The essential components of a successful L&D strategy

The ACADEMIES framework is a useful tool for conceptualizing learning strategy.

Jacqueline Brassey, Lisa Christensen, and Nick van Dam

Over the past decade, the global workforce has been continually evolving because of a number of factors. An increasingly competitive business landscape, rising complexity, and the digital revolution are reshaping the mix of employees. Meanwhile, persistent uncertainty, a multigenerational workforce, and a shorter shelf life for knowledge have placed a premium on reskilling and upskilling. The shift to a digital, knowledge-based economy means that a vibrant workforce is more important than ever: research suggests that a very significant percentage of market capitalization in public companies is based on intangible assets—skilled employees, exceptional leaders, and knowledge.[1]

All of these trends have elevated the importance of the learning-and-development (L&D) function. We undertook several phases of research to understand trends and current priorities in L&D (see sidebar, "Learning and development—From evolution to revolution"). Our efforts highlighted how the L&D function is adapting to meet the changing needs of organizations, as well as the growing levels of investment in professional development.

To get the most out of investments in training programs and curriculum development, L&D leaders must embrace a broader role within the organization and formulate an ambitious vision for the function. An essential component of this effort is a comprehensive, coordinated strategy that engages the organization and encourages collaboration. The ACADEMIES© framework, which consists of nine dimensions of L&D, can help to strengthen the function and position it to serve the organization more effectively.

The strategic role of L&D

One of L&D's primary responsibilities is to manage the development of people—and to do so in a way that supports other key business priorities. L&D's strategic role spans five areas (Exhibit 1).[2]

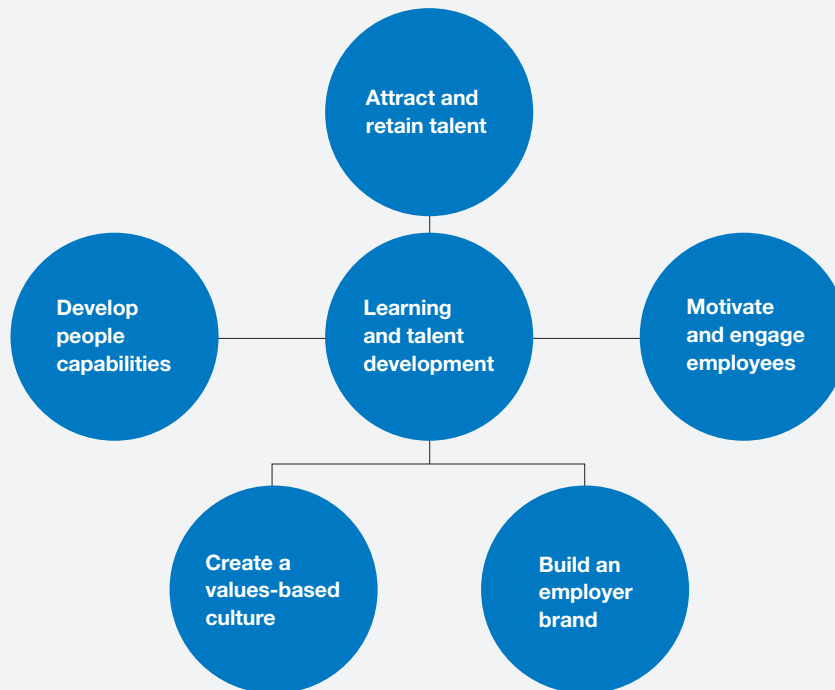*1. Attract and retain talent.* Traditionally, learning focused solely on improving productivity. Today, learning also contributes to employability. Over the past several decades, employment has shifted from staying with the same company for a lifetime to a model where workers are being retained only as long as they can add value to an enterprise. Workers are now in charge of their personal and professional growth and development—one reason that people list "opportunities for learning and development" among the top criteria for joining an organization. Conversely, a lack of L&D is one of the key reasons people cite for leaving a company.

2. Develop people capabilities. Human capital requires ongoing investments in L&D to retain its value. When knowledge becomes outdated or forgotten—a more rapid occurrence today—the value of human capital declines and needs to be supplemented by new learning and relevant work experiences.[3] Companies that make investments in the next generation of leaders are seeing an impressive return. Research indicates that companies in the top quartile of leadership outperform other organizations by nearly two times on earnings before interest, taxes, depreciation, and amortization (EBITDA). Moreover, companies that invest in developing leaders during significant transformations are 2.4 times more likely to hit their performance targets.[4]

3. Create a values-based culture. As the workforce in many companies becomes increasingly virtual and globally dispersed, L&D can help to build a values-based culture and a sense of community. In particular, millennials are particularly interested in working for values-based, sustainable enterprises that contribute to the welfare of society.

4. Build an employer brand. An organization's brand is one of its most important assets and conveys a great deal about the company's success in the market, financial strengths, position in the industry, and products and services. Investments in L&D can help to enhance company's brand and boost its reputation as an "employer of choice." As large segments of the

Exhibit 1 **The learning function of an organization has a strategic role in five areas.**

Attract and retain talent

Develop people capabilities

Learning and talent development

Motivate and engage employees

Create a values-based culture

Build an employer brand

Source: Adapted from Nick van Dam, *25 Best Practices in Learning & Talent Development,* second edition, Raleigh, NC: Lulu Publishing, 2008

workforce prepare to retire, employers must work harder to compete for a shrinking talent pool. To do so, they must communicate their brand strength explicitly through an employer value proposition.

5. Motivate and engage employees. The most important way to engage employees is to provide them with opportunities to learn and develop new competencies. Research suggests that lifelong learning contributes to happiness.[5] When highly engaged employees are challenged and given the skills to grow and develop within their chosen career path, they are more likely to be energized by new opportunities at work and satisfied with their current organization.

The L&D function in transition
Over the years, we have identified and field-tested nine dimensions that contribute to a strong L&D function. We combined these dimensions to create the

ACADEMIES framework, which covers all aspects of L&D functions, from setting aspirations to measuring impact (Exhibit 2). Although many companies regularly execute on several dimensions of this framework, our recent research found that only a few companies are fully mature in all dimensions.

1. Alignment with business strategy
One of an L&D executive's primary tasks is to develop and shape a learning strategy based on the company's business and talent strategies. The learning strategy seeks to support professional development and build capabilities across the company, on time, and in a cost-effective manner. In addition, the learning strategy can enhance the company culture and encourage employees to live the company's values.

For many organizations, the L&D function supports the implementation of the business strategy. For

Exhibit 2

The ACADEMIES framework includes nine components.
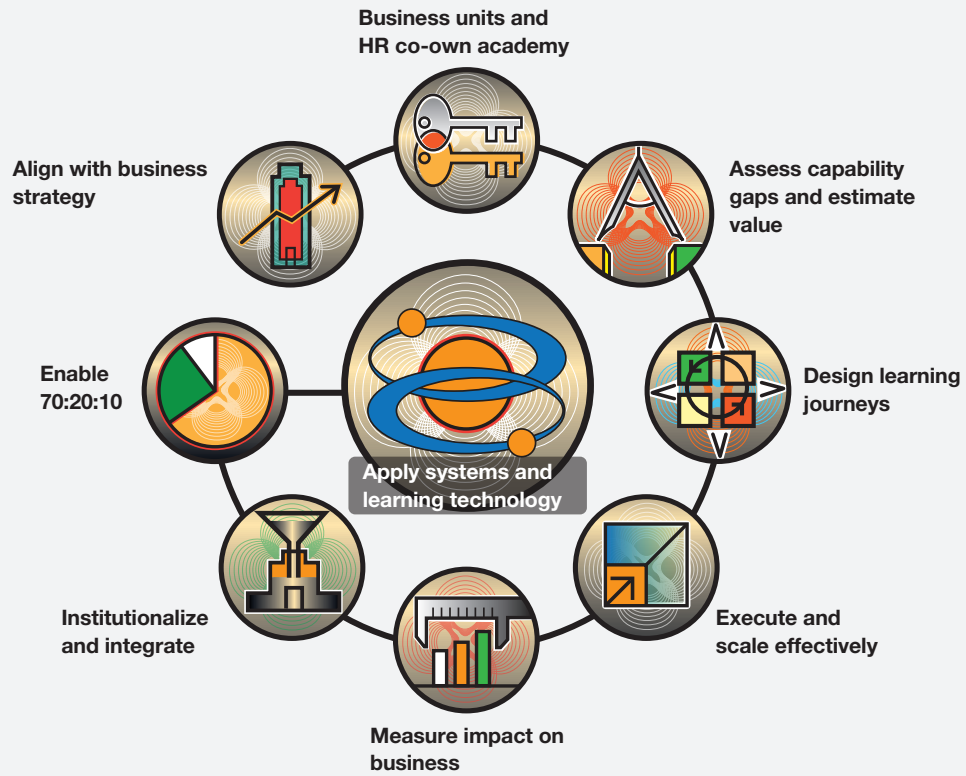
Source: McKinsey & Company

example, if one of the business strategies is a digital transformation, L&D will focus on building the necessary people capabilities to make that possible.

Every business leader would agree that L&D must align with a company's overall priorities. Yet research has found that many L&D functions fall short on this dimension. Only 40 percent of companies say that their learning strategy is aligned with business goals.[6] For 60 percent, then, learning has no explicit connection to the company's strategic objectives. L&D functions may be out of sync with the business because of outdated approaches or because budgets have been based on priorities from previous years rather than today's imperatives, such as a digital transformation.

To be effective, L&D must take a hard look at employee capabilities and determine which are most

essential to support the execution of the company's business strategy. L&D leaders should reevaluate this alignment on a yearly basis to ensure they are creating a people-capability agenda that truly reflects business priorities and strategic objectives.

2. Co-ownership between business units and HR
With new tools and technologies constantly emerging, companies must become more agile, ready to adapt their business processes and practices. L&D functions must likewise be prepared to rapidly launch capability-building programs—for example, if new business needs suddenly arise or staff members require immediate training on new technologies such as cloud-based collaboration tools.

L&D functions can enhance their partnership with business leaders by establishing a governance

Learning and development—From evolution to revolution

We began in 2014 by surveying 1,500 executives about capability building. In 2016, we added 120 L&D leaders at 91 organizations to our database, gathering information on their traditional training strategies and aspirations for future programs. We also interviewed 15 chief learning officers or L&D heads at major companies.[1]

Historically, the L&D function has been relatively successful in helping employees build skills and perform well in their existing roles. The main focus of L&D has been on upskilling. However, the pace of change continues to accelerate; McKinsey research estimates that as many as 800 million jobs could be displaced by automation by 2030.[2]

Employee roles are expected to continue evolving, and a large number of people will need to learn new skills to remain employable. Unsurprisingly, our research confirmed our initial hypothesis: corporate learning must undergo revolutionary changes over the next few years to keep pace with constant technological advances.[3] In addition to updating training content, companies must increase their focus on blended-learning solutions, which combine digital learning, fieldwork, and highly immersive classroom sessions. With the growth of user-friendly digital-learning platforms, employees will take more ownership of their professional development, logging in to take courses when the need arises rather than waiting for a scheduled classroom session.

Such innovations will require companies to devote more resources to training: our survey revealed that 60 percent of respondents plan to increase L&D spending over the next few years, and 66 percent want to boost the number of employee-training hours. As they commit more time and money, companies must ensure that the transformation of the L&D function proceeds smoothly.

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[1] Richard Benson-Armer, Arne Gast, and Nick van Dam, "Learning at the speed of business," *McKinsey Quarterly,* May 2016, McKinsey.com.

[2] For more information, see "What the future of work will mean for jobs, skills, and wages," McKinsey Global Institute, November 2017, on McKinsey.com.

[3] Benson-Armer, Gast, and van Dam, "Learning at the speed of business."

structure in which leadership from both groups share responsibility for defining, prioritizing, designing, and securing funds for capability-building programs. Under this governance model, a company's chief experience officer (CXO), senior executives, and business-unit heads will develop the people-capability agenda for segments of the enterprise and ensure that it aligns with the company's overall strategic goals. Top business executives will also help firmly embed the learning function and all L&D initiatives in the organizational culture. The involvement of senior leadership enables full commitment to the L&D function's longer-term vision.

3. Assessment of capability gaps and estimated value

After companies identify their business priorities, they must verify that their employees can deliver on them—a task that may be more difficult than it sounds. Some companies make no effort to assess employee capabilities, while others do so only at a high level. Conversations with L&D, HR, and senior executives

suggest that many companies are ineffective or indifferent at assessing capability gaps, especially when it comes to senior leaders and midlevel managers.

The most effective companies take a deliberate, systematic approach to capability assessment. At the heart of this process is a comprehensive competency or capability model based on the organization's strategic direction. For example, a key competency for a segment of an e-commerce company's workforce could be "deep expertise in big data and predictive analytics."

After identifying the most essential capabilities for various functions or job descriptions, companies should then assess how employees rate in each of these areas. L&D interventions should seek to close these capability gaps.

4. Design of learning journeys

Most corporate learning is delivered through a combination of digital-learning formats and in-person sessions. While our research indicates that immersive L&D experiences in the classroom still have immense value, leaders have told us that they are incredibly busy "from eight to late," which does not give them a lot of time to sit in a classroom. Furthermore, many said that they prefer to develop and practice new skills and behaviors in a "safe environment," where they don't have to worry about public failures that might affect their career paths.

Traditional L&D programs consisted of several days of classroom learning with no follow-up sessions, even though people tend to forget what they have learned without regular reinforcement. As a result, many L&D functions are moving away from stand-alone programs by designing learning journeys—continuous learning opportunities that take place over a period of time and include L&D interventions such as fieldwork, pre- and post-classroom digital learning, social learning, on-the-job coaching and mentoring, and short workshops. The main objectives of a learning journey are to help people develop the required new

competencies in the most effective and efficient way and to support the transfer of learning to the job.

5. Execution and scale-up

An established L&D agenda consists of a number of strategic initiatives that support capability building and are aligned with business goals, such as helping leaders develop high-performing teams or roll out safety training. The successful execution of L&D initiatives on time and on budget is critical to build and sustain support from business leaders.

L&D functions often face an overload of initiatives and insufficient funding. L&D leadership needs to maintain an ongoing discussion with business leaders about initiatives and priorities to ensure the requisite resources and support.

Many new L&D initiatives are initially targeted to a limited audience. A successful execution of a small pilot, such as an online orientation program for a specific audience, can lead to an even bigger impact once the program is rolled out to the entire enterprise. The program's cost per person declines as companies benefit from economies of scale.

6. Measurement of impact on business performance

A learning strategy's execution and impact should be measured using key performance indicators (KPIs). The first indicator looks at business excellence: how closely aligned all L&D initiatives and investments are with business priorities. The second KPI looks at learning excellence: whether learning interventions change people's behavior and performance. Last, an operational-excellence KPI measures how well investments and resources in the corporate academy are used.

Accurate measurement is not simple, and many organizations still rely on traditional impact metrics such as learning-program satisfaction and completion scores. But high-performing organizations focus on outcomes-based metrics such as impact on

individual performance, employee engagement, team effectiveness, and business-process improvement. We have identified several lenses for articulating and measuring learning impact:

- Strategic alignment: How effectively does the learning strategy support the organization's priorities?

- Capabilities: How well does the L&D function help colleagues build the mind-sets, skills, and expertise they need most? This impact can be measured by assessing people's capability gaps against a comprehensive competency framework.

- Organizational health: To what extent does learning strengthen the overall health and DNA of the organization? Relevant dimensions of the McKinsey Organizational Health Index can provide a baseline.[7]

- Individual peak performance: Beyond raw capabilities, how well does the L&D function help colleagues achieve maximum impact in their role while maintaining a healthy work-life balance?

Access to big data provides L&D functions with more opportunities to assess and predict the business impact of their interventions.

7. Integration of L&D interventions into HR processes

Just as L&D corporate-learning activities need to be aligned with the business, they should also be an integral part of the HR agenda. L&D has an important role to play in recruitment, onboarding, performance management, promotion, workforce, and succession planning. Our research shows that at best, many L&D functions have only loose connections to annual performance reviews and lack a structured approach and follow-up to performance-management practices.

L&D leadership must understand major HR management practices and processes and collaborate closely with HR leaders. The best L&D functions use consolidated development feedback from performance reviews as input for their capability-building agenda. A growing number of companies are replacing annual performance appraisals with frequent, in-the-moment feedback.[8] This is another area in which the L&D function can help managers build skills to provide development feedback effectively.

Another example is onboarding. Companies that have developed high-impact onboarding processes score better on employee engagement and satisfaction and lose fewer new hires.[9] The L&D function can play a critical role in onboarding—for example, by helping people build the skills to be successful in their role, providing new hires with access to digital-learning technologies, and connecting them with other new hires and mentors.

8. Enabling of the 70:20:10 learning framework

Many L&D functions embrace a framework known as "70:20:10," in which 70 percent of learning takes place on the job, 20 percent through interaction and collaboration, and 10 percent through formal-learning interventions such as classroom training and digital curricula. These percentages are general guidelines and vary by industry and organization. L&D functions have traditionally focused on the formal-learning component.

Today, L&D leaders must design and implement interventions that support informal learning, including coaching and mentoring, on-the-job instruction, apprenticeships, leadership shadowing, action-based learning, on-demand access to digital learning, and lunch-and-learn sessions. Social technologies play a growing role in connecting experts and creating and sharing knowledge.

9. Systems and learning technology applications

The most significant enablers for just-in-time learning are technology platforms and applications. Examples include next-generation learning-management

systems, virtual classrooms, mobile-learning apps, embedded performance-support systems, polling software, learning-video platforms, learning-assessment and -measurement platforms, massive open online courses (MOOCs), and small private online courses (SPOCs), to name just a few.

The learning-technology industry has moved entirely to cloud- based platforms, which provide L&D functions with unlimited opportunities to plug and unplug systems and access the latest functionality without having to go through lengthy and expensive implementations of an on-premises system. L&D leaders must make sure that learning technologies fit into an overall system architecture that includes functionality to support the entire talent cycle, including recruitment, onboarding, performance management, L&D, real-time feedback tools, career management, succession planning, and rewards and recognition.

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L&D leaders are increasingly aware of the challenges created by the fourth industrial revolution (technologies that are connecting the physical and digital worlds), but few have implemented large-scale transformation programs. Instead, most are slowly adapting their strategy and curricula as needed. However, with technology advancing at an ever-accelerating pace, L&D leaders can delay no longer: human capital is more important than ever and will be the primary factor in sustaining competitive advantage over the next few years.

The leaders of L&D functions need to revolutionize their approach by creating a learning strategy that aligns with business strategy and by identifying and enabling the capabilities needed to achieve success. This approach will result in robust curricula that

employ every relevant and available learning method and technology. The most effective companies will invest in innovative L&D programs, remain flexible and agile, and build the human talent needed to master the digital age.

These changes entail some risk, and perhaps some trial and error, but the rewards are great. ■

[1] Intangible Asset Market Value Study, Ocean Tomo.

[2] Nick van Dam, *25 Best Practices in Learning & Talent Development,* second edition, Raleigh, NC: Lulu Publishing, 2008.

[3] Gary S. Becker, "Investment in human capital: A theoretical analysis," *Journal of Political Economy,* 1962, Volume 70, Number 5, Part 2, pp. 9–49, jstor.org.

[4] "What successful transformations share: McKinsey Global Survey results," March 2010, McKinsey.com; and "Economic Conditions Snapshot, June 2009: McKinsey Global Survey results," June 2009, McKinsey.com.

[5] John Coleman, "Lifelong learning is good for your health, your wallet, and your social life," *Harvard Business Review,* February 7, 2017, hbr.org.

[6] Human Capital Management Excellence Conference 2018, Brandon Hall Group.

[7] For more information, visit the Organizational Health Index on McKinsey.com.

[8] *HCM outlook 2018,* Brandon Hall Group.

[9] *HCM outlook 2018,* Brandon Hall Group.

Jacqueline Brassey is director of Enduring Priorities Learning in McKinsey's Amsterdam office, where **Nick van Dam** is an alumnus and senior adviser to the firm as well as professor and chief of the IE University (Madrid) Center for Learning Innovation; **Lisa Christensen** is a senior learning expert in the San Francisco office.