple, Google, and other high-tech companies rely on the U.S. visa program to provide foreign employees with specialized skills needed to design software and new products, skills in short supply among U.S. workers.

One estimate is that immigrants, some of whom are illegal, will account for an additional million persons in the workforce. Immigrants provide scientific talent and fill low-wage jobs. The impact of immigration is especially large in certain areas of the United States, including the states on the Pacific Coast, where 70 percent of new entrants to the workforce are immigrants. U.S. colleges cannot keep up with the demand for engineers. To find engineers, companies have to look overseas to China, Japan, Korea, and India to hire them. The H-1B visa program is for persons in highly skilled and technical occupations requiring completion of higher education. New visas are capped at 65,000 per year, 20,000 of which are reserved for employees with U.S. master’s degrees. Some 40,000 companies submitted applications in 2016! There is no cap on H-1Bs for employees working for the government, universities, and other nonprofit institutions. The largest number of H1-B visas are issued for computer-related occupations (43 percent). Top companies for H-1B visas include Cognizant Technology Solutions, IBM, and Microsoft. Indian-owned companies such as Tata Consultancy and Wipro have the most H-1B visa approvals. Other visa programs are available for lower-skilled temporary or seasonal workers (H2-A, H2-B) who are also in short supply. Many of these immigrants will have to be trained to understand the U.S. culture. Likewise, U.S. employees will need skills to improve their ability to communicate with employees from different cultures.
Globalization also means that U.S. companies have to carefully consider the costs and benefits of moving jobs overseas or using foreign suppliers. Offshoring refers to the exporting of jobs from developed countries, such as the United States, to countries where labor and other costs are lower. India, Canada, China, Russia, Ireland, Mexico, Brazil, and the Philippines are some of the destination countries for offshored jobs. Why are jobs offshore? The reasons given for offshoring factory and other jobs often include lower labor costs and the availability of a skilled workforce with a strong work ethic. For example, Rexnord Corporation plans to close its industrial bearings factory in Indiana and move the jobs to Mexico in order to save $30 million annually. Rexnord still employs more than half of the company's workforce in the United States and has operations in Europe, Asia, and Africa. However, rather than offshoring work, reshoring, or the return of jobs to the United States, is becoming more common. There are several reasons for this, including higher product shipping costs, fear of supply chain disruptions due to natural disasters and political instability, quality concerns, negative publicity, and customer preference for U.S.-made products. Also, rising labor costs in some countries, such as China, are becoming more comparable to those in the United States. Finally, some countries' local standards for safety, health, and working conditions may be substantially lower than those in the United States, resulting in negative publicity and turning off potential customers. For example, Hanesbrands has added workers to a plant in North Carolina. Socks are knitted there and then sent to a plant in El Salvador that sews, dyes, and packages the socks. Although El Salvador has the advantage on labor costs, electricity costs in North Carolina are much lower. Also, having plants in both places provides a backup in case of problems. Peds Legwear also makes socks in North Carolina, allowing the company to avoid import taxes, cut shipping costs, and respond faster to shifts in demand. Plus, selling socks made in the United States was a major reason Walmart contracted with the company.

Apple Inc. is known for introducing revolutionary and functional products such as the iPhone, the Mac Air computer, and the iPad. Apple relies on manufacturing partners in Asia to build its products and has been criticized by labor groups who have challenged how its manufacturing partners in Asia have treated their employees. Apple has taken this criticism seriously and is auditing its suppliers and manufacturing facilities to take steps to reduce, if not eliminate, the illegal and poor treatment of workers who assemble or provide materials for any of its products. Apple’s Suppliers Code of Conduct focuses on ensuring that its partners don’t hire underage workers, provide adequate training and safe working conditions, and pay fair wages. Three million people were trained in these workforce protections in 2017.

Increased Value Placed on Intangible Assets and Human Capital

Training and development can help a company’s competitiveness by directly increasing the company’s value through contributing to intangible assets. A company's value includes three types of assets that are critical for the company to provide goods and services: financial assets (cash and securities), physical assets (property, plant, equipment), and intangible assets. Table 1.2 provides examples of intangible assets, which consist of human capital, customer capital, social capital, and intellectual capital. Human capital refers to the sum of the attributes, life experiences, knowledge, inventiveness, energy, and enthusiasm that the company’s employees invest in their work. Intellectual capital refers to the codified knowledge that exists in a company. Social capital refers to relationships among employees in the company. Customer capital refers to the value of relationships with persons or other
### Table 1.2
**Examples of Intangible Assets**

<table>
<thead>
<tr>
<th>Human Capital</th>
<th>Customer Capital</th>
<th>Social Capital</th>
<th>Intellectual Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tacit knowledge</td>
<td>Customer relationships</td>
<td>Corporate culture</td>
<td>Patents</td>
</tr>
<tr>
<td>Education</td>
<td>Brands</td>
<td>Management philosophy</td>
<td>Copyrights</td>
</tr>
<tr>
<td>Work-related know-how</td>
<td>Customer loyalty</td>
<td>Management practices</td>
<td>Trade secrets</td>
</tr>
<tr>
<td>Work-related competence</td>
<td>Distribution channels</td>
<td>Informal networking systems</td>
<td>Intellectual property</td>
</tr>
</tbody>
</table>


Organizations outside the company for accomplishing the goals of the company (e.g., relationships with suppliers, customers, vendors, and government agencies). Intangible assets are equally as valuable as financial and physical assets, but they are not something that can be touched and they are nonmonetary.

Intangible assets have been shown to be responsible for a company’s competitive advantage. Several studies show that investments in training and development lead to increases in financial performance, productivity, and innovation. The American Society for Training and Development (ASTD) found that companies that invested the most in training and development had a shareholder return that was 86 percent higher than companies in the bottom half and 46 percent higher than the market average. Training and development have a direct influence on human and social capital because they affect education, work-related know-how and competence, and work relationships. Training and development can have an indirect influence on customer and social capital by helping employees better serve customers and by providing them with the knowledge needed to create patents and intellectual property.

As mentioned earlier in the chapter, intangible assets such as human capital also contribute to a company’s competitive advantage because they are difficult to duplicate or imitate. For example, Blue Apron, a company that delivers the fresh ingredients and cooking instructions its customers need to prepare delicious meals, puts a great deal of effort into developing human capital, social capital, and customer capital. Blue Apron hosts a wine happy hour that brings customers together to help build friendships, facilitate networking, and introduce wines the company is selling that month as part of its meal delivery subscription. Full-time employees attend an annual camping trip, which often involves visiting...
a farm to see where its ingredients are grown. Blue Apron provides leadership training programs for every level of manager within the company. The training programs focus on how managers want to develop as leaders, how they can help their employees develop, and how to lead across the organization.

Chapters Seven, Eight, and Nine discuss specific training and development activities that contribute to the development of human and social capital. How to measure human capital is explained in Chapter Six, "Training Evaluation." The value of intangible assets and human capital has three important implications:

1. A focus on knowledge workers.
2. Employee engagement.
3. An increased emphasis on adapting to change and continuous learning.

**Focus on Knowledge Workers**

One way that a company can increase its intangible assets, specifically human capital, is by focusing on attracting, developing, and retaining knowledge workers. Knowledge workers are employees who contribute to the company not through manual labor, but through what they know, perhaps about customers or a specialized body of knowledge. Employees cannot simply be ordered to perform tasks; they must share knowledge and collaborate on solutions. Knowledge workers contribute specialized knowledge that their managers may not have, such as information about customers, and managers depend on these knowledge workers to share that information. Knowledge workers have many job opportunities. If they choose, they can leave a company and take their knowledge to a competitor. Knowledge workers are in demand because of the growth of jobs requiring them.

**Employee Engagement**

To fully benefit from employee knowledge requires a management style that focuses on engaging employees. Employee engagement refers to the degree to which employees are fully involved in their work and the strength of their commitment to their job and the company.\(^48\) Employees who are engaged in their work and committed to their companies give those companies a competitive advantage, including higher productivity, better customer service, and lower turnover.

Perhaps the best way to understand engagement is to consider how companies measure employee engagement. Companies measure employees' engagement levels with attitude or opinion surveys. Although the types of questions asked on these surveys vary from company to company, research suggests the questions generally measure themes such as pride in the company, satisfaction with the job, prospects for future growth with the company, and opportunity to perform challenging work.\(^49\) How do we know if an employee is engaged? An engaged employee is passionate about his work, is committed to the company and its mission, and works hard to contribute. Engagement survey results show that only 33 percent of U.S. employees are engaged in their work, 51 percent are not engaged, and 16 percent are actively disengaged.\(^50\) Actively disengaged employees cost the United States billions of dollars every year in lost productivity.

Consider how Echo Global Logistics, Adobe, Whole Foods, and Timberlane support employee engagement.\(^51\) Echo Global Logistics uses a Facebook-like application to allow employees to provide positive feedback and badges to other employees. The application
gives employees the ability to use sayings in their feedback to each other that reflect Echo’s values, such as “Bring Your Own,” which refers to employees bringing their best effort to work. The use of the sayings as part of employees’ feedback to each other has resulted in their increased attention to company values. The application also has a survey function that can be used to measure employee engagement and track improvements. The surveys can be administered weekly or even daily, which allows the company to take fast action to implement necessary improvements. The surveys ask employees to respond to statements such as, “I can see a link between my performance and total compensation,” “Echo operates by strong values and ethics,” and “There is good teamwork across departments.” Adobe Systems’s engagement survey includes questions asking employees to rate their job satisfaction, opportunities for advancement, and compensation and benefits. The company uses engagement surveys to learn if employees feel they can be themselves at work, are encouraged to be creative, and if they have had career development conversations with their manager. The survey also provides insight into whether benefits offered by Adobe—including six months of paid parental leave, the ability to work part-time, and the availability of a sabbatical—contribute to high levels of employee engagement. Whole Foods supports engagement by allowing employee teams to make recommendations about whether new hires should be hired permanently at the end of their probationary period. Timberlane uses results from a test of employees’ preferences to match them with the tasks they are most interested in and comfortable performing.

**Emphasis on Change and Continuous Learning**

In addition to acquiring and retaining knowledge workers, companies need to be able to adapt to change. **Change** refers to the adoption of a new idea or behavior by a company. Technological advances, changes in the workforce or government regulations, globalization, and new competitors are among the many factors that require companies to change. Change is inevitable in companies as products, companies, and entire industries experience shorter life cycles. For example, Hilton Worldwide is faced with the business challenge of adopting technology to create operational efficiency and engage with its hotel guests from when they book their stay to when they check out. Training plays a key role in supporting Hilton’s decision to use technology to help increase its market share. More than 80,000 front desk staff and managers in 4,400 hotels have to become familiar with Digital Check-in, an app that customers can use to make reservations, choose their room, and check in with their mobile devices. Hilton is using a blended training approach that includes short games, job aids, and quick reference guides available using a computer or smartphone. Front desk employees and managers have to achieve a 100 percent score to complete the training. So far, 67,000 have completed the training. The use of technology for training delivery and instruction meshes nicely with the use of the innovative Digital Check-in app. The characteristics of an effective change process are discussed in Chapter Two, “Strategic Training.”

A changing environment means that all employees must embrace a philosophy of learning. A **learning organization** embraces a culture of lifelong learning, enabling all employees to acquire and share knowledge continually. Improvements in product or service quality do not stop when formal training is completed. Employees must have financial, time, and content resources (such as courses, experiences, and development opportunities) available to increase their knowledge. Managers take an active role in identifying training needs and
helping to ensure that employees use training in their work. Also, employees are actively encouraged to share knowledge with colleagues and other work groups across the company using e-mail and the Internet. Lupin Limited, a global pharmaceutical company, makes information available to all employees through the company's intranet. This helps create a company culture that emphasizes continuous learning, knowledge sharing, and the development of an organizationwide knowledge base. Information can be searched for by keyword or by reviewing a list of projects. Chapter Five, "Program Design," discusses learning organizations and knowledge management in detail. For a learning organization to be successful, teams of employees must collaborate to meet customer needs. Managers need to empower employees to share knowledge, identify problems, and make decisions, which allows the company to experiment and improve continuously.

Social collaboration and social networking technology are helping employees share knowledge and contribute to the development of a learning organization. CareSource uses wikis (websites with content created by users) and discussion boards to encourage employees to engage in critical thinking and learn from each other by sharing ideas about how to apply skills that they have acquired in formal training programs. Coldwell Banker encourages its real estate professionals to develop and share videos of the best sales techniques using the company's video portal. Coldwell Banker also uses communities of practice to encourage employees to share best practices and provide insights on how to best approach specific types of job assignments. inVentiv Health (now part of Syneos Health) uses tools on Facebook to help sales employees share information and update lessons learned.

Focus on Link to Business Strategy
Given the important role that intangible assets and human capital play in a company's competitiveness, managers are beginning to see a more important role for training and development as a means to support a company's business strategy—that is, its plans for meeting broad goals such as profitability, market share, and quality. Managers expect training and development professionals to design and develop learning activities that will help the company successfully implement its strategy and reach business goals. Strategic training is discussed in greater detail in Chapter Two.

Changing Demographics and Diversity of the Workforce
In the United States the Bureau of Labor Statistics (BLS), an agency of the Department of Labor, tracks changes in the composition of the U.S. labor force and forecasts trends. Companies face several challenges as a result of increased demographics and diversity of the workforce. Population is the single most important factor in determining the size and composition of the labor force, which is composed of people who are either working or looking for work. The civilian labor force is projected to increase by 11.5 million between 2016 and 2026, reaching close to 168 million by 2026. The workforce will be older and more culturally diverse than at any other time in the past 40 years.

Increase in Ethnic and Racial Diversity
Between 2016 and 2026, the U.S. labor force will continue to grow more ethnically and racially diverse due to immigration, increased participation of minorities in the workforce, and higher minority fertility rates. Between 2016 and 2026, the projected annual growth
rates are higher for Hispanics (2.7 percent) and Asians (2.5 percent) than for African Americans and other groups. By 2026, the workforce is projected to be 76 percent white, 12 percent African American, 7 percent Asian, and 4 percent other ethnic or cultural groups. By 2026, 53 percent of the labor force will be men and 47 percent will be women. Not only must companies face the issues of race, gender, ethnicity, and nationality to provide a fair workplace, but they must also develop training programs to help immigrants acquire the technical and customer service skills required in a service economy.

**Aging Workforce**

Figure 1.3 compares the projected distribution of the age of the workforce in 2016 and 2026. In 2018, baby boomers will be 57 to 70 years old, and this age group will grow significantly by 2026. The labor force will continue to age. The 55-and-older age group is expected to grow by approximately 6 million to 42 million in 2026, representing an 8 percent increase between 2016 and 2026. The median age of the labor force in 2026, 42.3 years, will be the highest ever recorded. By 2026 baby boomers will be from 62 to 80 years old. As a result, a large number of them will have moved out of the labor force. However, many will continue to work more years because individuals are leading healthier and longer lives than in the past, providing the opportunity to work more years. In addition, the high cost of health insurance and decrease in health benefits will cause many employees to keep working to maintain their employer-based insurance or will prompt them to return to work after retirement to obtain health insurance through their employer. Also, the trend toward pension plans based on individuals' contributions rather than years of service will provide yet another incentive for older employees to continue working.

The aging population means that companies are likely to employ a growing share of older workers—many of them in their second or third careers. Older people want to work, and many say they plan a "working retirement." Despite myths to the contrary, worker
performance and learning in most jobs is not adversely affected by aging. Older employees are willing and able to learn new technology. An emerging trend is for qualified older employees to ask to work part-time, or for only a few months at a time, as a means of transitioning to retirement. Employees and companies are redefining what it means to be retired to include second careers, as well as part-time and temporary work assignments.

**Generational Differences**

Five generations are represented in the workforce, each one with unique and similar characteristics to the others. In Table 1.3, the year born, nicknames, and ages of each generation are shown. Consider some of the attributes that are believed to characterize each generation. For example, members of Generation Z, born after 1995, have started to graduate from college and are already part of the workforce. They are digital natives and are more attached to mobile phones and tablets for learning and connecting with others than are millennials. Generation Z may be more entrepreneurial than other generations and more interested in meaningful work than money. They likely lack basic job skills because they were unable to get jobs during the recession when they were teenagers. With baby boomers retiring, this generation will have many job and career opportunities. Generation Z workers want a work environment in which they can have instant communication and access to answers.

Millennials grew up with diversity in their schools and were coached, praised, and encouraged for participation rather than accomplishment by their baby boomer parents. Millennials are characterized as being optimistic, willing to work and learn, eager to please, self-reliant, globally aware, and in favor of diversity and teamwork. They are also believed to have high levels of self-esteem. Millennials are a highly educated and technologically connected group who approach the workplace with the mentality “What’s in it for me?” They are the generation most likely to switch jobs and be on the lookout for new opportunities. Millennials want to understand how they fit in with their jobs, teams, and companies. They look for work that fuels their sense of purpose and makes them feel important. They do not feel close ties to their jobs or the brands to which they give their money.

For millennials, opportunities to learn and grow are very important. Some believe that because they lived through the recession, which saw their parents lose jobs and the value of their retirement savings, they are motivated to engage in development opportunities to improve their skills and make them employable regardless of the economy. According to a recent Gallup survey, 87 percent of millennials rate professional or career growth and development opportunities as important to them in a job (recall from the chapter opener how Amazon, Taco Bell, and Lincoln Financial are providing development opportunities for millennials). More than one-third of millennials report that their most recent learning

<table>
<thead>
<tr>
<th>Year Born</th>
<th>Generation</th>
<th>Ages</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925–45</td>
<td>Traditionalists Silent generation</td>
<td>&gt;73</td>
</tr>
<tr>
<td>1946–64</td>
<td>Baby boomers</td>
<td>54–72</td>
</tr>
<tr>
<td>1965–80</td>
<td>Generation X</td>
<td>38–53</td>
</tr>
<tr>
<td>1981–95</td>
<td>Millennials Generation Y Echo boomers</td>
<td>23–37</td>
</tr>
<tr>
<td>1996–</td>
<td>Generation Z Digital natives</td>
<td>&lt;22</td>
</tr>
</tbody>
</table>
opportunity at work wasn’t worth their time and 60 percent say they are open to considering a new job.\textsuperscript{64}

Generation Xers grew up during a time when the divorce rate doubled, the number of women working outside the home increased, and the personal computer was invented. They were often left on their own after school (latchkey kids). They value skepticism, informality, and practicality; seek work/life balance; and dislike close supervision. They tend to be impatient and cynical. They have experienced change all of their lives (in terms of parents, homes, and cities).

Baby boomers, the “Me” generation, marched against the “establishment” for equal rights and an end to the Vietnam War. They value social conscientiousness and independence. They are competitive, hard working, and concerned with the fair treatment of all employees. They are often considered to be workaholics and rigid in conforming to rules.

Traditionalists grew up during the Great Depression and lived during World War II. They tend to value frugality, are patriotic and loyal, adhere to rules, are loyal to employers, and take responsibility and make sacrifices for the good of the company.

It is important to note that although generational differences likely exist, members of the same generation are no more alike than members of the same gender or race. This means that you should be cautious in attributing differences in employee behaviors and attitudes to generational differences or expecting all employees of a generation to have similar values. Research suggests that the generations of employees have similarities as well as differences.\textsuperscript{65} Although differences in work ethic have been found among baby boomers, Generation Xers, and millennials, millennial employees are more similar than different from other generations in their work beliefs, job values, and gender beliefs. Most employees view work as a means to more fully use their skills and abilities, meet their interests, and live a desirable lifestyle. They also value work/life balance, meaning flexible work policies are necessary to allow them to choose where and when work is performed.

Nonetheless, members of each generation may have misperceptions of each other, causing tensions and misunderstanding in the workplace.\textsuperscript{66} For example, Generation Xers who will be managing Generation Z employees may become irritated by having to answer Generation Z employees’ questions about why they are expected to perform a job a certain way and by their employees’ preference for instant feedback and praise when they get work completed. Millennials may think Generation X managers are bitter, jaded, abrasive, uninterested in them, and poor delegators. In turn, Generation X managers may consider their millennial employees too needy for attention, demanding, and overly self-confident. Millennials might believe that baby boomers are too rigid and follow company rules too closely. They believe employees in the older generations have been too slow in adopting social media tools and that they overvalue tenure rather than knowledge and performance. Traditionalists and baby boomers believe that millennials don’t have a strong work ethic because they are too concerned with work/life balance. Also, members of the younger generations may resent baby boomers and traditionalists who are working longer before retiring, blocking promotions and career moves. We will discuss the potential implications of generational differences for training and development in Chapters Four and Five.

Companies can use increased diversity to gain a competitive advantage. Important outcomes expected from diversity practices include improved public image of the company, improved financial bottom line, decreased complaints and litigation, and retention and recruitment of a diverse workforce.\textsuperscript{67}
Training plays a key role in ensuring that employees accept and work more effectively with each other. To successfully manage a diverse workforce, managers and employees must be trained in a new set of skills, including:

1. Communicating effectively with employees from a wide variety of backgrounds.
2. Coaching, training, and developing employees of different ages, educational backgrounds, ethnicities, physical abilities, and races.
3. Providing performance feedback that is free of values and stereotypes based on gender, ethnicity, or physical handicap.
4. Training managers to recognize and respond to generational differences.
5. Creating a work environment that allows employees of all backgrounds to be creative and innovative.  

Consider the programs that several companies are offering to capitalize on older employees' skills and accommodate their needs, provide training and development opportunities that appeal to a diverse workforce, and cope with generational differences. Many of these programs are a part of companies' efforts to manage diversity, which we will discuss in more detail in Chapter 10.

CVS/pharmacy has stores in every climate and region in the United States. CVS created its Snowbirds Program to allow older employees to move among locations according to their preferences. This is especially important for older employees who spend winters in the southern states and summer in the northern states. More than 1,000 employees, including retail clerks, pharmacists, and managers, have participated in the program. Scripps Health has equipped patient rooms with lifts to assist all employees, but especially older workers, in moving patients from beds to wheelchairs, helping them to sit up, and changing their position in bed. The National Institutes of Health (NIH) offers two phased-retirement programs that allow employees to choose to either gradually transition to retirement by reducing hours or enter into a trial-retirement program that allows retirees to return to work within one year of retiring in case they decide they aren't ready to leave the workforce. This helps ease their transition out of the job and workplace but provides them time to share their knowledge and help train other employees to take their jobs.

Consider Microsoft's approach to diversity, which focuses on its employees, culture, suppliers, and customers. To find the best and brightest employees, Microsoft has expanded the universities, conferences, and events from which it recruits new employees to include the National Society of Black MBAs, the National Society of Hispanic MBAs, Out and Equal, and Recruit Military Expo. To support universities' and high schools' information technology curriculum and to develop opportunities for women and minorities, the company has formed partnerships with traditionally women's schools, historically black colleges and universities, and Hispanic-serving institutions. Also, through its DigiGirlz program and Blacks at Microsoft Minority Student Day, the company exposes diverse high school students to the high-tech work world. A diverse culture is supported in several ways. Current employees can participate in resource groups including those for parents, Asians, Blacks, Hispanics and Latinos, women, the LGTQ community, and the physically challenged. Training courses on topics such as managing diversity, how to build an inclusive culture, and understanding unconscious bias are available for all employees and managers. Microsoft offers flexible work policies to help employees balance work and life. These include resource and
referral services as well as generous maternity and paternity leave policies. On the customer side, Microsoft has spent more than $2 billion with suppliers that are minority-, women-, or veteran-owned or owned by persons with disabilities. Also, Microsoft is developing technology that contributes to diversity by removing barriers between people. For example, the Kinect Sign Language Translator eliminates communication barriers by enabling speech-to-sign-language translation.

EY, the accounting and professional services company formerly known as Ernst and Young, is taking actions to meet millennials and Generation Z employees’ needs for constant technology-aided learning, job flexibility, more frequent feedback, and opportunities to develop high-demand skills. For example, EY’s performance evaluation system provides opportunities for managers and teams to have daily digital conversations. In the EY Badges program employees can earn credentials for demonstrating mastery in high-demand skills related to artificial intelligence and robotics. Badges can also be earned by publishing a paper, helping colleagues, or volunteering in the community. EY employees can publicly demonstrate their accomplishments by posting the badges they earn on their Facebook or LinkedIn pages.

Talent Management

Talent management refers to the systematic, planned, and strategic effort by a company to use bundles of human resource management practices, including acquiring and assessing employees, learning and development, performance management, and compensation, to attract, retain, develop, and motivate highly skilled employees and managers. Talent management is becoming increasingly more important because of changes in demand for certain occupations and jobs, new skill requirements, the anticipated retirement of the baby boomer generation, and the need to develop the managerial talent and skills of the next generation of company leaders. Also, the results of surveys suggest that opportunities for career growth, learning, and development and the performance of exciting and challenging work are some of the most important factors in determining employees’ (especially millennials’) engagement and commitment to their current employer.

BNSF Railway, the largest freight railroad in North America, recognizes that developing and promoting talent from within the company is critical for business success because of the technical nature of the work, the complicated operating environment, and the company's desire to maintain its strong culture. BNSF Railway uses programs and processes to develop its internal talent, including an internship and management training program that starts with college and graduate school hires, regular department level discussions of top talent and talent movement, and development plans matched to each employee's development needs and desired career path. The emphasis on talent has paid off: 38 percent of the company's top talent received a development move or promotion and 96 percent of its top 500 leadership positions have been filled with internal talent. To develop and retain millennial employees, Miami Children's Health System is assigning projects that expose millennials to senior leaders. One of the projects involved having clinical staff members work with the learning and development team to create short videos showing operating procedures. The staff members received a financial reward for their work and were recognized in an internal newsletter. Millennials are also asked to attend town hall meetings and small discussion groups where they can interact with the chief operations officer, vice presidents, and other senior leaders.
Changes in Demand for Occupations and Jobs

Approximately 46.5 million job openings are expected, with more than three-fourths resulting from the need to replace workers who retire or leave an occupation. Most new jobs added between 2016 and 2026 will be in service-providing occupations. Health-care support and practitioner occupations are projected to be the fastest-growing occupational groups and contribute the most new jobs (one out of four new jobs) from 2016 to 2026. All other occupations are expected to add jobs between 2016 and 2026 except for production and forestry, farming, and fishing.

Table 1.4 shows 10 of the 30 fastest-growing occupations projected between 2016 and 2026. Of the 30 fastest-growing occupations, 16 are related to health care and related occupations (such as home health-care aid, personal care aids, physicians assistants, and nurse practitioners). Other occupations in the top 30 are energy-related or computer and information technology occupations. Eighteen of the 30 fastest-growing occupations require some type of post-secondary education. The growth in health care reflects the inpatient and outpatient medical care that is needed for the aging U.S. population. Computer occupations

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Employment Change 2016</th>
<th>Number (to nearest thousands)</th>
<th>Percent</th>
<th>Most Significant Education or Training</th>
<th>Median Annual Wages, May 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solar photovoltaic installers</td>
<td></td>
<td>12</td>
<td>105</td>
<td>High school diploma or equivalent</td>
<td>$39,240</td>
</tr>
<tr>
<td>Wind turbine service technicians</td>
<td></td>
<td>6</td>
<td>96</td>
<td>Post-secondary non-degree; Long-term on the job training</td>
<td>$52,260</td>
</tr>
<tr>
<td>Home health aids</td>
<td></td>
<td>431</td>
<td>47</td>
<td>High school diploma or equivalent; Short-term, on-the-job training</td>
<td>$22,600</td>
</tr>
<tr>
<td>Personal care aids</td>
<td></td>
<td>778</td>
<td>39</td>
<td>High school diploma or equivalent; Short-term, on-the-job training</td>
<td>$21,920</td>
</tr>
<tr>
<td>Physician assistants</td>
<td></td>
<td>40</td>
<td>37</td>
<td>Master’s degree</td>
<td>$101,480</td>
</tr>
<tr>
<td>Nurse practitioners</td>
<td></td>
<td>56</td>
<td>36</td>
<td>Master’s degree</td>
<td>$100,910</td>
</tr>
<tr>
<td>Statisticians</td>
<td></td>
<td>13</td>
<td>34</td>
<td>Master’s degree</td>
<td>$80,500</td>
</tr>
<tr>
<td>Physical therapy assistants</td>
<td></td>
<td>27</td>
<td>31</td>
<td>Associate’s degree</td>
<td>$56,610</td>
</tr>
<tr>
<td>Software developers, applications</td>
<td></td>
<td>255</td>
<td>31</td>
<td>Bachelor’s degree</td>
<td>$100,080</td>
</tr>
<tr>
<td>Mathematicians</td>
<td></td>
<td>1</td>
<td>30</td>
<td>Master’s degree</td>
<td>$105,810</td>
</tr>
</tbody>
</table>

are expected to see job growth as the demand increases for artificial intelligence, robots, and other technologies. The expected increase in energy prices will drive growth for energy occupations—especially those related to oil and gas extraction and solar power.

**Retirement of Baby Boomers**

As the oldest baby boomers continue to retire in the next several years, the implications for the workforce could be enormous. This could hinder prospects for economic growth and put a greater burden on those remaining in the workforce, perhaps forcing them to work longer hours. Especially in occupations with functions less conducive to technology-driven productivity innovations—many jobs in health services and educational services, for example—quality of service may suffer and needs could go unmet unless older workers can be retained or other sources of workers can be found. Even in occupations in which technological innovations have produced relatively large productivity gains—many of the more complex machining jobs in manufacturing, for example—the learning curves often are steep, meaning that new workers need to enter these occupations soon, so they can become proficient in the necessary skills by the time the baby boomers begin leaving the labor force.

It is also important for companies to try to capture the valuable knowledge that is leaving. Consider how Asian Paints and ConocoPhillips are trying to capture this knowledge. Asian Paints, a paint company in India, encourages employees to use their social network to share best practices and new ways to support dealers. The sales team uses this information to find and apply these practices to current challenges they are facing. This means that when an experienced salesperson retires or leaves the company their knowledge is not lost. ConocoPhillips, a multinational petrochemical company, uses wikis to capture knowledge from all employees, including retirees. Many of the company’s retirees come back to work part-time. They review the information on the company wiki, identify gaps in missing knowledge, and provide content. Their experiences provide the “how,” “what,” and “why” that give context to the wiki content. ConocoPhillips also uses mentoring programs, pairing up less-experienced employees with more senior employees to facilitate knowledge sharing.

**Skill Requirements**

As the jobless rates fall and business grows, employers in many industries such as construction and manufacturing and particularly small businesses are having difficulty finding qualified workers. Unskilled, assembly-line work is being replaced with advanced manufacturing jobs that require hard to find computer, information technology, or other technical knowledge and skills. In many of today’s jobs, especially those in the service sector, routine tasks have been automated or outsourced. Kyocera SGS Precision Tools, an Ohio company, has half the employees it had 20 years ago but produces twice as much due to computer-assisted manufacturing tools and higher skilled employees. The company is struggling to find maintenance technicians with the electrical and mechanical skills needed to keep equipment running. There is especially a shortage of employees with STEM skills. STEM skills refer to skills in science, technology, engineering, and math. Many available workers also lack “soft skills,” including the ability to communicate clearly, take the initiative, problem solve, get along with peers, and interact with customers. Further, the variety and customization of products and services many companies offer require employees to be creative and good problem solvers. Also, continuous innovation requires the ability to learn.
Several studies illustrate the skills deficit that U.S. companies are experiencing.\textsuperscript{81} Skills deficits are not limited to any one business sector, industry, or job. Nearly half of CEOs of U.S. businesses believe that a significant skills gap exists that will result in loss of business, loss of revenue, decreased customer satisfaction, or a delay in new products or services. The Manufacturing Institute found that 80 percent of manufacturers report a moderate or serious shortage of qualified applicants for skilled and highly skilled production positions. One estimate is that 60 percent of manufacturing job openings in the next 10 years are likely to be unfilled due to the lack of employees with the necessary skills. The Organisation for Economic Co-operation and Development (OECD) found that the United States ranked 21 out of 23 countries in math and 17 out of 19 countries in problem solving. But skills deficits are not just a problem facing U.S. companies. They are occurring around the world. For example, in Italy and Spain nearly 3 out of 10 adults perform at or below the lowest proficiency level in literacy and numerical ability. One study found that, regardless of their education level, only half the companies surveyed rated new employees as adequately prepared for work. Companies' greatest basic skills needs were in reading, writing, and math. Many employers also feel that they are having a difficult time finding employees with the right "soft skills" such as work ethic, teamwork, and communications that they believe are more important for success on the job than job-specific or "hard skills" such as blueprint reading or writing. Interpersonal skills, the ability to learn, creativity, and problem solving are especially important in the service economy because employees have responsibility for the final product or service provided.

This shortage of qualified workers means that employers are faced with the undesirable option of leaving jobs unfilled, which can limit their production and growth. A more plausible option that many companies are choosing is to hire employees who lack the complete skill set needed for the job, relying on training to develop the skills. Consider the skills shortage facing several companies and how they are using training to ensure they have the skills they need.\textsuperscript{82} Despite India having thousands of engineering and vocational school graduates, students lack the skills and training Indian companies need to fulfill contracts to make parts for helicopters and aircraft for foreign firms such as Boeing, Airbus Group, and Alstom. As a result, companies that supply those parts, such as Tata Advanced Systems, have had to invest in training facilities or send workers to other countries to learn.

To prepare employees with the skills they need, manufacturing companies are getting involved in training partnerships with federal- and state-sponsored and -funded organizations. For example, Kentuckiana Works is a regional job services group for the Louisville, Kentucky, region that offers education and training courses and helps students get jobs.\textsuperscript{83} Kentuckiana Works has worked with local employers Cardinal Aluminum, Ford Motor, and Kellogg to design certified production technical training. Slightly more than half of the students who start the program finish it, but those who do are quickly hired.

Some companies are relying on training of hard-to-employ individuals, such as recently released criminal offenders, to provide the skills they need to fill open positions. Kogok Corporation, a Maryland company that manufactures and installs heating and cooling ductwork for businesses, hired a recently released offender who spent 17 years in prison for murder.\textsuperscript{84} After being released from prison, the ex-offender had a retail job but lost it when a background check revealed his criminal history. He developed the skills needed to work as a sheet mechanic through participating in a construction training program offered by the city of Baltimore's Jump Start program.
Developing Leadership

Companies report that the most important talent management challenges they face are identifying employees with managerial talent and training and developing them for managerial positions. This is attributed to the aging of the workforce, globalization, and the need for managers to contribute to employee engagement. Executive, administrative, and managerial occupations will experience the greatest turnover due to death or retirement. Also, many companies do not have employees with the necessary competencies to manage in a global economy. To successfully manage in a global economy, managers need to be self-aware and be able to build international teams, create global management and marketing practices, and interact and manage employees from different cultural backgrounds. Managers contribute to employee engagement by performing basic management functions (planning, organizing, controlling, and leading) but also through using good communication skills, helping employees develop, and working collaboratively with employees.

A number of surveys suggest that millennials are interested in opportunities for career progression, including becoming managers and leaders, and they are significantly more likely to want formal leadership development opportunities than employees from other generations. Employees from all generations have strengths and weaknesses in management skills. Millennials are strong in adaptability and customer focus. They are similar to Generation Xers in important leadership and interpersonal skills, including developing others, gaining commitment, and communicating. To be effective managers and leaders, millennials need to develop their decision making and planning and organizing skills and learn how to set high work standards.

As result, many companies, including General Electric and Sherwin-Williams, are taking steps to retain talented millennials and develop their management skills. For example, General Electric provides job rotation for managers, which helps them gain experience working with different senior managers and different business units. This meets millennials' needs for growth experience and networking while developing skills needed to successfully respond to different types of customers and job challenges. Similarly, Sherwin-Williams, a company that manufactures paint and sells it through its retail stores, recognized that it had been losing its manager trainees at a high rate. Using data collected from surveys and interviews, it found that trainees did not feel included and engaged. To solve this problem, Sherwin-Williams developed a new career-progression model. Performance reviews with manager trainees will now occur every six months instead of once at the end of the year, which helps provide them with more feedback and the opportunity to receive pay raises every six months. Also, district managers will now conduct regular career discussions with trainees to discuss their long-term goals. During their initial two-year training period, new employees will have more opportunities to try different roles in the company, including working with sales representatives and different types of stores, such as those specializing in floor coverings and providing commercial services for building contractors.

Customer Service and Quality Emphasis

A company's customers judge its quality and performance. As a result, customer excellence requires attention to product and service features, as well as to interactions with customers. Customer-driven excellence includes understanding what the customer wants, anticipating future needs, reducing defects and errors, meeting specifications, and reducing complaints.
How the company recovers from defects and errors is also important for retaining and attracting customers.

Due to the increased availability of information and competition, consumers are very knowledgeable and expect excellent service. This presents a challenge for employees who interact with customers. The way in which clerks, sales staff, front-desk personnel, and service providers interact with customers influences a company's reputation and financial performance. Employees need product knowledge and service skills, and they need to be clear about the types of decisions they can make when dealing with customers. Customer service as a strategic training and development initiative is discussed in Chapter Two.

To compete in today's economy, whether on a local or global level, companies need to provide a quality product or service. If companies do not adhere to quality standards, their ability to sell their product or service to vendors, suppliers, or customers will be restricted. Some countries even have quality standards that companies must meet to conduct business there. Total Quality Management (TQM) is a companywide effort to continuously improve the ways in which people, machines, and systems accomplish work. Core values of TQM include the following:

- Methods and processes are designed to meet the needs of internal and external customers.
- Every employee in the company receives training in quality.
- Quality is built into a product or service so that errors are prevented from occurring rather than being detected and corrected.
- The company promotes cooperation with vendors, suppliers, and customers to improve quality and hold down costs.
- Managers measure progress with feedback based on data.

There is no universal definition of quality. The major differences in its various definitions relate to whether the customer, product, or manufacturing process is emphasized. For example, consider the different emphasis of quality experts W. Edwards Deming and Phillip Crosby. Deming emphasizes how well a product or service meets customer needs. Crosby's approach emphasizes how well the service or manufacturing process meets engineering standards.

The emphasis on quality is seen in the establishment of the Malcolm Baldrige National Quality Award and the ISO 9000:2000 quality standards. The Baldrige award, created by public law, is the highest level of national recognition for quality that a U.S. company can receive. The award is given annually. To become eligible for the Baldrige, a company must complete a detailed application that consists of basic information about the firm and an in-depth presentation of how it addresses specific criteria related to quality improvement. The categories and point values for the Baldrige Award are found in Table 1.5. The award is not given for specific products or services. Organizations can compete for the Baldrige Award in one of several categories, including manufacturing, service, small business, education, health care, and nonprofit. The Baldrige Award is given annually in each of the categories, with a total limit each year of 18 awards. All applicants for the Baldrige Award undergo a rigorous examination process that takes from 300 to 1,000 hours. Applications are reviewed by an independent board of about 400 examiners who come primarily from the private sector. Each applicant receives a report citing company strengths and opportunities for improvement.
<table>
<thead>
<tr>
<th>Leadership</th>
<th>120</th>
</tr>
</thead>
<tbody>
<tr>
<td>The way senior executives create and sustain vision, values, and mission; promote legal and ethical behavior; create a sustainable company; and communicate with and engage the workforce</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Measurement, Analysis, and Knowledge Management</th>
<th>90</th>
</tr>
</thead>
<tbody>
<tr>
<td>The way the company selects, gathers, analyzes, manages, and improves its data, information, and knowledge assets</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategic Planning</th>
<th>85</th>
</tr>
</thead>
<tbody>
<tr>
<td>The way the company sets strategic direction, how it determines action plans, how it changes strategy and action plans if required, and how it measures progress</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Workforce Focus</th>
<th>85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company's efforts to develop and utilize the workforce to achieve high performance; how the company engages, manages, and develops the potential of the workforce in alignment with company goals</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operations Focus</th>
<th>85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design, management, and improvement of work systems and work processes to deliver customer value and achieve company success and sustainability</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>450</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company's performance and improvement in key business areas (product, service, and supply quality; productivity; and operational effectiveness and related financial indicators)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Focus</th>
<th>85</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company's knowledge of the customer, customer service systems, current and potential customer concerns, customer satisfaction and engagement</td>
<td></td>
</tr>
</tbody>
</table>

| Total Points | 1,000 |

The Baldrige Award winners usually excel at human resource practices, including training and development. For example, consider Don Chalmers Ford, a 2016 Award winner, and Bristol Tennessee Essential Services, a 2017 Award winner. Don Chalmers Ford is an independent Ford Motor automobile dealer with 182 employees in Rio Rancho, New Mexico. Don Chalmers has been nationally recognized by Ford Motors for customer satisfaction and market share 13 times over the past 17 years. This has been accomplished by only 4 percent of U.S. Ford dealerships. In the past four years, its dealership profits increased by 13 percent, exceeding Ford’s national dealership benchmark by over 8 percent. In addition to analyzing its service and sales processes on a daily, weekly, and monthly basis to identify opportunities for improvement, Don Chalmers’s HR practices support the dealership’s commitment to quality. To retain sales consultants, new employees are mentored by senior leaders to ensure they understand the business strategy and that their role is aligned with the company’s core values. This resulted in a 71 percent employee retention rate in 2015, which is 45 percent higher than the national average for Ford’s non-luxury-brand dealerships. To help meet the needs of its diverse workforce, Don Chalmers provides a free on-site wellness clinic staffed with a nurse practitioner for employees and their families. To engage employees, Don Chalmers management provides employees with monthly status reports on its operations and business plans,
and the senior leadership team regularly discusses customer satisfaction and provides performance feedback. Employees are encouraged to submit ideas for improvement, and senior leaders review, discuss, and implement them. Bristol Tennessee Essential Services (BTES), an electricity and fiber services utility company that serves 33,000 customers with only 68 employees, is a 2017 Award recipient in the small business category. BTES uses an online training portal to communicate process standards, standard operating procedures, and process changes and improvements. Employees are expected to complete all assigned modules every quarter, and all of BTES's employees annually participate in development opportunities.

The International Organization for Standardization (ISO), a network of national standards institutes that includes 160 countries and has a central governing body in Geneva, Switzerland, is the world's largest developer and publisher of international standards. The ISO develops standards related to management as well as a wide variety of other areas, including education, music, ships, and even protecting children. ISO standards are voluntary, though countries may decide to adopt ISO standards in their regulations, in which case they may become a requirement to compete in the market. The ISO 9000 is a family of standards related to quality (ISO 9000, ISO 9001, ISO 9004, and ISO 19011). The ISO 9000 quality standards address what the company does to meet regulatory requirements and the customer's quality requirements while striving to improve customer satisfaction and continuous improvement. The standards represent an international consensus on quality management practices. The quality management standards of the ISO 9000 are based on eight quality management principles, including customer focus, leadership, employee engagement, a process approach, a systems approach to management, continuous improvement, the use of facts to make decisions, and the establishment of mutually beneficial relationships with suppliers. ISO 9001:2008 is the most comprehensive standard because it provides a set of requirements for a quality management system for all organizations, both private and public. The ISO 9001:2008 has been implemented by more than 1 million organizations in 176 countries. ISO 9000:2015 (2015 is the most recent version) has been adopted as the quality standard in nearly 170 countries, meaning that companies have to follow the standards to conduct business in those countries. The ISO 9001:2015 has been implemented by over 1 million organizations around the world. ISO 9004 provides a guide for companies that want to improve.

Why are standards useful? Customers may want to check that the product they ordered from a supplier meets the purpose for which it is required. One of the most efficient ways to do this is when the specifications of the product have been defined in an international standard. That way, both supplier and customer are on the same wavelength, even if they are based in different countries, because they are both using the same references. Today, many products require testing for conformance with specifications, compliance with safety, or other regulations before they can be put on many markets. Even simpler products may require supporting technical documentation that includes test data. With so much trade taking place across borders, it is more practical for these activities to be carried out not by suppliers and customers, but by specialized third parties. In addition, national legislation may require such testing to be carried out by independent bodies, particularly when the products concerned have health or environmental implications. One example of an ISO standard is on the back cover of this book and nearly every other book. On the back cover is something called an International Standard Book Number (ISBN). Publishers and booksellers are very familiar with ISBN numbers, since these numbers are the method through which books are ordered and bought. Try buying a book on the Internet, and you will soon learn the value of the ISBN number—there is a unique number for the book you want. And it is based on an ISO standard.
In addition to competing for quality awards and seeking ISO certification, many companies are using the Six Sigma process. The Six Sigma process refers to a process of measuring, analyzing, improving, and then controlling processes once they have been brought within the narrow Six Sigma quality tolerances or standards. The objective of Six Sigma is to create a total business focus on serving the customer; that is, to deliver what customers really want when they want it. For example, at General Electric (GE), introducing the Six Sigma quality initiative meant going from approximately 35,000 defects per million operations—which is average for most companies, including GE—to fewer than 4 defects per million in every element of every process GE businesses perform, from manufacturing a locomotive part, to servicing a credit card account, to processing a mortgage application, to answering a phone. Training is an important component of the process. Six Sigma involves highly trained employees known as Champions, Master Black Belts, Black Belts, and Green Belts, who lead and teach teams that are focusing on an ever-growing number of quality projects. The quality projects focus on improving efficiency and reducing errors in products and services. The Six Sigma quality initiative has produced more than $2 billion in benefits for GE.

Training can help companies meet the quality challenge by teaching employees a concept known as “lean thinking.” Lean thinking is a way to do more with less effort, equipment, space, and time, but still provide customers with what they need and want. Part of lean thinking includes training workers in new skills or teaching them how to apply old skills in new ways so they can quickly take over new responsibilities or use new skills to help fill customer orders. Baylor Health Care System wanted to decrease waste and improve patient satisfaction and outcomes through implementing lean thinking and process improvements in several of its hospitals. This included training employees in how to make changes to work processes. Lean thinking and process improvement supported by training provided significant value. For example, The Corporate Supply Management team eliminated two-thirds of the time required for completing contracts, developed a decision tree for different types of projects, and reduced errors, saving $10 million. A hospital readmission team redesigned the patient discharge process to reduce the chances of patients returning within 30 days. They realized a 44 percent decrease in readmissions over a six-month period, which improved the quality of life for patients and Baylor’s ability to receive Medicare/Medicaid payments from the government.

A group within the ISO has drafted a standard for employee training. ISO 10015 is a quality management tool designed to ensure that training is linked to company needs and performance. ISO 10015 has two key features. First, companies have to determine the return on investment of training to company performance. Second, ISO 10015 requires companies to use appropriate design and effective learning processes. ISO 10015 defines training design as analyzing, planning, doing, and evaluating (recall the discussion of the Instructional System Design model earlier in this chapter).

**New Technology**

Technology has reshaped the way we play, communicate, plan our lives, and work. Many companies’ business models include e-commerce, which allows consumers to purchase products and services online. The Internet is a global collection of computer networks that allows users to exchange data and information. Roughly 84 percent of U.S. households have a computer (desktop, laptop, tablet, or smartphone) and 75 percent have Internet access. A total of 60 percent of Americans visit Google during the week, and 43 percent have a Facebook page. Using Facebook, Twitter, LinkedIn, and other social networking tools available on the Internet
and accessed through smartphones, notebooks, or personal computers, company managers can connect with employees and employees can connect with friends, family, and co-workers.

**Influence on Training**

Advances in sophisticated technology along with reduced costs for the technology are changing many aspects of human resource management. Specifically, companies are using or considering using social networking, artificial intelligence, and robotics in the delivery of training, making training more realistic and giving employees the opportunity to choose where and when they will work. New technologies allow training to occur at any time and any place.  

Technological advances in electronics and communications software have made possible mobile technology such as personal digital assistants (PDAs), iPads, and iPods and have enhanced the Internet by developing enhanced capability for social networking. Table 1.6 shows how social networks can be used for training and development.

In general, social networking facilitates communications, decentralized decision making, and collaboration. Social networking can be useful for busy employees to share knowledge and ideas with their peers and managers with whom they may not have much time to interact in person on a daily basis. Employees, especially young workers from the millennial or Gen-Y generations, have learned to use social networking tools such as Facebook throughout their lives and see them as valuable tools for both their work and personal lives.

Despite its potential advantages, many companies are uncertain as to whether they should embrace social networking. They fear, perhaps correctly, that social networking will result in employees wasting time, neglecting their work, or offending or harassing their co-workers. But other companies believe that the benefits of using social networking for human resource practices and allowing employees to access social networks at work outweigh the risks. They trust employees to use social networking productively and are proactive in developing policies about personal use and training employees about privacy settings and social network etiquette. They realize that employees will likely check their Twitter, Facebook, or LinkedIn accounts, but they ignore it unless productivity is decreasing. In some ways, social networking has become the electronic substitute for daydreaming at one’s desk or walking to the break room to socialize with co-workers.

Technology has many advantages, including reduced travel costs, greater accessibility to training, consistent delivery, the ability to access experts and share learning with

**TABLE 1.6 Potential Uses of Social Networking for Training and Development**

<table>
<thead>
<tr>
<th>Issues</th>
<th>Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of expert knowledge due to retirement</td>
<td>Knowledge sharing, capturing, and storing</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>Collect employee opinions</td>
</tr>
<tr>
<td>Identify and promote employee expertise</td>
<td>Create online expert communities</td>
</tr>
<tr>
<td>Promote innovation and creativity</td>
<td>Encourage participation in online discussions</td>
</tr>
<tr>
<td>Reinforce learning</td>
<td>Share best practices, applications, learning points, links to articles and webinars</td>
</tr>
<tr>
<td>Employees need coaching and mentoring</td>
<td>Interact with mentors and coaching peers</td>
</tr>
</tbody>
</table>

others, and the possibility of creating a learning environment with many positive features such as feedback, self-pacing, and practice exercises. While trainer-led classroom instruction remains the most popular way to deliver training, companies report that they plan on delivering a large portion of training through learning technologies such as intranets and iPods. For example, at Rackspace, employees can use their devices to check their pay stubs, bonus reports, and time cards as well as share knowledge. At Biogen, salespeople can access e-learning modules on their tablets. PepsiCo has a mobile accessible career site.

Artificial intelligence, robotics, tracking systems, radio frequency identification, and nanotechnology are transforming work. Technology has also made it easier to monitor environmental conditions and employees and operate equipment. Driverless cars, self-driving trucks at iron ore mines that need no human operators, and computers that perform legal research are recent advances in automation. Artificial intelligence is a technology that simulates human thinking. It works through queries that allow it to learn from data over time so that it can identify trends and patterns that influence future searches and suggestions. Artificial intelligence is in use at home and in the workplace. Artificial intelligence has provided us with personal assistants such as Apple’s Siri or Amazon’s Alexa to whom we can give orders such as to make a purchase or play a favorite song. In the workplace, IBM has teamed up its artificial intelligence (called Watson) with H&R Block to help clients prepare their tax returns and maximize their tax refunds. Watson has also been used in health care to provide cancer diagnoses, in the law profession to conduct legal research, and in service industries to answer customers’ questions.

Robots also are being used in service in manufacturing. Heasy, a robot with eyes, can help you find your way through a hotel or resort. Airport Guide Robot can answer airline passengers’ questions in English, Chinese, Japanese, and Korean; scan a ticket; and give directions. Robots at Whirlpool’s dryer factory snap pictures to scan defects. At BMW’s auto plant, robots help install doors and windshields. On the shop floor, robots can work alongside employees, freeing them from having to perform repetitive, physically demanding tasks so that they can perform more important and knowledge-intensive work. Robots can help companies save money because they can work more efficiently and lower labor costs, but they still can’t perform many important tasks. For example, unlike humans, robots have been unable to neatly fold clothes because they are unable to make the distinction between fabric types and weights and irregular clothing sizes.

Wearables are just beginning to be developed and used for training and performance support solutions. Wearable Intelligence provides smart eyewear technology and camera technology to give employees hands-free, voice-activated access to procedures and checklists and live access to experts using tablet computers. These technologies allow data and live video sharing, the opportunity to review best-practice videos before or during the performance of complex procedures and operations, and real-time notifications and alerts. For example, an operator working on a remote oil rig or a surgeon in a sterile operating room can share live video with experts and get the advice needed to fix a broken valve or complete a medical procedure while remaining focused on the equipment or the patient.

**Flexibility in Where and When Work Is Performed**

The globalization of the world economy and the development of e-commerce have made the notion of a 40-hour workweek obsolete. Survey results show that 46 percent of employees work more than 45 hours per week. As a result, companies need to be staffed
24 hours a day, seven days a week. Employees in manufacturing environments and service call centers are being asked to move from 8- to 12-hour days or to work afternoon or midnight shifts. Similarly, professional employees face long hours and work demands that spill over into their personal lives. Notebook computers, smartphones, and smartwatches bombard employees with information and work demands. In the car, on vacation, on planes, and even in the bathroom, employees can be interrupted by work demands. More demanding work results in greater employee stress, less satisfied employees, loss of productivity, and higher turnover—all of which are costly for companies. One study found that because of work demands, 75 percent of employees report not having enough time for their children, and 61 percent report not having enough time for their husbands or wives. However, only half of employees in the United States strongly agree that they have the flexibility they need to successfully manage their work and personal or family lives. Many companies are recognizing the benefits that can be gained by both the company and employees through providing flexible work schedules, allowing work-at-home arrangements, protecting employees’ free time, and more productively using employees’ work time. The benefits of such flexibility include the ability to attract and retain talented employees; reduced stress, resulting in healthier employees; and a rested workforce that can maximize the use of its skills. It is estimated that 43 percent of employees do most or all of their work from home, meaning they spend time working in a location away from their peers. Employees in managerial, business, and financial operations and professional occupations are most likely to do some or all of their work at home.

For example, at Automattic, almost all work is done remotely. Automattic, which provides a content management system that is used on websites, has over 500 employees working in more than 50 countries. The company is selling its office in San Francisco because so few employees work there. Instead employees rely on several tools including Slack, Zoom, and its own internal discussion board for documenting work, having discussions, and videoconferencing. The use of these tools means that everyone can access and search internal communications, creating feelings of transparency and inclusion. At Dell, 58 percent of its employees work remotely, especially in jobs involving business support functions such as HR, legal, data science, and marketing.

*Increased Use of Nontraditional Employment*

More companies are moving away from the traditional employment model based on full-time workers to increasingly rely on nontraditional employment. *Nontraditional employment* includes the use of independent contractors, freelancers, on-call workers, temporary workers, and contract company workers. Studies estimate that between 20 and 35 percent of the total U.S. workforce is engaged in nontraditional employment, including those who have a full-time job (what is called “moonlighting”). Companies that rely primarily on nontraditional employment to meet service and product demands are competing in the *gig economy*. Although many companies will continue to rely on a traditional employment model using full- and part-time employees, 40 percent believe they will use a nontraditional model (independent contractors, project-based or freelance need-based work) in the next decade. What does nontraditional employment look like? Often, a website or mobile app is used to assign work, and the worker sets his or her own schedule. Because these workers do not work for a company, they do not have taxes withheld from their earnings, they do not have to receive minimum wage or overtime pay, and they are not eligible for workers’ compensation and unemployment insurance.
Examples of companies that rely on the gig economy include transportation services Uber and Lyft and food-delivery services such as Caviar. Nontraditional employment has benefits and disadvantages for both individuals and employers.\footnote{112}

More workers in nontraditional employment relationships are choosing these arrangements. Nontraditional employment can benefit both individuals and employers. More and more individuals don't want to be attached to any one company. They want the flexibility to work when and where they choose. They may want to work fewer hours to better balance work and family responsibilities. Also, individuals who have been downsized may choose nontraditional employment while they are seeking full-time employment.

From the company's perspective, it is easier to add temporary employees when they are needed and easier to terminate their employment when they are not needed. Part-time workers can be a valuable source of skills that current employees may not have and that may be needed for a specific project that has a set completion date. Part-time workers can be less expensive than permanent employees because they do not receive employer health benefits or participate in pension plans. Employing part-time workers such as interns allows the company to determine if the worker meets performance requirements and fits in with the company culture. If so, the company may then decide to offer the employee a permanent position. For example, some technology companies such as Honeywell have relied on crowdsourcing, using services such as Topcoder and Amazon's Mechanical Turk, to find scientists and software engineers who have the skills lacking in their own employees to solve problems, create apps, or write code.\footnote{113} Alphabet Inc., the parent company of Google, has equal numbers of full-time and temporary and contract workers who test self-driving cars, manage projects, review legal documents, and do other jobs. Nontraditional employment also has potential disadvantages. These include concerns about work quality, inability to maintain the company culture or team environment, and legal liability.\footnote{114} The use of nontraditional work employment and work-at-home arrangements have resulted in the development of co-working sites or shared offices where diverse workers such as designers, artists, freelancers, consultants, and other independent contractors pay a daily or monthly fee for a guaranteed work space.\footnote{115} Co-working sites are equipped with desks, Internet, and conferences rooms, and some even provide couches for relaxing and free coffee and beer. Co-working sites help independent contractors and employees who work at home, travel, or telecommute and have feelings of isolation, enabling them to collaborate and interact, providing a more professional working atmosphere than coffee shops, and helping to decrease traffic and pollution.

A key issue that nontraditional employment presents is the need to provide training that is specific, on demand, delivered in small chunks, and specifically focused on the worker's job.\footnote{116} Training contract workers, for example, helps ensure that they can successfully perform their jobs the way the company wants them to as well as establish the company as a place that they might want to come back to work for in the future. Some of the challenges in training workers in nontraditional employment relationships include ensuring that the type and length of their training is sufficient but not so extensive as to make them qualify as full-time employees for salary and benefit purposes.

**High-Performance Work Systems**

New technology causes changes in skill requirements and work roles and often results in redesigned work structures (e.g., work teams).\footnote{117} For example, computer-integrated manufacturing uses robots and computers to automate the manufacturing process. The computer allows
the manufacture of different products simply by reprogramming the computer. As a result, laborer, material handler, operator/assembler, and maintenance jobs may be merged into one position. Computer-integrated manufacturing requires employees to monitor equipment and troubleshoot problems with sophisticated equipment, share information with other employees, and understand the relationships among all components of the manufacturing process.\textsuperscript{118}

Through technology, the information needed to improve customer service and product quality becomes more accessible to employees. This means that employees are expected to take more responsibility for satisfying the customer and determining how they perform their jobs. One of the most popular methods for increasing employee responsibility and control is work teams. \textbf{Work teams} involve employees with various skills who interact to assemble a product or provide a service. Work teams may assume many of the activities usually reserved for managers, including selecting new team members, scheduling work, and coordinating activities with customers and other units in the company. To give teams maximum flexibility, cross training of team members occurs. \textbf{Cross training} refers to training employees in a wide range of skills so they can fill any of the roles needed to be performed on the team.

Consider the high-performance work systems at HindlePower.\textsuperscript{119} HindlePower is a manufacturer of battery chargers. Most of HindlePower's 75 employees work in the factory as assemblers. There is no time clock. Employees do not need to punch in or out and there are no rules for time off. Employees don't abuse the policy—hours in the factory consistently reach 97 to 100 percent of full-time. HindlePower established a program called the Professional Manufacturing Team, which pairs training with employee involvement in designing more efficient processes. The training includes 25 to 30 courses customized for each production line. Employees are responsible for completing all of the courses, and when they do they are designated as a manufacturing professional. Employees are also involved in decisions that go beyond training. For example, employees redesigned a production line, resulting in an additional 150,000 units produced per week.

Use of new technology and work designs such as work teams needs to be supported by specific human resource management practices. These practices include the following actions:\textsuperscript{120}

- Employees choose or select new employees or team members.
- Employees receive formal performance feedback and are involved in the performance improvement process.
- Ongoing training is emphasized and rewarded.
- Rewards and compensation are linked to company performance.
- Equipment and work processes encourage maximum flexibility and interaction between employees.
- Employees participate in planning changes in equipment, layout, and work methods.
- Employees understand how their jobs contribute to the finished product or service.

What role does training play? Employees need job-specific knowledge and basic skills to work with the equipment created by the new technology. Because technology is often used as a means to achieve product diversification and customization, employees must have the ability to listen and communicate with customers. Interpersonal skills, such as negotiation and conflict management, and problem-solving skills are more important than physical strength, coordination, and fine-motor skills—previous job requirements for many
manufacturing and service jobs. Although technological advances have made it possible for employees to improve products and services, managers must empower employees to make changes.

Besides changing the way that products are built or services are provided within companies, technology has allowed companies to perform work using virtual teams. Virtual teams are teams in which members are separated by time, geographic distance, culture, and/or organizational boundaries and rely almost exclusively on technology (such as e-mail, Internet, and video conferencing) to interact and complete their projects. Virtual teams can be formed within one company, whose facilities are scattered throughout the country or the world. A company may also use virtual teams in partnerships with suppliers or competitors to pull together the necessary talent to complete a project or speed the delivery of a product to the marketplace. The success of virtual teams requires a clear mission, good communications skills, trust between members that they will meet deadlines and complete assignments, and an understanding of cultural differences (if the teams have global members).

For example, Art & Logic software developers all work remotely from across the United States and Canada using home offices, rented office spaces, or co-working facilities. The company's clients represent a diverse set of industries, including education, aerospace, music technology, consumer electronics, entertainment, and financial services. The project teams work on the most unusual and difficult problems that developers at other companies have failed to solve. Art & Logic tries to accommodate the unique schedule and work-style requirements of its developers, but its work is highly collaborative within project teams. Every project consists of at least a project manager/developer and has a maximum of five to seven developers. Teams use Google Apps for Business for sharing documents and communicating (both within the team and with clients).

SNAPSHOT OF TRAINING PRACTICES

Training can play a key role in helping companies gain a competitive advantage and successfully deal with competitive challenges. Before you can learn how training can be used to help companies meet their business objectives, and before you can understand training design, training methods, and other topics covered in the text, you need to become familiar with the amount and type of training that occurs in the United States. Also, you must understand what trainers do. The next sections of this chapter present data regarding training practices (e.g., how much companies spend on training, what type of training is occurring, and who is being trained), as well as the skills and competencies needed to be a trainer.

Training Facts and Figures

The snapshot of training practices provided in this section is based on data collected from a number of sources, including surveys conducted by training magazine and the ATD (the Association for Talent Development, previously known as the American Society for Training and Development). For several reasons, these data should be viewed as reasonable estimates of practices rather than precise facts. One reason for this is that the samples may not be representative of all sizes or types of companies. For example, the training survey was conducted by a research firm that e-mailed invitations to subscribers to participate in an online survey. The response rate ranged from 41 percent for mid-sized firms
(1,000–9,999 employees) to 36 percent for small firms (100–999 employees). The ATD annual State of the Industry Report includes hundreds of organizations across all major industries grouped into two categories: companies that have received awards for training (e.g., ATD BEST Award winners) and consolidated responses.

You may be asking yourself questions such as “How much time and money do companies spend on training?” or “Is instructor-delivered training obsolete?” Table 1.7 provides a snapshot of trends in workplace learning.

### TABLE 1.7
Questions and Answers about Training Practices


<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment and Distribution of Expenditures</strong></td>
<td></td>
</tr>
<tr>
<td>Q: How much do U.S. organizations spend on employee learning and development?</td>
<td>A: Approximately $87.6 billion</td>
</tr>
<tr>
<td>Q: How much is spent per employee?</td>
<td>A: $1,296</td>
</tr>
<tr>
<td>Q: What is the percentage of dollars spent on training and development as a percentage of payroll?</td>
<td>A: 3.3 percent</td>
</tr>
<tr>
<td>Q: How much is spent as a percentage of profit?</td>
<td>A: 8.4 percent</td>
</tr>
<tr>
<td>Q: How much time do employees spend in formal training each year?</td>
<td>A: 34.1 hours</td>
</tr>
<tr>
<td>Q: Who receives most of the training?</td>
<td>A: 39 percent of training budgets and dollars are spent on nonexempt employees, 27 percent on exempt employees, 24 percent on managers, and 10 percent on executives</td>
</tr>
<tr>
<td>Q: Which industry spends the most money on training? The least amount of money on training?</td>
<td>A: Management consulting at $2,136 per employee is the highest and manufacturing at $614 per employee is the lowest</td>
</tr>
<tr>
<td><strong>Efficiency</strong></td>
<td></td>
</tr>
<tr>
<td>Q: What percent of total expenses goes to tuition reimbursement?</td>
<td>A: 8 percent</td>
</tr>
<tr>
<td>Q: How many employees are there for every training staff member?</td>
<td>A: 392 employees for every staff member</td>
</tr>
<tr>
<td>Q: What is the average cost for providing one learning hour to one employee?</td>
<td>A: $77</td>
</tr>
<tr>
<td>Q: What is the average cost of producing one hour of formal training?</td>
<td>A: $1,896</td>
</tr>
<tr>
<td>Q: What is the ratio of learning hours used to learning hours available?</td>
<td>A: 54 to 1</td>
</tr>
<tr>
<td><strong>Delivery Methods</strong></td>
<td></td>
</tr>
<tr>
<td>Q: How is training delivered?</td>
<td>A: 36 percent by an instructor in a classroom, 69 percent via blended learning (including both face-to-face and technology delivery), 26 percent online, and 2 percent mobile devices</td>
</tr>
<tr>
<td>Q: What percentage of direct learning expenditures is allocated to outside providers (i.e., outsourced)?</td>
<td>A: 26 percent</td>
</tr>
</tbody>
</table>
As can be seen in Table 1.7, U.S. organizations continue to invest large amounts of money in learning initiatives. Here is an overview of some key trends in these investments:

- After rising almost 33 percent, to $90.6 billion in 2016, total training expenditures declined to $87.6 billion in 2017.

- Average training expenditures per employee have gradually risen over the last several years.

- The average number of learning hours per employee, which has increased every year since 2012, remained the same in 2016 and 2017.

- There is an increased demand for specialized learning that includes manager, professional, and industry-specific content.

- The use of technology-based learning delivery has increased from 29 percent in 2010 to 42 percent in 2017.

- Self-paced online learning is the most frequently used type of technology-based learning.

- Technology-based learning has helped improve learning efficiency, as shown by the reuse ratio. The “reuse ratio” is a measure of how efficiently companies are delivering their training offerings to employees. The reuse ratio was 54 hours in 2017. This means that every hour of learning content available was received by about 54 employees.

- Traditional, instructor-led classroom training continues to be the most popular method. However, its use continues to decline (61 percent in 2010 vs. 54 percent in 2017).

Of the $87.6 billion spent on training, 68 percent is for internal costs such as training-staff salaries and course development, 27 percent is for services by external providers (such as consultants, workshops, or training programs outside the company), and 8 percent goes toward tuition reimbursement. Cost per learning hour fell in 2017, continuing the trend observed since 2014. This suggests that in the last four years companies have become more effective in distributing training to employees.

Figure 1.4 shows the different types of training provided by companies. Managerial and supervisory, processes, procedures, and business practices, and mandatory and compliance training account for 36 percent of learning content. The least amount of learning content concerns basic and other skills. The use of online training varies by content area. Mandatory and compliance training, sales training, and information technology systems training is delivered online. Online training is used least for executive development and onboarding, i.e., new employee orientation.

Training Investment Leaders

The chapter’s opening vignette illustrates how training can be used by companies to gain a competitive advantage. Higher investment in training by companies in the United States is related to use of innovative training practices and high-performance work practices such as teams, employee stock ownership plans, incentive compensation systems (profit sharing), individual development plans, and employee involvement in business decisions. This spending (along with the use of high-performance work practices) has been shown to be related to improved profitability, customer and employee satisfaction, and the ability to retain employees. For example, companies including Wipro Technologies, Valvoline Instant Oil Change, IBM, and Verizon have recognized that training contributes to their competitiveness. They make a substantial financial investment in training and use it to drive productivity, customer service, and other results important to business. Chapter Two discusses how training can help companies meet their business goals.
In terms of their training practices, how do companies that have recognized training’s importance in gaining a competitive advantage differ from other companies? ATD’s *State of the Industry Report, 2017*, compares the training practices of companies that were part of the ATD consolidated responses with companies that received ATD BEST Awards (recognizing companies that show a clear link between learning and performance).\textsuperscript{124} Consolidated responses included companies who provided ATD with a standard set of information on their training practices (e.g., number of hours spent on training); these included 399 companies with an average of 12,422 employees. Table 1.8 shows the characteristics of BEST Award-winning companies. As will be discussed in Chapter Two,
the BEST Award winners are engaging in strategic training and development—training and development that supports the business’s strategies and has measurable outcomes. The BEST Award winners included 45 companies with an average of 42,244 employees. Table 1.9 compares the BEST Award winners with the benchmark companies that provided consolidated responses. As the table shows, companies that were BEST Award winners were able to more efficiently deliver training (less cost, higher reuse ratio) than other firms. Also, at BEST Award–winning companies, employees on average engaged in more learning hours than employees at the other firms.

Roles, Competencies, and Positions of Training Professionals
Trainers can typically hold many jobs, such as instructional designer, technical trainer, or needs analyst. Each job has specific roles or functions. Table 1.10 provides examples

<table>
<thead>
<tr>
<th>Alignment of business strategy with training and development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning is valued as part of the culture and supported by executive leaders and top managers</td>
</tr>
<tr>
<td>Effectiveness and efficiency of learning is measured</td>
</tr>
<tr>
<td>Investment in training and development</td>
</tr>
<tr>
<td>Different learning opportunities are provided and all employees have access to them</td>
</tr>
<tr>
<td>Measurement of effectiveness and efficiency of training and development activities</td>
</tr>
<tr>
<td>Nontraining solutions for performance improvement used, including organization development and process improvement</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>TABLE 1.9 Comparison of BEST Award Winners and Benchmark Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of training received per employee</td>
</tr>
<tr>
<td>------------------------------------------</td>
</tr>
<tr>
<td>Average cost per learning hour available</td>
</tr>
<tr>
<td>Amount spent on training per employee</td>
</tr>
<tr>
<td>Ratio of learning hours used to learning hours available</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>TABLE 1.10 Training and Development Roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning Strategist</td>
</tr>
<tr>
<td>Business Partner</td>
</tr>
<tr>
<td>Project Manager</td>
</tr>
<tr>
<td>Professional Specialist</td>
</tr>
</tbody>
</table>

of the roles that training and development professionals might take in their jobs. These roles are included in jobs such as trainer, virtual instructor, learning technologist, instructional designer, content curator, learning consultant, and training manager. Training department managers devote considerable time to the roles of business partner and learning strategist. Training department managers may be involved in the project management role, but, because of their other responsibilities, they may be involved to a lesser extent than are specialists who hold other jobs. Human resource managers may also be required to complete many of the training roles, although their primary responsibility is in overseeing the human resources functions of the division, department, or company (e.g., staffing, recruiting, compensation, and benefits). Special knowledge, skills, or behaviors—also called competencies—are needed to perform each role successfully.

The most comprehensive study of training professionals has been conducted by the ATD. Figure 1.5 shows the ATD competency model. The model describes what it takes for an individual to be successful in the training and development field. It includes specific areas of expertise and foundational competencies. The areas of expertise include knowledge and behaviors required by different roles (e.g., change management, learning technologies, and training delivery). Although training professionals spend most of their time designing learning (instructional design), delivering training, managing learning programs, identifying, selecting, and using learning technologies, and coaching (working one-on-one with employees to help them develop), they do spend time in other areas as well. The model recognizes that performance improvement (designing and developing solutions to close performance gaps), talent management (including talent acquisition, development, and retention), and knowledge management are other important areas of expertise.

The foundational competencies anchor the competency model. The foundational competencies include interpersonal skills, business skills, personal skills, global mindset, industry knowledge, and technology literacy. The foundational competencies are important regardless of a trainer's area of expertise or role but are used to a different extent in each role or specialization.

Traditional narrow jobs in the training department focusing on one type of expertise (e.g., instructional designer and technical writer) are changing; having multiple areas of

---

**FIGURE 1.5**
The ATD Competency Model

<table>
<thead>
<tr>
<th>ATD Competencies for the Training &amp; Development Profession</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>T&amp;D Areas of Expertise</strong></td>
</tr>
<tr>
<td>Performance improvement</td>
</tr>
<tr>
<td>Instructional design</td>
</tr>
<tr>
<td>Training delivery</td>
</tr>
<tr>
<td>Learning technologies</td>
</tr>
<tr>
<td>Evaluating learning impact</td>
</tr>
<tr>
<td>Managing learning programs</td>
</tr>
<tr>
<td>Integrated talent management</td>
</tr>
<tr>
<td>Coaching</td>
</tr>
<tr>
<td>Knowledge management</td>
</tr>
<tr>
<td>Change management</td>
</tr>
</tbody>
</table>
expertise becomes more necessary for training and development to contribute to the business. Project management requires the knowledge of new training technologies (e.g., web-delivered learning, mobile learning, and knowledge management systems) and the ability to manage managers, engineers, scientists, and others who may have more experience, knowledge, or technical savvy than the trainer.

To provide you with an idea of the variety of responsibilities and expertise required for training professionals, Table 1.11 provides an example of an instructional system designer job that was posted on the ATD website.

Table 1.12 shows median salaries for training professionals. Keep in mind that very rarely does anyone hold the highest-paying jobs (training manager, executive-level manager) without having developed competencies in a number of training roles.

**Who Provides Training?**

In most companies, training and development activities are provided by trainers, managers, in-house consultants, and employee experts. However, as the snapshot of training practices suggests, training and development activities are also outsourced. Outsourcing means that training and development activities are provided by individuals outside the company. Training providers outside the company include colleges and universities, community and junior colleges, technical and vocational institutions, product suppliers, consultants and consulting firms, unions, trade and professional organizations, and government organizations. Outsourcing is discussed in greater detail in Chapter Two.

**Who Is in Charge of Training?**

Training and development can be the responsibility of professionals in human resources, human resource development, or organizational development. Companies may also have entire functions or departments called human resources, human resource development, talent management or development, or organizational development that provide training and development.

In small companies, training is the responsibility of the founder and all the employees. When organizations grow to 100 employees, typically someone within the company is in charge of human resources, either as part of that person’s job or as his or her sole responsibility. At this point, training becomes one of the responsibilities of the employee in charge of human resources. In mid-sized to large organizations, training can be the responsibility of human resource professionals, or it can come from a separate function known as human resource development, talent management, development, learning, or organizational development.

**Human resource development** refers to the integrated use of training and development, organizational development, and career development to improve individual, group, and organizational effectiveness. Human resource development professionals might be involved in job and task analysis, instructional systems design, on-the-job training, and individual performance improvement. Organizational development professionals might focus on training as well as team building, conflict avoidance, employee development, and change management. Talent management professionals might focus on identifying the top talent in the company and ensuring that they get the training and development needed to promote them or prepare them for new positions. Learning professionals might focus on
TABLE 1.11
Example of Job
Posted on the
ATD Website

Source: From ATD
Job Bank http://jobs .td.org/jobs/, accessed
April 7, 2018.

**Instructional Designer**

**Role Overview:** Candidate will join our learning and development team. Candidate has deep expertise in adult learning and development, with passion for the employee experience, for helping people learn and grow, and for defining the learning journey for our sales team. Core responsibilities include building training objectives and program; facilitating SME involvement and content; and providing recommendations on delivery methods.

**Responsibilities**
- Work closely with managers and subject matter experts, analyze business needs, design and produce learning experiences, and define performance objectives
- Consult with others across the organization, helping them identify the root problem and the best options for learning solutions
- Develop a range of learning experiences, including: Instructor-led training (ILT) design, interactive e-learning modules, videos, job aids, facilitator guides, and resource materials
- Develop training evaluation tools that evaluate behavioral and business impact
- Collaborate with internal experts to help translate their knowledge into an effective learning experience
- Ensure and drive standardization across all projects, content, and our learning management system
- Build strong relationships with stakeholders to set and manage expectations, create project plans, and regularly communicate project updates and status
- Ability to facilitate classroom or virtual training
- Train instructors on how to effectively use technology when delivering material

**Desired Qualifications & Experience**
- Bachelor's degree in learning design or a related discipline
- Three-plus years of instructional design experience designing highly interactive learning solutions, preferably for a sales environment

**Knowledge, Skills & Abilities**
- Knowledge of learning format options and tradeoffs
- Experience with e-learning development tools
- Ability to translate technical content into effective learning solutions
- Proficiency with Cornerstone On Demand preferred
- Experience working with sales teams preferred
- Experience facilitating classroom training
- Ability to communicate ideas simply and clearly to others across the organization
- High attention to detail
- Self-driven to collaborate and seek feedback while staying on goal
- Ability to work independently when appropriate
- Excellent project management and organization skills
- Strong relationship management skills
formal training and development activities as well as ensuring that informal learning and knowledge sharing occurs through the use of social networking tools. As you can see from these descriptions, training and development activities can be the responsibility of human resource management, human resource development, and organizational development professionals or departments. Keep in mind that regardless of what individual, department, or function is responsible, for training and development to succeed, employees, managers, training professionals, and top managers all have to take ownership for them. Throughout this book, the point is made that although training may be a formal responsibility of someone’s job, employees at all levels of the company play a role in the success of training. Also, regardless of which function or department is responsible for training and development, it must be aligned with the business strategy and must support business needs. Professionals who are responsible for training and development may have specialized areas of expertise, such as change management for organizational development specialists, but they may also have training and development responsibilities. As shown in Figure 1.5, to perform workplace learning and performance roles successfully, professionals must understand the business and must master the competencies and areas of expertise.

As companies grow and/or recognize the important role of training for business success, they form an entire training or learning function (how training functions can be organized is discussed in Chapter Two). The training function may include instructional designers, instructors, technical training, and experts in instructional technology.

The reporting relationship between human resource management and the training function varies across companies.128 Some organizations include training as part of the human resource function, believing that this provides strategic partnerships with other business functions and consistent companywide training. For example, at Life Care Centers of America, a Tennessee-based company that operates elder care facilities, training is included in the human resource department because the company believes that training is part of human resource expertise, including the ability to write training curricula and evaluate learning. Being centrally located in the human resource department makes the best use of resources and helps communicate a common management culture.

Other companies separate training from the human resource function because it allows the training function to be decentralized to better respond to the unique needs in different business units. The training and development department at A. G. Edwards has a learning center and develops training programs for its financial consultants and employees.129
Representatives of the training department regularly meet with the company's management committee at corporate headquarters, as well as with regional officers and branch managers, to help them understand how training can support business objectives. A new branch manager certification program succeeded because the branch managers were involved in identifying skill gaps and their suggestions were used in the program design. The branch managers took ownership of the program and helped develop the program proposal which they then presented to corporate managers to receive funding and approval for the program. Regardless of the organizational approach used for the training function, it must help meet the training needs of the business.

Preparing to Work in Training

Everyone is a trainer at some point in his or her life. Consider the last time you had to teach some skill to a peer, sibling, spouse, friend, or even your boss. Although some people learn to train by trial and error, the best way is to take courses in training and development, or even choose an academic major related to training. For example, training and development courses are usually found in education, business and management, and psychology departments at colleges and universities. Business schools may offer undergraduate and graduate degrees in human resource management with courses in training and development, talent management, and organizational development. Education departments may have undergraduate and graduate degrees in human resource development and learning. Courses offered with such degrees include instructional design, curriculum development, adult learning, evaluation, and on-the-job training. Psychology departments offer courses in training and development as well. These courses can be part of a degree program in industrial and organizational psychology. If you are fortunate enough to be at a large university, you may have the opportunity to take courses from education, business/management, and the psychology departments that relate to training and development. Also, you should consider the competencies you want to focus on and think about how you will master them (courses, work experience, ATD certification, and so on).

To be a successful training professional requires staying up-to-date on current research and training practices. The primary professional organizations for persons interested in training and development include ATD, the Academy of Human Resource Development (AHRD), the SHRM, the Society for Industrial and Organizational Psychology (SIOP), the Academy of Management (AOM), and the International Society for Performance Improvement (ISPI). Articles about training practices can be found in the following publications: training, T+D, Training and Development, Chief Learning Officer, Workforce Management, HR Magazine, Academy of Management Executive, and Academy of Management Learning and Education. Training and development research can be found in the following journals: Human Resource Development Quarterly, Human Resource Development Review, Performance Improvement, Personnel Psychology, Journal of Applied Psychology, Academy of Management Journal, and Human Resource Management.
### Key Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>competitiveness 6</td>
<td>6</td>
</tr>
<tr>
<td>competitive advantage 6</td>
<td>6</td>
</tr>
<tr>
<td>human resource management 6</td>
<td>6</td>
</tr>
<tr>
<td>stakeholders 7</td>
<td>7</td>
</tr>
<tr>
<td>learning 7</td>
<td>7</td>
</tr>
<tr>
<td>human capital 8</td>
<td>8</td>
</tr>
<tr>
<td>training 8</td>
<td>8</td>
</tr>
<tr>
<td>development 8</td>
<td>8</td>
</tr>
<tr>
<td>formal training and development 8</td>
<td>8</td>
</tr>
<tr>
<td>informal learning 8</td>
<td>8</td>
</tr>
<tr>
<td>explicit knowledge 9</td>
<td>9</td>
</tr>
<tr>
<td>tacit knowledge 9</td>
<td>9</td>
</tr>
<tr>
<td>knowledge management 9</td>
<td>9</td>
</tr>
<tr>
<td>training design process 10</td>
<td>10</td>
</tr>
<tr>
<td>Instructional System Design (ISD)</td>
<td>11</td>
</tr>
<tr>
<td>offshoring 18</td>
<td>18</td>
</tr>
<tr>
<td>intellectual capital 18</td>
<td>18</td>
</tr>
<tr>
<td>social capital 18</td>
<td>18</td>
</tr>
<tr>
<td>customer capital 18</td>
<td>18</td>
</tr>
<tr>
<td>knowledge workers 20</td>
<td>20</td>
</tr>
<tr>
<td>employee engagement 20</td>
<td>20</td>
</tr>
<tr>
<td>change 21</td>
<td>21</td>
</tr>
<tr>
<td>learning organization 21</td>
<td>21</td>
</tr>
<tr>
<td>talent management 27</td>
<td>27</td>
</tr>
<tr>
<td>STEM skills 29</td>
<td>29</td>
</tr>
<tr>
<td>Total Quality Management (TQM)</td>
<td>32</td>
</tr>
<tr>
<td>ISO 9000:2000 32</td>
<td></td>
</tr>
<tr>
<td>Six Sigma process 35</td>
<td>35</td>
</tr>
<tr>
<td>lean thinking 35</td>
<td>35</td>
</tr>
<tr>
<td>ISO 10015 35</td>
<td>35</td>
</tr>
<tr>
<td>nontraditional employment 38</td>
<td>38</td>
</tr>
<tr>
<td>gig economy 38</td>
<td>38</td>
</tr>
<tr>
<td>work teams 40</td>
<td>40</td>
</tr>
<tr>
<td>cross training 40</td>
<td>40</td>
</tr>
<tr>
<td>virtual teams 41</td>
<td>41</td>
</tr>
<tr>
<td>outsourcing 47</td>
<td>47</td>
</tr>
<tr>
<td>human resource development 47</td>
<td>47</td>
</tr>
<tr>
<td>Malcolm Baldrige National Quality Award 32</td>
<td></td>
</tr>
</tbody>
</table>

### Discussion Questions

1. Describe the forces affecting the workplace and learning. How can training help companies deal with these forces?

2. Discuss the relationship between formal training and development, informal learning, and knowledge management. How are they related to learning and creating a learning organization?

3. What steps are included in the training design model? What step do you think is most important? Why?

4. What are intangible assets? How do they relate to training and development?

5. How are companies using training and development to their benefit in today's economy?

6. Training professionals continue to debate whether the ISD model is flawed. Some argue that ISD should be treated as a project management approach rather than a step-by-step recipe for building training programs. Others suggest that ISD is too linear and rigid a process—that it is the primary reason training is expensive, and that it takes too long to develop. ISD focuses on inputs; management wants outputs. Businesses want results, not the use of a design technology. Do you believe that ISD is a useful process? Why or why not? Are there certain situations when it is a more (or less) effective way to design training?

7. In your opinion, which of the training professionals' roles would be most difficult to learn? Which would be easiest?

8. How might technology influence the importance of training professionals' roles? Can technology reduce the importance of any of the roles? Can it result in additional roles?
9. Describe the training courses that you have taken. How have they helped you? Provide recommendations for improving those courses.

10. How does training differ between companies that are considered BEST Award winners and those that are not?

11. What are the implications of generational differences in the workforce? From a training and development perspective, what strategies should companies consider to cope with generational differences and use them to benefit the company?

12. How has new technology improved training and development? What are some of the limitations of using smartphones or notebooks for training?

13. Explain how training relates to attracting new employees, retaining employees, and motivating employees.


15. How can training, informal learning, and knowledge management benefit from the use of social collaboration tools like Twitter and Facebook? Identify a social collaboration tool and explain the potential benefits gained by using it.

**Application Assignments**

1. Go to the Association for Talent Development (ATD) home page on the Internet. The address is www.td.org. Review the jobs found under “Featured Jobs.” Choose a job that interests you and explain why. Based on the ATD competency model presented in the chapter, discuss the roles, areas of expertise, and competencies needed in this job.

2. Go to www.nist.gov/baldrige/, the website for the National Institute of Standards and Technology (NIST). NIST oversees the Malcolm Baldrige Quality Award. Click on How Baldrige Works and Self-Assessing and review the information provided. How do companies benefit from winning the Baldrige Quality Award? What value could a company get from competing for the award even if it failed to win it?

3. Watch the video of the U.S. skill shortage at www.youtube.com/watch?v=lmBgb1AJSeQ. Can training help reduce the skill shortage for companies and ensure workers are employable? What types of training can potentially have the largest impact on companies and workers?

4. Go to https://www.youtube.com/watch?v=fujLrsAp8e and watch the video of the training flight simulator. What features provided by the simulator help pilots learn to safely fly an airplane? Do you think that simulator training is sufficient to learn how to fly? Explain your answer.

5. Conduct a phone or personal interview with a manager or training manager. Ask this person to describe the role that training plays in his or her company; changes, if any, they have seen in training in the past five years; and how they believe it will change in the future.
6. In January 2018, training identified the Top 125 companies for training. The top 10 ranked companies were:

1. Leading Real Estate Companies of the World
2. New York Community Bancorp
3. Sonic Automotive
4. BNSF Railway Company
5. Dollar General Corporation
6. Pacific Gas & Electric
7. Nationwide Mutual Insurance Company
8. United Shore Company
9. MasTec (utility services)
10. Best Buy

Choose one of these companies to research. Visit the company’s website, use a web search engine, or look for references to the company in publications such as training, T + D, Workforce, or HR Magazine. Prepare a report (not to exceed three pages) based on your research (a) describing why you believe the company was ranked in the top 10 and (b) explaining the relationship between training and the company’s competitiveness, business goals, and objectives. Your instructor will advise you on whether the report should be submitted electronically or on hard copy. (Hint: Possible reasons a company might be ranked include the amount of money it devotes to training, the level of employee involvement in training, and the type of training used.)

Case

Zappos: Facing Competitive Challenges

Zappos, based in Las Vegas, is an online retailer with the initial goal of trying to be the best website for buying shoes by offering a wide variety of brands, styles, colors, sizes, and widths. The Zappos.com brand has grown to offer shoes, handbags, eyewear, watches, and accessories for online purchase. The company’s goal is to provide the best service online, not just in shoes but in any product category. Zappos believes that the speed with which a customer receives an online purchase plays a critical role in how that customer thinks about shopping online again in the future, so the company is focusing on making sure the items get delivered to its customers as quickly as possible. Zappos has received many awards for its workplace culture and practices, including being recognized for six years in a row by Fortune magazine on its Best Company to Work For list.

Zappos CEO Tony Hsieh has shaped the company’s culture, brand, and business strategy around 10 core values:

1. Deliver WOW Through Service
2. Embrace and Drive Change
3. Create Fun and a Little Weirdness
4. Be Adventurous, Creative, and Open-Minded
5. Pursue Growth and Learning
6. Build Open and Honest Relationships with Communication
7. Build a Positive Team and Family Spirit
8. Do More with Less
9. Be Passionate and Determined
10. Be Humble

Deliver WOW Through Service means that call center employees need to provide excellent customer service. Call center employees encourage callers to order more than one size or color because shipping and return shipping are free. They are also encouraged to use their imaginations to meet customer needs.

The job of human resources at Zappos is more than just a rule enforcer. HR's job is to protect the culture and to educate employees. HR focuses on interactions with managers and employees to understand what they need from HR (HR is even invited to attend work teams' happy hours). Zappos's employment practices help perpetuate its company culture. Only about 1 out of 100 applicants passes a hiring process that is equally weighted on job skills and on the potential to work in Zappos's culture. Some managers at Zappos believe that if you want to get a job the most important value to demonstrate is "be humble," including a focus on "we" instead of "I." Job candidates are interviewed for cultural fit and a willingness to change and learn. For example, they observe whether job candidates talk at lunch with others or just the person they think is making the hiring decision. The HR team uses unusual interview questions—such as, How weird are you? and What's your theme song?—to find employees who are creative and have strong individuality.

Zappos provides free lunch in the cafeteria (cold cuts) and a full-time life coach (employees have to sit on a red velvet throne to complain), managers are encouraged to spend time with employees outside of the office, and any employee can reward another employee with a $50 bonus for good performance. Call center employees can use an online scheduling tool that allows them to set their own hours, and they can earn more pay if they work during hours with greater customer demand. Most of the over 1,500 employees at Zappos are hourly. Every new hire undergoes four weeks of training, during which the company culture must be committed to memory, and spends two weeks dealing with customers by working the telephones. New recruits are offered $2,000 to leave the company during training to weed out individuals who will not be happy working at the company. Zappos provides free breakfast, lunch, snacks, coffee, tea, and vending machine snacks. Work is characterized by constant change; a loud, open office environment; and team interactions. Employees at Zappos move around. For example, call center employees can bid for different shifts every month. To reinforce the importance of the 10 core values, Zappos's performance management system asks managers to evaluate how well employees' behaviors demonstrate the core values, such as being humble or expressing their personalities. To evaluate task performance, managers are asked to regularly provide employees with status reports on such things as how much time they spend on the telephone with customers. The status reports and evaluations of the core values are informational or used to identify training needs.

Zappos also believes in helping others understand what inspired the company culture. The company created the Zappos.com library, which provides a collection of books about creating a passion for customer service, products, and local communities. These books can be found in the front lobby of Zappos offices and are widely read and discussed by company employees. Corporate culture is more than a set of values, and it is maintained by a complex web of human interactions. At Zappos, the liberal use of social media including blogs and Twitter facilitates the network that links employees with one another and with the company's customers. Zappos takes the pulse of the organization monthly, measuring the health of the culture with a happiness survey. Employees respond to such unlikely questions as whether they believe that the company has a higher purpose than profits, whether their own role has meaning, whether they feel in control of their career path, whether they consider their co-workers to be like family and friends, and whether they are happy in their jobs. Results from the survey are broken down by department, and opportunities for development are identified and acted upon. For example, when it was clear from the survey that one department had veered off course and felt isolated from
the rest of the organization, a program was instituted that enabled individuals in the group to learn more about how integral their work was.

To keep the company vibrant, CEO Tony Hsieh spent $350 million to develop a neighborhood in downtown Las Vegas, which is the home of Zappos.com’s new headquarters. Hsieh wants to provide employees with a great place to work as well as to live and socialize. Recently, Zappos adopted a management philosophy, holacracy, which gives employees the freedom and responsibility to decide how to get their work done and eliminates people managers. Hsieh’s intent was to allow employees to act more like entrepreneurs and help stimulate new ideas, bring their full selves to work, and have a purpose beyond making money, all of which he believes will benefit the business. Employees work in teams or “circles” rather than as individuals, and team membership can change. However, employees are finding that the new management system is confusing and requires them to spend more time in meetings. Also, they wonder how they will earn raises and advance their careers without management jobs. In all, 210 employees found the new philosophy so dissatisfying that they took three months of severance pay and left the company. Zappos is changing its recruitment process to ensure that its new hires are comfortable with holacracy’s self-management style. Despite this setback, other companies are trying to learn from Zappos’s practices. Zappos Insights is a department within Zappos created to share the Zappos culture with other companies. Zappos Insights provides programs about building a culture (3-Day Culture Camp), its WOW service philosophy (School of WOW), the power of a coaching-based culture (Coaching Event), how the HR function protects the culture and how its programs support it (People Academy), and custom programs. The cost to attend these programs ranges from $2,000 to $6,000 for each attendee.

Visit the Zappos website at www.zapposinsights.com. Go to “About” and review the information provided about the company, its culture, core values, training, and training fact sheet. Also, review the information provided about the management philosophy holacracy and how it works. Watch the video “How Zappos Will Run with No Job Titles” and the Business Insider article at www.businessinsider.com/tony-hsieh-zappos-holacracy-management-experiment-2015-5.

What challenges is Zappos facing that may derail its attempt to be the best online retailer? How can training and development help Zappos meet these challenges? Do you think that employees at Zappos have high levels of engagement? Why? Which of Zappos’s 10 core values do you believe training and development can influence the most? The least? Why? Is training necessary for Zappos’s transition from a traditional hierarchical structure to holacracy? Explain why and the type of training needed.


Endnotes


118. K. A. Miller, Retraining the American Workforce (Reading, MA: Addison-Wesley, 1989).