

**Managing Learning to Ensure Strategic Alignment
with the Business at Caterpillar**

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Chris E. Glynn, Caterpillar University

Merrill Anderson, MetrixGlobal, LLC

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Overview of the Practice: Enterprise Learning Planning

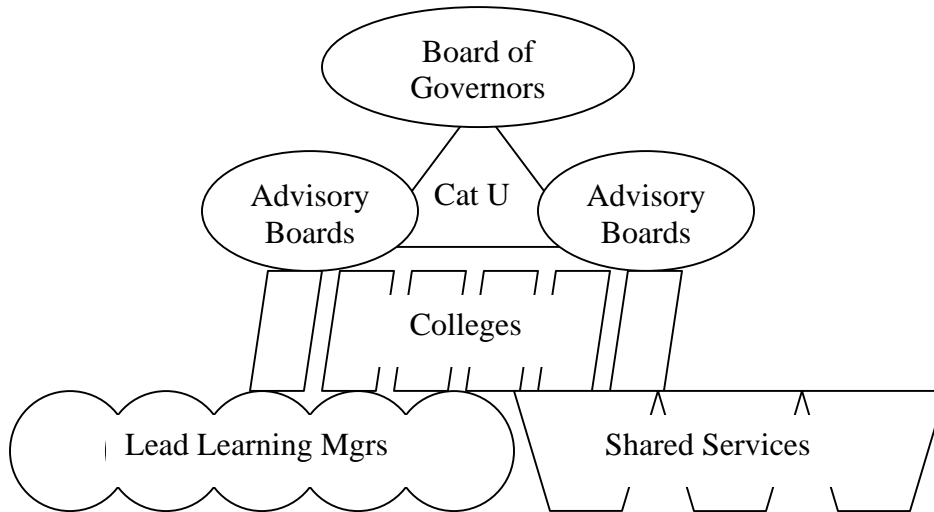
1. One of the greatest challenges of managing training is partnering with the entire business enterprise to ensure alignment, commitment, support and results.
 - a. Given the global nature and decentralized culture of the company, addressing this challenge was a daunting task.
 - b. With over 92,000 employees organized into 30 business units that are spread out in over 70 countries, creating a consistent annual process to assess learning needs and identify the high impact learning initiatives to meet these needs was fraught with complexity.

2. While the complexity of the situation was a challenge, it was also an opportunity.
 - a. There existed the potential of annual savings through centralization.
 - b. Plus, centralizing and making more strategic the needs assessment and learning planning process offered the promise of delivering learning that was not only more efficient, but more effective with a higher ROI for the business.

3. The Enterprise Learning Planning (ELP) process was designed and deployed as a company-wide practice to assess learning needs of each business unit and plan learning for the entire business enterprise.

4. The success of this process has enabled it to evolve and grow into a powerful standard business.
 - a. One unique feature of this process is the inclusion of an evaluation strategy that guides evaluation and ROI studies and tracks benefits.
 - b. As this process enters its fifth year, over \$25 M has been saved through efficiencies and better resource utilization.
 - c. ROI studies have shown that over \$160 M in annualized benefits to the business will be delivered over a seven year period.

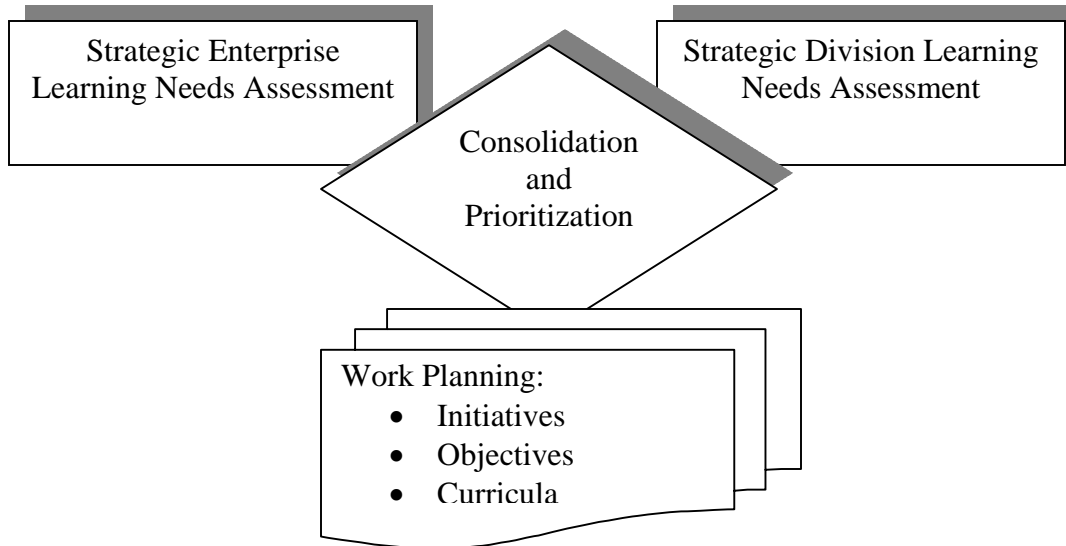
Organization of Learning and Governance



The Board of Governors	Includes the CEO and leaders from the Executive Office; provides the overall guidance and direction for learning
Advisory Boards	Feature global representation and provide strategic counsel to each college and division within Cat U
Lead Learning Managers	Assigned to each division (30); located around the world; responsible for conducting learning needs assessments and managing the deployment of learning in their respective business units
Shared Services	Located throughout the US and the UK, the learning functions of Shared Services are responsible for the deployment and administration of learning initiatives

The ELP process has four major elements

1. Strategic enterprise learning needs assessment
2. Strategic division (e.g., business unit) learning needs assessment
3. Consolidation and prioritization
4. Work Planning: Initiatives, objectives and curricula



How ELP process is differentiated from other planning practices

1. A high level of partnership between learning leaders and business unit leaders, especially in a highly decentralized business culture.
2. A focus on driving strategic outlook of learning, and not just a year-to-year planning exercise.
3. A vast scope, breadth and global reach.
4. A powerful metrics and evaluation component that drives accountability for results and demonstrable business impact.

ELP Process Exemplifies Partnership

1. Caterpillar's 30 divisions each develop their annual learning plan in partnership with Caterpillar University. These learning plans are based on enterprise learning needs, which are compiled by Caterpillar University, as well as their own organizational learning needs.
2. The learning needs assessment process ensures that the business leaders and learning leaders follow a highly collaborative process. Senior executives, business managers, learning leaders, Caterpillar University management and others are all brought into the final selection of strategic learning initiatives.
3. Given that the strategic learning initiatives also cover marketing and sales, this process goes beyond employees to include dealers, suppliers and customers. Caterpillar business managers and learning leaders partner with the dealers to understand and meet their learning needs. For example, College of Marketing and Distribution partnered with dealers and designed a comprehensive competency-based needs assessment and curricula for the dealer employees.
4. The ELP process also highlights gaps in the learning community's capability to design and / or deliver certain kinds of learning. In these cases, partnerships are formed with external suppliers to fill in these gaps.
 - a. For example, when the ELP highlighted gaps in senior leader learning opportunities, the College of Leadership partnered with a university to provide content for a leadership development program.
 - b. Safety provides another example. Caterpillar has established safety as a business priority; therefore, safety learning was established as an ELP priority. The College of Technology then partnered with the global safety process owner as well as internal and external safety-training providers to design and deliver a comprehensive safety curriculum.

ELP Features a Comprehensive Evaluation Strategy

1. Comprehensive evaluation is a hallmark of the ELP. Caterpillar University has partnered with MetrixGlobal, LLC to design and deploy strategic evaluation processes, tools and training.
2. Once the global learning initiatives to be included in the ELP are identified and agreed to by business and learning leaders, an evaluation plan is developed for each learning initiative. The plan includes the college responsible for the initiative, how the initiative will be evaluated, and specific evaluation goals that are aligned with business goals.
3. Almost all global initiatives are evaluated at level 3, application, (as well as levels 1, reaction, and level 2, learning) while about 5% are evaluated at levels 4 business results and 5 ROI.
4. As part of the ELP process, the evaluation plan is periodically updated.
5. ELP evaluation guidelines include:
 - a. All common, global learning initiatives are evaluated in terms of how well people applied what they learned in the workplace.
 - b. Application percentages are captured on the Caterpillar University Vital Factors report (e.g., scorecard) and reviewed monthly.
 - c. The business case for a strategic initiative will estimate ROI.
 - d. Business impact and post-program ROI will be evaluated for a select few initiatives, selected by the Caterpillar University president.
6. Metrics will be reviewed at quarterly Board of Governors meetings, with decisions and required corrective actions taken accordingly.

ELP Produces Results: Intangible Benefits

1. Increased collaboration between business and learning leaders to plan learning
2. Improved vendor management
3. Increased the strategic focus of learning
4. Increased the business impact of learning
5. Improved efficiency of learning planning and reduced program redundancy
6. Introduced consistency in how learning is planned for the entire enterprise
7. Demonstrated the value of learning to the business
8. On a larger scale, learning is now being viewed as a business activity, and as such, is being incorporated into other business processes.
 - a. For example, learning is now incorporated into the strategy review process at both the enterprise level and the business unit level. This ensures that learning is considered during conversations of business strategic planning and results.
 - b. The ELP has enhanced the nature and quality of the corporate policy forming process, e.g., the Strategic Planning Committee. Learning is now viewed as one of the key drivers to successfully implement the new Vision 2020.

Return on Learning Investment

Nine ROI studies conducted by an external consultant (MetrixGlobal, LLC) showed that nine learning programs, involving over 63,000 learners, will generate over \$160 M in *net* benefits over a seven year period of time (see chart).

Two-thirds of all participants in learning initiatives studied have achieved significant improvements in at least one of the following:

1. Personal productivity
2. Team effectiveness
3. Quality of products and services
4. Cost reductions
5. Net revenues
6. Cycle times for work processes

Strategic Alignment of Learning at Caterpillar

**Return on Learning Summary By Year
For the Nine Programs Chosen for Detailed Analysis
Prepared by MetrixGlobal, LLC**

Program		Net Enterprise Benefits Per Year For Program and For Accumulated Over Years							TOTAL
		2002	2003	2004	2005	2006	2007		
Assembly Training	First Year	\$ 30,000	\$ 135,000	\$ 255,000	\$ 285,000	\$ 315,000	\$ 345,000	\$ 1,365,000	
	First Two Years		\$ 165,000	\$ 390,000	\$ 540,000	\$ 600,000	\$ 660,000	\$ 2,385,000	
	Learners	100	450	850	950	1,050	1,150	4,550	
Knowledge Network	First Year	\$ 2,136,900	\$ 2,472,100	\$ 2,807,300	\$ 3,142,500	\$ 3,477,700	\$ 3,812,900	\$ 17,849,400	
	First Two Years	\$ 2,136,900	\$ 2,472,100	\$ 2,807,300	\$ 3,142,500	\$ 3,477,700	\$ 3,812,900	\$ 17,849,400	
	Parent Threads	5,100	5,900	6,700	7,500	8,300	9,100	42,600	
	Dealer 1st Yr	\$ 175,440	\$ 657,900	\$ 1,491,240	\$ 1,578,960	\$ 1,666,680	\$ 1,754,400	\$ 7,324,620	
	Dealer 1st 2 Yrs Parent Threads	\$ 175,440 80	\$ 657,900 300	\$ 1,491,240 680	\$ 1,578,960 720	\$ 1,666,680 760	\$ 1,754,400 800	\$ 7,324,620 3,340	
Sales Training CBT	First Year	\$ 114,700						\$ 114,700	
	First Two Years		\$ 114,700					\$ 114,700	
	Dealer 1st Yr	\$ 962,000						\$ 962,000	
	Dealer 1st 2 Yrs Learners	\$ 962,000 37	\$ 962,000					\$ 962,000 37	
CAD Engineer WBT	First Year		\$ (54,696)	\$ (7,632)	\$ (2,067,000)			\$ (2,129,328)	
	First Two Years			\$ (62,328)	\$ (2,074,632)			\$ (2,191,656)	
	Learners		86	12	3,250			3,348	
Professional IT	First Year		\$ 382,680	\$ 540,000	\$ 594,000	\$ 594,000		\$ 2,110,680	
	First Two Years			\$ 922,680	\$ 1,134,000	\$ 1,188,000	\$ 594,000	\$ 4,221,360	
	Learners		1,063	1,500	1,650	1,650		5,863	
On-Line English	First Year		\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ (170,000)	
	First Two Years		\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ (34,000)	\$ (170,000)	
	Learners		125	125	225	225	225	925	
Performance Mgmt	First Year		\$ 21,741,500	\$ 26,284,500	\$ 10,708,500	\$ 3,894,000	\$ 3,894,000	\$ 66,522,500	
	First Two Years			\$ 48,026,000	\$ 36,993,000	\$ 14,602,500	\$ 7,788,000	\$ 129,151,000	
	Learners		6,700	8,100	3,300	1,200	1,200	20,500	
Succeeding in Supv	First Year				\$ 945,000	\$ 2,160,000	\$ 2,700,000	\$ 5,805,000	
	First Two Years					\$ 3,105,000	\$ 4,860,000	\$ 8,910,000	
	Learners				175	400	500	1,075	
Hand Safety Training	First Year					\$ 813,400	\$ 531,200	\$ 1,344,600	
	First Two Years						\$ 1,344,600	\$ 1,344,600	
	Learners					9,800	6,400	16,200	

Company Total For First Year of Programs =	\$ 92,812,552
Company Total First Two Years =	\$ 161,614,404
Company Total Learners =	63,111
Dealer Total For First Year of Programs =	8,286,620
Dealer Total First Two Years =	8,286,620
Dealer Total Learners =	872
Grand Total For First Year of Programs =	101,099,172
Grand Total First Two Years =	169,901,024
Grand Total Learners =	63,983

Notes

1. Monetary benefits are based on actual ROI studies and projected for each year of program deployment.
2. Negative ROI results are projected for subsequent years, even though corrective actions were taken to increase the monetary return. This was done to be extra conservative in aggregating total net monetary return.

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