Strategic Learning and Development

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Key Learning Outcomes

At the end of this chapter, you should be able to:

- *Review of key theoretical bases of learning and development*
- *Analyse the dominant drivers of internal career orientations of individuals*
- *Examine and analyse the relationship between strategy and learning and development*
- *Analyse the key drivers of training*

Introduction

Exploring the AMO model, this chapter focuses on building 'A'–or the ability of employees. From a strategic HRM perspective, this chapter examines the role that training, learning, and skill development can play in the development of individual and organisational capabilities necessary for achieving sustained competitive advantage. The extant literature on skills development is extensively well-developed at a macro-, meso- and micro-level. The theoretical underpinnings of this important activity spans across the fields of economics, strategy, public policy and other disciplinary domains. The focus in this chapter will be on skills development in an organisational context, encompassing three distinctive levels: individual, group/team and organisational development. The chapter begins by analyzing the theoretical foundations that explains why firms invest in training and offers an overview of the factors that shape an organisation's decision to invest in training. Dealing with

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the strategic question of differentiation between firms, this chapter explores why some firms invest more in training than others even if they are competing in the same product markets. In addressing human capability and development issues in an organisation, the HR developers must also consider employees' personal development and career needs. This is especially true for key roles given that talent is scarce. In managing talent there are invariably some tensions between an individual's internal career orientations (or career anchors, see Schien 1996, 2006, for example) and the external career path that an organisation offers.

Managing Employee Learning and Development: Theoretical Foundations

In the wider education and training institutional infrastructure, there are tensions about who is responsible for creating 'industry ready' workers? Is it the individual, organisation or state? While game theorists (Finegold 1992) have modelled these scenarios and argue that the weakest stakeholder group loses. Another theory that traverses all three levels is the human capital theory (Becker 1964), which suggests that for improved wages and increased productivity, investment in human capital is vital. The underlying logic of this theory is that high levels of skills and knowledge enables people to perform better in their jobs, which ultimately raise their productivity. Increases in productivity and presence of higher order skills is rewarded in the form of higher wages. Another hypothesis this theory examines is whether firms should invest in generic and transferable skills or only firm specific and by implementing non-transferable skills (Becker 1964). The theory argues that firms will not invest in generic and transferable skills as these are also of equal value to other employers. Whereas, investment in technical and non-transferable (or firm-specific) skills training is logical as the investing firm can recover the costs of such training during the tenure of an employee and such skills will make the employee more productive in their current job. A variant of this theory, the Neo-Human Capital theory, focuses on investment in training to overcome changes in technology (Acemoglu and Pischke 1998; Bartel and Litechenberg 1987). The neo-human capital theorists argue that firms will invest in generic and transferable skills because of the *information asymmetry* that exists at the time of hiring new employees. Further, the theory postulates that the demand for highly skilled employees will decline with a firm's experience on the use of a given technology, hence with each event of new production, managerial or process technologies, firms can expect a spike in investment in learning. It is interesting to note that most studies of high performance work systems (HPWS) invariably features training and development as a key element in the bundle (Ashton and Sung 2002). Similarly, even the RBV models highlight the importance of investing in firm-specific skills, resources and capabilities to make the resources valuable, rare, and inimitable by the firm's immediate competitors because of the way they are organised in the production function (Barney 1991; Wright et al. 1994).

Given the numerous theoretical explanations of why firms invest in training, one theme that emanates very clearly in the above theories is to improve the performance or productivity of a system. This bears resemblance with Swanson's (2001) conceptualisation of human resource development (HRD) and the role it plays in an organisational context. Swanson (2001) argued that for HRD to survive, the *performance paradigm* should prevail over *learning paradigm.* Building on research undertaken in the UK, Smith and Hayton (1999) analysed the factors affecting the provision of enterprise training in Australia. While a number of other theorisations have since been undertaken in the context of a number of countries and industries, in the main, the key factors affecting a firm's decision to invest in training can be summarised into two groups: *Internal organisational influences* and *external contextual influences.* While the former includes factors such as workplace change, product or process change, enterprise size, industry type, introduction of quality management systems and new technology, the latter group includes factors such as client specifications, government regulation and inadequacies of the educational systems (Malik 2009; Malik and Nilakant 2011; Smith et al. 2004; Ashton and Sung 2002, 2006). From a strategic HRD perspective, Malik (2009) and Pereira and Malik (2015) found that firms that invested greater amounts in training and development were also firms that were operating in a medium- to higher-level product market segment of the IT industry. While this would suggest that high-end product markets demand greater inputs of training investment, this is not always true as even relatively less complex or low-end product and service markets have known to allocate greater investments in training, especially if the industry is growing fast and is witnessing high levels of employee turnover. This may also be the case because of contextual factors such as inadequacies in the educational infrastructure to produce market ready workforce, high growth rates witnessed by the industry and dynamism in a firm's products and service offerings. This trend has been borne out in the study of large IT firms delivering in both simple and complex levels of service delivery. Training in these organisations has played a strategic role in not only keeping the overall workflow steady, but also in the longer term, through sustained investments in learning and development infrastructure, these firms were able to offer a lower unitised cost of training and hence contribute to a firm's bottom line (Malik 2017).

Career Development

As HR developers, apart from focusing on skills development for core roles in an organisation, they are also tasked with retention of key talent in an organisation. This brings to our attention to the topic of managing individual's career aspirations. From a strategic perspective, HR developers must consider the business and competitive strategy before making extensive investments in learning and development and indeed offering employees career paths (Lloyd 2005; Stewart and Brown 2009). There is an ongoing debate regarding whose responsibility is it to invest in an individual's personal learning and career development needs. Schien's (1996) work on career anchor theory, is relevant here as he focuses on first understanding the

individual's internal career anchors before offering them with a career path in an organisation. According to Schien, career anchors are a configuration of aptitudes, intentions, and beliefs that help in directing, limiting, stabilizing and assimilating an employee's careers goals. The theory argues that people's career anchors (internal career orientations) take time to get stabilised (up to first 5 years of their working lives) and following this these anchors stabilise and generally do not change over time. According to the theory, people have up to two dominant career anchors from the following list of anchors: *managerial competence, technical and functional competence, pure challenge, creativity, service/dedication, security, autonomy* and *lifestyle.* There is some further research which suggests that career anchors may change over an individual's working life due to major shocks or contextual changes. From a strategic HR perspective, organisations are better placed to identify and place individuals in career paths that match with their dominant career anchors rather than placing people in careers that they are not anchored in. Classic examples of mismatch include people want to pursue *technical* excellence in their respective disciplines are offered to take on a specialist management roles. This creates an internal cognitive dissonance in the minds of such individuals who are more anchored in technical excellence as they do not have excellent people management skills nor are they interested in it. Eventually, this will lead to dissatisfaction at work and may result in voluntary turnover. Read the following case study of managing careers in a multinational firm operating in the UK.

Careers Case Study

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A European subsidiary of a US multi-national company operating in the UK has historically endeavored to attract, retain and develop employees identified as critical to the success of the local operation. The organization operates in the ICT sector, offering cloud-computing technologies, and employs over 1500 staff. However, there are a number of issues currently impacting on careers in the organization. This case study presents responses from the organizations' annual employee climate survey. Such responses articulate a sense of belonging and alignment in what employees perceived and identified as being 'their' organization. Social Identity Theory (SIT) developed by Tajfel and Turner (1986) is a useful framework to understand this context. SIT underpins much of the literature surrounding the concept of identity. This involves the self-categorisation of individuals into various social categories. An individual's profession has more relevance to careers than their organizations, as mobility across organizations is more likely than mobility across professions. Hence, professional identification fosters a belief that an individual's career will be rewarded by the profession, which in turn leads to a higher level of career satisfaction.

(continued)

Employees highlight the organization as being an open and culturally welcoming environment and it is apparent that employees feel a strong sense of 'pride' working for such a company. As John, a line-level employee, articulated:

> There's a great work ethic here and a desire to advance and to take on more people and ensure our careers are growing here.

There are obvious feelings of community consistent with a well-developed organizational culture. Whilst it is important for employees to identify with their organization, there is the potential for negative effects on careers, which the HRD function need to be conscious of. Overall however, there is a general positive orientation towards the organization with many employees indicating that working for the organization enhance their career prospects and made them very attractive propositions to other organizations, thus increasing the pride they feel when discussing working for the organization. Indeed one operator, Anne, says that the only way they would leave is if the organization let them go:

> I have no intention of leaving. I'd only leave if they made me go. I like it here. I wouldn't work in a 24/7 culture if I didn't like my job.

The dominant culture in the organization is similar to that of the host US multi-national where a high performance work culture prevails. The performance culture has played a role in influencing how employees view their careers with employees accepting that while career success in the organization is determined by both ability and passion, there is a certain amount of box ticking. As David, a supervisor, noted:

> I think ability and [being] passionate are the two words. You need to have a passion for the organisation to succeed, for the business, for the products. And there is a certain amount of box ticking that goes on definitely but I do think that they are looking for somebody who goes that extra bit, that has that passion, drive, ambition and ability as well.

The emphasis on reaching goals and targets is viewed as critically important towards career success. Reaching targets and branding yourself to the right people is deemed necessary to get promoted. There exists a degree of cynicism around how employees should raise their profile in order to be perceived as talented, indicating that playing the game was more important to be seen as talented rather than actually being talented. According to Sara:

> It's more about branding yourself with you manager and then eventually…if you want to go to another department maybe your manager can say a good word for you but its really branding yourself to senior management.

The organization is somewhat of an anomaly in that its attrition rates are considerably higher that its competitors despite it being seen as an attractive employer from a career development point of view. There is a perception that the organizations' historical core products are bankrolling the development of newer products and this might lead to capability issues in the future if new employees join and leave within 2–3 years, thereby taking their knowledge and innovative ways of exploring problems elsewhere. Attracting new staff in in certain organizational functions is challenging so the focus is upskilling existing employees.

In order to improve the high rate of employee attrition, the organization is looking at formalizing an organization career system. Organisational career systems are collections of policies, priorities, and actions that organisations use to manage the flow of their members into, through and out of the organisations over time. Essentially they relate to the set of HR policies and practices, and management actions that are used to direct employees during their employment. One thing to note is that changes in the external environment and an organisations strategy often cause employers to change the supposedly objective nature of the employment relationship and the subsequent composition of career systems.

A key issue for individual careers in the organisation is the nature of the performance management process. The organization use individualized development plans that are co-created by a manager and the employee to assign specific roles and responsibilities to employees who are perceived to be talented or have potential. The role of the manager is vital here – they are expected to set clear guidelines, a specific timeframe and provide coaching to the employee to help them fulfil their developmental objectives. Whilst it is the individual employees responsibility to manage their career, a manager who requests such a plan without authentic coaching renders it an administrative exercise rather than a developmental process. With some employees reporting being on individualized development plans for up to 5 years, it has become apparent that not all managers are willing or able to engage in coaching as Silvio articulates:

> The company gives you lots of tools and opportunities to develop such as training, etc., but maybe what you need is a consultant, maybe HR to tell you, what is useful for you, what you need to follow a real career path.

Without such supports the risk is that employees will prioritise managing their own brand without necessarily engaging in strategic thinking and decision-making, which is best enabled by mentoring and coaching. Referring to the need to engage in self-directed learning and development activities, Luis, a supervisor mentioned:

> *One of the not so good things that I didn't get a chance to mention is high turnover, I've had 7–10 managers over the last 10 years and that inhibits my ability to progress. You're constantly trying to impress, should I put some time and effort into impressing this person? How long will they last? So it's a case of anything I've done development wise I've done myself.*

It is clear that there are employee undertaking value shifts, in particular with regard to the need to think differently about learning and development. In a such a rapidly changing environment, employees tended to believe that they needed to evaluate current job and career options and take a more proactive approach to their career development and employability. The need for employees to take responsibility for their own development and initiate learning and development needs is paramount. The perception amongst employees is that, increasingly, only firm-specific skills are provided to facilitate development within the organization and advanced generic transferable skills had to be sourced by themselves. Many employees report taking self-financed external training and development opportunities including night courses and part-time college courses.

Interviews with individual employees suggests that those who pursued these external training and development opportunities have recognised their skills gaps, accepted that change is future oriented and also want to ensure that they broaden their knowledge so that they will be employable elsewhere if needs be. As evidenced above, the organisation cannot be relied upon to provide opportunities for self-development unless actively pursued by the individual.

This presents the organization with a potential dilemma. Employees are likely to view organisation provided learning and development programmes as significantly less marketable than those provided in other ways. This raises the question of whether the organization should provide formal learning and development activities that contribute to the development of generic competencies. The organization needs to recognise the value of learning experiences to the individual and construct conditions that enable and encourage self-direction.

Inidivdual employees also have to consider the extent to which they practice agency to improve their careers. The traditional hierarchical career management framework, within which long-term career planning was possible, is gradually being abandoned by both organisations and individuals. This case emphasizes the role of the individual in career management, and the need for organizations to adjust their career system to new patterns of employment. The engagement of employees is important in this respect. Employees who report being engaged at work demonstrate greater workplace performance and engaged workers possess personal resources, including optimism, self-efficacy, self-esteem, resilience, and an active coping style, that help them to

control and impact upon their work environment successfully, and to achieve career success. Both managers and the HRD function are in a critical position to increase or decrease engagement because they deal issues with such as accountability, work processes, compensation, recognition and career opportunities. From a career development perspective, there is often a mismatch between the expectations of employees and the roles offered by the organisation. Therefore, processes should be put in place to check that the career goals of employees are clearly understood and job roles are defined with as close an alignment to career aspirations as possible.

Possible Questions
1. How can organizations balance the provision of learning and development activities with individual career development needs?
2. What can be done to encourage individuals to take more responsibility for their career development?
3. Is SHRD compatible with individual career aspirations?

Critical Reflections

Although there is an increasing body of literature that supports the linkages between competitive strategy and a firm's orientation towards training, even firms operating in the low-to medium-end of the complexity of services continuum report equivocal results in terms of the volume and diversity of training. The policy debate on the political economy of skills literature argues that by adopting a high-skills route, we can aim for a high-wage economy. However, this argument has yielded mixed results. Much of the debate here only focuses on the supply side economics rather than the demand side. The focus should be on creating jobs so investment in high-skills can find its application in relevant jobs. Although scholars have touted the adoption of high performance work organisation designs as a way to deal with this, Lloyd and Payne (2006) argue that the underlying assumptions of this approach or its variants hasn't been given the necessary scrutiny. For example, even in workplaces where such designs are implemented the nature of capitalism hasn't changed. The dominant focus is still on adopting a post-Fordist approach where standardizing of jobs and de-skilling of roles is widespread. How then would one expect the change in demand for higher end skills and consequently high wages? Can the government interfere? Do institutions play a role in regulating employment in high and low skill jobs. This question was examined in the Vocational Education and Training sector in European and UK firms. While regulation can help in the form of 'license to skill' and practice, the results in the European fitness industry were varied and it highlights the strength of institutions and the extent to which they collaborated with the industry matters most in achieving high wages through the high skills logic (Lloyd and Payne 2017).

Illustrations and Skills Sandpit

The provision of skills, training and development based on the competitive strategy has been widely noted in a number of industry sectors. For example, in retail, the quality of skills at a discount store versus premium solutions store varies such that employees in the latter setting would require a range of interpersonal, solutions development and project management skills. Similarly, skills needed in mass service environments such as low-end high volume outbound sales transaction service call centres, compared to complex solutions-based call centres such as those offering legal or medical process outsourcing services, requires employees in the latter group to have high end skills and the need for specialist training.

Concept Integration with Cases and Learning Activities

The book has two cases studies that cover aspects of individual development from a career perspective as well as from a change management perspective. The previous case study by Carbery explored the issue of compatibility of careers within the wider umbrella of strategic approaches to learning and development. It also gives the learners an opportunity to discuss and explore an ongoing debate–whose responsibility is it to develop employees' careers? The case study by De Simone et al entitled *Managing Change and Employee Wellbeing in an Italian School* explores how employee wellbeing outcomes are affected in times of change and how training becomes a critical factor in overcoming anxieties in a change management process. Related to study of change, there is always an element of learning that is involved in a change process. The two are inextricably linked and interdependent. The above would suggest that managing change has implications for learning and development practitioners.

Conclusion

Overall, learning and development is a vital function in the armoury of HRM and has been noted to have direct and indirect impact on business and individual levels of performance. This practice has the capacity to impact and in some ways even shape an organisation's strategic choices for operating in certain markets. There is ample evidence of its strategic approach in the high technology services industry. Increasingly with the emphasis shifting towards innovation, changes in a firm's portfolio of products and services requires new skills and newer ways of working, all of which have implications for the HRD department of a firm.

Glossary

Career Development is a planned and systematic approach to identifying, assessing and formulating a suitable career path for an employee based on their aspirations and goals while keeping in mind the needs and contextual conditions of the wider organisation.

Development has a longer-term time orientation than training and focuses on realising an individual's potential for future roles

Human capital refers to those individual skills, competencies, knowledge and human endowments that firms use productively for deriving economic value from individuals. Human capital stock in a society or an organisation can be developed through the provision of education, training and development.

Learning is a relatively permanent change in one's behaviour has been an all-time classic definition. What follows from the above definition is that behaviour change should be supported by learning and development inputs.

Training refers to the development of skills and knowledge that are germane to an individual's immediate job requirements. Training typically has a short-term time orientation and can foccus on either firm-specific or generic skills training.

Key Questions and Learning Activities

Question. 1 In times of uncertainty whose responsibility is it for developing an individual employee's career? What approach and skills would be most beneficial for individuals to have in such times?

Question. 2 What are the key external factors that may impact the skills formation process in an organisation?

Question. 3 Are institutions and government interventions of increasing the quality and quantity of human capital stock an answer to better wages? Why, why not?

Learning Activity

As much as learning is an individual process, it is also influenced by other team members' willingness to share their knowledge and skills. This is especially true in team-based work environments. Applying your knowledge of HRM practices and other work experience, how can one effectively manage the nature and extent of knowledge sharing especially where members have deep levels of technical and behavioural skills and expertise that others can benefit from?

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