

Big-Picture Talent Development

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APQC Case Study
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Even when market conditions mandate layoffs and other cost reductions, corporate executives remain committed to employee training and development. In the first quarter of 2009 four out of five global talent managers reported that they would be increasing or maintaining their focus on employee development despite an extremely gloomy economic outlook at the time¹. Learning remains a top priority during tough times for one very good reason: Corporations will have to rely on the skills and leadership of their current employees to get a jump on opportunities as world markets continue to rebound.

To balance the short-term need to cut costs with the future skill requirements of the organization, the senior management of Canon Europe decided that it had to design a more efficient and effective learning and development (L&D) organization. A long-time promoter of employee growth and development, Canon has a combination of central and local training programs within each of the 20 European countries where it operates.

"It's important to have an integrated approach to learning and development to make sure the materials and lessons being developed are done once, and not duplicated in every country," states Ronald Van der Molen, academy director for Canon Europe. "We didn't know exactly how many people were involved in training and how partners were being trained in each country. To understand where we need to go and the best solution for our organization, it was key to have a good understanding of what's happening now to make a good proposal to the management team."

Van der Molen asked Deloitte to help analyze and design a more centralized L&D organization for Canon Europe. Such a structure followed similar moves that the company had made in other areas and would support Canon Europe's vision. The first step: find out exactly how the company was doing in the area.

Detailed, Industry-Specific Benchmarks

Bolstered by a culture of innovation and technologically advanced products, Canon is one of the most recognized brand names in the world. That constant influx of new technology requires a special kind of L&D organization that can educate business partners, including distributors, retailers, and end consumers, about new product features. Less than half of the L&D organization's time is spent training Canon employees. In addition to technical knowledge, the L&D group also oversees more traditional leadership and employee business skill development.

Canon Europe

www.canon-europe.com

QUICK FACTS

Headquarters: London (Global headquarters: Tokyo)

Products: Canon Europe sells into two primary markets: **business solutions** (IT products, solutions, and services for offices and professional printing) and **consumer imaging** (cameras, printers, scanners, fax machines, and multifunction devices).

Employees: 11,000 (includes Europe, the Middle East, and Africa)

Financial highlights for the 2009 fiscal year:

- Net sales of ¥3.2 billion (\$36.4 million) for 2009 for Canon Inc.

BIG-PICTURE TALENT DEVELOPMENT *(continued)*

Because Canon's learning requirements covered such a broad range of activity, Deloitte consultants turned to APQC's Open Standards BenchmarkingSM (OSB) database. The OSB database features detailed points of comparison and explicit metric definitions to make it possible for companies to compare apples to apples. In contrast to corporate training benchmarks available from other sources, the APQC data allowed Deloitte to drill down to companies with similar L&D programs—consumer electronics companies, in this case—as well as those with similar numbers of employees and operating in the same region. Deloitte could also collect highly detailed L&D process information.

"When you talk to companies about benchmarking, they usually see it as a huge, expensive project. You have to assess an entire function across multiple locations, and a lot of people are involved," observes Karel Massop of Deloitte Consulting's Human Capital Advisory Services in the Netherlands. "For this project, the interesting part was that we focused intensely on one process within a function—not the whole HR function, just the learning and development process within HR."

"Benchmarking is key for us. We have to understand what's going on outside Canon to make sure we're doing the right things," adds Van der Molen. "Benchmarking gives you the urgency for change and the underlying business case. With benchmarking you can quite clearly see the need for change."

The first phase of the 11-week project began in mid-February and ended in late April 2009. Utilizing APQC's standard questionnaire, the Deloitte team expanded the survey explanations so that it would be easy for Canon employees to understand. To further aid the data collection effort, the Deloitte team put together its own Web-based training seminar for the people in each country who would be responsible for gathering the information. It explained project roles and responsibilities, the timeline, process and metric definitions, how to retrieve the highest quality data, and the validation process.

In some cases the training data were difficult to extract because they crossed multiple functions, which required some managers to think differently about how they utilize their resources. Deloitte found a significant amount of training conducted by employees who were not part of Canon's L&D department. Canon's HR system identified only 150 people dedicated to L&D, but Deloitte found 666 people (257 full-time-equivalent employees) who were significantly involved in some aspect of employee learning. The company's sales managers, for example, perform a great deal of training, even though it isn't evident from their job title.

"From a benchmarking point of view, we found a lot of people who did training for a couple [of] hours as part of their job," says Massop. "At first the Canon managers didn't believe the figures, so we had to explain the methodology."

In addition to the country-based analysis, the assessment team performed several "deep dives" in the five European countries with the most sales as well as Canon's U.S. operations to identify highly effective practices that needed to be preserved in the design of the new L&D organization. These site visits and meetings helped familiarize country managers with the data collection methodology, which would ultimately make it easier for them to accept the analysis and recommendations at the conclusion of the project.

BIG-PICTURE TALENT DEVELOPMENT *(continued)*

“The key challenge with this benchmarking project was probably stakeholder management,” says Van der Molen. “When you want to make changes throughout an organization, it’s key that you involve stakeholders to get the necessary data out of the countries within really tight deadlines. Implementation, of course, is the biggest challenge.”

One of the key success factors for the data collection phase of the project was a steering committee that crossed business units and the clearly communicated support of top management, especially the corporate HR director. His support made it possible for the Deloitte team to collect all of the benchmarking data from across Europe in just two weeks. Two weeks later APQC delivered customized, Excel-based reports that identified the performance gaps between the Canon L&D organizations in each country and their peers by industry, company size, and location.

Current State Analysis

The initial benchmarking assessment reinforced management’s belief that the current L&D organization was not as effective as it could be. For example, full-time-equivalent L&D employees as a percent of all Canon Europe employees (2.2 percent) exceeded the median ratio for the company’s industry peers (1.5 percent). The Deloitte team also found significant differences between countries in the number of L&D employees by business unit and department as well as in the type of training being performed. In part this stemmed from inconsistent job definitions and user focus.

By learning methodology, classroom methods accounted for almost half of Canon’s training activity. While some portion of training will always have to be classroom-based, leading learning organizations are moving toward more e-learning. Key benefits include employee self-service, reduced training time, reduced time-to-competence, and reduced delivery cost.

“In the past we might develop training and fly people in from all over Europe,” says Van der Molen. “A more blended approach with more e-learning is key, especially when you look at the people we have located throughout EMEA [Europe, Middle East, and Africa]. We have to have a lot more opportunities for learning than classroom programs.”

In addition to the trend toward other types of learning beyond the traditional classroom, including online social networks, Canon’s management wanted an L&D department that would help the company meet future work force challenges. Some of the company’s demographic challenges include an aging work force, an impending retirement boom, and growing expectations among younger employees for flexible schedules and working arrangements. As in other companies, as Canon’s HR department becomes more central to executing the company’s strategy, the learning organization will have to follow suit by taking on more responsibility for helping to retain and attract the best people.

Based on the assessment and market analysis, the Deloitte team quantified the gaps between the current state and the required capabilities; calculated the costs and benefits to restructure; and recommended a high-level design for the new training academy. Excluding all hidden L&D costs in each of the business units and accounting for the 12.5 percent more training days that the company provides per year, the Deloitte team concluded that Canon is 30 percent less cost effective than its peers. The team attributed some of that performance to inefficient administration, but most of it was a result of the inefficient local L&D model.

BIG-PICTURE TALENT DEVELOPMENT *(continued)*

The challenge when designing a unified, central L&D organization that shares best practices and does not duplicate effort is to do it without losing the expertise and business responsiveness that the local organizations can offer. Deloitte's final recommendation followed a core set of design principles, including:

- remain responsive, agile, and flexible;
- create a simple organization (minimal layers), free of redundant work;
- clearly define strategic and administrative activities;
- establish central or shared/virtual Centers of Excellence;
- provide one HR/L&D face to employees and managers across countries;
- share best practices for organization and content;
- follow one career structure and accreditation path;
- create flexible, module-based content; and
- use external training providers more effectively.

These principles led to five key initiatives that included establishing a stronger standard L&D organization, centralizing purchasing of external training, transferring to a blended e-learning curricula, expanding the Learning Management System (LMS) to cover all types of training, and reducing administrative costs. With a payback period of 1.5 years, Canon Europe launched the changes in the second half of 2009.

"The benchmarking analysis is the backbone of what we are now implementing for driving efficiencies in each country," says Van der Molen. "We've identified KPIs linked to the targeted benchmarks, which we will use to track the results of the implementation."

ABOUT APQC'S OPEN STANDARDS BENCHMARKING

Leading companies and professional services firms around the world use the APQC Open Standards BenchmarkingSM (www.apqc.org/osb) research to benchmark themselves against their competitors and compare the performance of internal business units. APQC's rigorous methodology for collecting, validating, and normalizing data gives participants the ability to make accurate comparisons between organizations of different sizes, industries, and locations. APQC is continually renewing and expanding the database, which currently contains hundreds of measures and thousands of data points from over 7,000 organizations.

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i Managing talent in a turbulent economy, April 2009, the second in a three-part longitudinal study of 397 senior business leaders and human resources executives of global corporations conducted by Forbes Insights for Deloitte.



APQC®

123 North Post Oak Lane, Third Floor
Houston, TX 77024-7797
800-776-9676 or +1-713-681-4020
Fax +1-713-681-8578
www.apqc.org

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