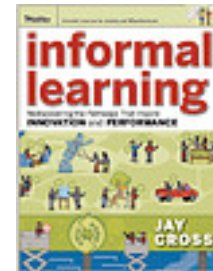


Chapter 3 of *Informal Learning: Rediscovering the Natural Pathways that Inspire Innovation and Performance*, by Jay Cross



SHOW ME THE MONEY

INFORMAL LEARNING IS THE PATH to organizational capability, agility, and profits. It also respects workers and challenges them to be all they can be.

"Fine," you say, "but my company is not going to go for any of this unless I can show them a solid return on investment." Tell them about the examples of informal learning in this chapter, which we'll explore in more detail in chapters ahead.

It's an immutable law of business that words are words, promises are promises, but only performance is reality. HAROLD GENEEN

It's like arguing in favor of the plough. You know some people are going to argue against it, but you also know it's going to exist. JAMES HUGHES



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GETTING DOWN TO CASES

Sales Force Readiness

A global technology leader is moving at a fever pitch, acquiring a new company on average once a month. The company maintains its competitive advantage by providing its sales force and customers with instant access to case studies, product specs, sales tools, and insight into future trends. Company thought leaders in twelve strategically important areas meet regularly in person to update one another, talk with customers, and discuss what's new in their field. The firm says they "Google-ize" this content, making it as easy to search as with Google but also retrievable as video-on-demand, podcast, presentation, or text. The result is a better-informed sales

force, more competence on sales calls, more cross-selling, better presentations, and ease in bringing partners up to speed.

Access to Expertise

Knowledge workers waste a third of their time looking for information and finding the right people to talk with. Frequently they spend more time recreating existing information they were unaware of than creating original material. Expertise locators direct workers to people with the right answers. Organizational network analysis pinpoints bottlenecks and poor connections. Bottom-up systems provide exception-handling workarounds and rules of thumb. Instant messaging accelerates information flow. Reduced search times, streamlined organizational processes, and finding people faster can increase worker productivity 20 to 30 percent.

Transformation

In three years, a major semiconductor company transformed itself from near bankruptcy to record profitability. It used group graphics to develop and communicate a new strategy throughout the organization. Ninety-five percent of employees could explain the strategy and how they contributed to it personally. No formal training took place.

Innovation

Times of change require new approaches, and conversation is the parent of innovation. Organizations are redesigning the work space to encourage meaningful conversation. Mind maps and visualization tools accelerate discussion. Concept prototyping multiplies the volume of new ideas generated by work groups. Online collaboration and discussion software spark innovation among far-flung groups that share common interests. Formal learning promotes a curriculum; informal learning encourages thinking about opportunities.

Increase Information Technology Flexibility

An organization that brings Internet technology and Internet culture inside the firewall reduces total cost of ownership. Workers do not need to learn a new interface to participate. They already know how to search, blog, navigate, and add features. Software improves incrementally instead of in disruptive new editions. Modular Web services replace brittle, hard-coded monolithic systems and flex with change.

Increase Sales

The more people know about a product or service, the more likely they will buy it. Many companies that nurture communities of customers provide an on-ramp for new customers and fresh ideas for old hands. The company provides the platform-space at a trade show, for example, or directions on building a group Web site; the customers provide the content. Loyal customers are great salespeople. Beyond that, they are often the source of new product ideas.

Improve Work Processes

In a knowledge-based economy, said Shell Oil's Arie De Geus, "The ability to learn faster than your competitors may be the only sustainable competitive advantage." Nonetheless, when it comes to learning, most companies are akin to the lumberjack who was too busy chopping down trees to sharpen his axe. Learning is a skill, nor a given. Meta-learning, that is, helping people learn to be better learners, underpins continuous improvement across organizations. Improving worker process skills such as speaking and writing opens up the circuitry through which knowledge flows.

Reduce Stress

Job stress has been implicated as a factor in heart disease, stroke, diabetes, ulcers, depression, serious accidents, alcoholism, and hypertension. It also devastates work performance. Three out of four American workers report stress on the job. Health care expenditures are nearly 50 percent higher for workers who report high levels of stress. Attacking the problems associated with stress head-on and giving workers more control over decision making yield dramatic improvements. One organization reported reducing tension by 65 percent and aches and pains by 70 percent. Participants were 65 percent less angry, 70 percent less worried, 87 percent less fatigued, and 68 percent happier. There was a 44 percent decrease in their desire to leave the company and a 52 percent decrease in the desire to quit their jobs (Institute of HeartMath, 2004).

Unlock Worker Potential

The role of management used to be telling workers how to do their jobs. "You're not paid to think," Frederick Taylor told workers. That's history. Today, people are paid to think. Formal training is deemed successful if everyone passes the test or demonstrates enough to get by. In contrast, informal learning helps people be all that they

can be. It also appeals to young workers who are accustomed to learning from small chunks of information and snippets of conversation.

Optimize Return on Investment

In the knowledge economy, a superlative performer is not just 20 percent more effective than average; she can easily be ten times as productive. Seasoned workers, the big middle between young workers and senior staff, generate most of a firm's profits, yet formal learning historically targets those newly hired and novices. Mid-career professionals don't have time for classes, and their learning is haphazard and unmanaged. If you were starting with a clean slate, you would focus the training budget less on novices and more on high performers.

Increase Professionalism

Workers develop professional expertise in loose confederations of like-minded individuals. For example, engineers with an interest in optical computing might meet for beer after work to swap stories about breakthroughs and what's on the horizon. Security experts come together when facing a common threat. Corporations that support these communities of practice by providing workers time to participate and technical support to capture and distribute their conversations stay on top of new developments, foster camaraderie, and avoid the unnecessary step of requiring subject matter experts to explain things to instructional designers.

Self-Service

As business removes the labor content from services, often service improves while costs go down. We enjoy the convenience of the ATM, pumping our own gas, and ordering merchandise over the Net. Informal learning brings the same benefits to acquiring knowledge: greater user convenience and lower overall cost.

Improve Morale

Knowledge workers balk at being told how to do their work; they see it as micromanagement and an insult to their abilities. People enjoy conversation and learning; they do not relish listening to pontification from the podium. Formal training is top-down. By contrast, informal learning trusts the worker with the decision of how to master new knowledge and skills, which increases morale while lowering turnover.

Impromptu Meetings

Companies invest heavily in annual sales meetings and other galas under the big tent. Lead time for large events is six months or more. Often 90 percent or more of the airtime is devoted to presentations. I'm not one to complain about occasional celebrations or parties, but they are a poor way for people to learn anything. Participatory sessions, conducted as needed and often impromptu, cost less and get more across.

Conversations

Conversation is the most powerful learning technology ever invented. Conversations carry news, create meaning, foster cooperation, and spark innovation. Encouraging open, honest conversation through work space design, setting ground rules for conversing productively, and baking conversation into the corporate culture spread intellectual capital, improve cooperation, and strengthen personal relationships.

Keeping Up

San Franciscans know that when the ground shakes, rigid structures crumble and flexible ones roll with the punches. The acceleration of time, globalization, outsourcing, software interoperability, open sourcing, supply chains, and more are rattling the foundations of business. As we'll see in the next chapter, business is going from push (rigid, conforming, monoliths) to pull (flexible, innovative, small pieces). Training programs are push; they are top down, teach the standard, and difficult to revise. A learning platform is pull--dynamic, always responding to change. What is the return on investment of survival?

EVALUATING INNOVATION

Successful businesspeople make decisions based on reasonable expectations of future returns. In general, the more senior the leader is, the further out the time horizon. The further in the future, the less precise is the expectation. Great leaders have vision, not exactitude.

The investment community is, misguidedly in my opinion, fixated on quarterly results. But wisdom tells us that perpetually focusing on short-term numbers is not a prescription for long-term success. Given a choice of now or later, senior managers want both. How can we deal with this conundrum? I'll suggest that we adopt the

perspective of a supremely successful businessperson, someone like Andrew Carnegie.

Carnegie rose from abject poverty to unimaginable riches through enlightened management and sound investments. He quit at the peak of his game, sold his holdings to J.P. Morgan, built himself a castle in his home town in Scotland, and spent the rest of his days giving his fortune to good causes. As a businessman, he did not put up with foolishness.

When you're evaluating an investment of time or money or a new approach such as informal learning, ask yourself, "What would Andrew Carnegie do?" Ask yourself the questions he'd ask. Get to the heart of it: Does this project feel right? Is this the best use of your hard-earned money? Will this pay us back for taking a risk on it?

If a learning project—make that any project—does not make business sense, don't do it. If the return on investment is not so obvious that you can sketch it out on the back of a napkin, do something with a higher return.

By the way, Carnegie favored informal learning. He was convinced "that much of that which is taught in the schools is of no value whatsoever in connection with the business of earning a living or accumulating riches. He had arrived at this decision, because he had taken into his business one young man after another, many of them with but little schooling, and by coaching them ... , developed in them rare leadership" (Hill, 1932, p. 66).

WHAT DO WORKERS WANT?

Knowledge workers demand respect for who they are. They expect to be treated fairly. They thrive when given the freedom to decide how they will do what they're asked to do. They rise or fall to meet expectations.

This is hardly new. They want life, liberty, and the pursuit of happiness. What's new is that if they don't get those opportunities, they will work for someone else. Talent is scarce and getting scarcer.

Ask yourself about your workers. Are they happy? Are they proud of what they do at work? Do they lead the lives they want to lead? Are they preparing themselves for the work of the future? Are they progressing in ways that increase their economic value? Do you think they feel that they're doing their part to make the world a better place? Are they satisfied with their jobs or looking for the quickest escape route?

Psychic income is real. I just read a note from someone who attended my first day-long workshop on informal learning. (If you really want to learn something, teach it.) The students were Chinese knowledge workers and professors. I was not confident that I'd gotten my message across. Then I found, this on the wiki I'd left behind for follow-up.

One message I got from Jay's speech is the exponential acceleration of, not only the learning evolution, but the evolution of intellectual humankind. I feel enlightened and liberated. I am reminded of Plato's Cave. Imagine humankind finally taking away the chains on their legs and necks, turning around to see that the traditional learning contents are but the shadows of the puppets manipulated by marionette players [instructors? Unfortunately I am one of them.] Will we, among the first released prisoners (thanks to Jay), become one of the intrepid pioneers to walk toward the light from outside of the cave, and "dive in" the realities of the world?

Now I am walking on air. Everyone should feel this good. You don't receive rewards like this unless you have the latitude to make your own choices.

HOW CAN I TELL IF IT WORKS?

"How do I know that a graduate of one of these off-campus programs has learned anything?" snarled an accreditation official in the early days of distance education. "And how do we know if a Stanford grad knows anything?" came the retort of my boss, the future founder of the University of Phoenix.

He and I both knew academia's deep, dark secret: outside of the school system, grades are meaningless. In fact, it's hard to find a more random variable. Grades do not predict wealth, happiness, income, health, social standing, home ownership, optimism, or professional standing. The only place grades matter is at other schools and for professional credentials. So if grades make no difference to a graduate's well-being, are students learning anything at school?

Traditional schools take attendance. That must count for something, right? Actually, the literacy rate in America was higher before we made schooling compulsory.

I talked with Don Novello (who plays the character of Father Guido Sarducci) about his routine, the Five-Minute University. In five minutes, you learn everything the typical college graduate remembers

after five years. Where did he come up with the idea? "It's all true, man," he replied.

When I was championing the advantages of eLearning at the end of the last century, many people questioned whether self-directed learning could ever be as effective as a live training session. I questioned whether it could be worse:

Forty percent of American adults (upward of 70 million people) did not know that Germany was our enemy in World War II (Davis, 2005).

Fifty percent of high school students were unaware of the Cold War, and 60 percent of the same group had no idea of how the United States came into existence (Davis, 2005).

Sixty percent of adult Americans claim never to have read a book, 50 percent believe in UFOs, and 42 percent cannot find Japan on a map (Berman, 2001).

In school, a student "learns to sit still, to line up in orderly rows, to take instructions, to feel guilt for his natural impulses-and perhaps to do a few simple things that he could learn to do one-fiftieth-yes, one-fiftieth~f the time it usually takes him" (Leonard, 1968).

FORMAL TRAINING HAS SCANT IMPACT

Training managers have complained for years that senior managers don't understand the value of training. That's why training is often the first area to get the axe when business is bad. And that's also why training managers don't get to sit at the table with the organization's decision makers.

Maybe the executives do understand the value of formal training. They've determined that in its present form, it's not worth much.

Several years ago, researcher Sam Adkins (2003) posted this item to the Learning Circuits Blog:

We Are the Problem: We Are Selling Snake Oil

I read these long tortuous posts bemoaning the malaise of our educational systems. The problem is not "out there." We are the problem. We are selling snake oil. We now have ample data to show that:

Training does not work.

eLearning does not work.

Blending Learning does not work.

Knowledge Management does not work.

Sam expected vigorous protests but was surprised to find that most people, almost all training and development professionals, agreed with him. Perhaps it's because he set out some of these findings:

Only 10 to 20 percent of training transfers to the job.

"At least 90 percent of American industry's spending on training fail to result in transfer to the job" (Ford & Weissbein, 1997).

"... Less than 20 percent of training transferred to the job" (Brinkerhoff & Gill, 1994, p. 22).

"Most of the investment in organizational training and development is wasted because most of the knowledge and skills gained in training (well over 80 percent by some estimates) is not fully applied by employees on the job" (Broad & Newstrom, 1992).

"... More than 10 percent of the expenditures [on job training] actually result in transfer to the job" (Baldwin & Ford, 1988).

Training is a necessary but insufficient means of changing worker performance. The leading human performance authorities "have all demonstrated that many performance deficiencies in the workplace are not a result of skill and knowledge gaps. Far more frequently, they are due to environmental factors, such as lack of clear expectations; insufficient and untimely feedback; lack of access to required information; inadequate tools, resources, and procedures; inappropriate and even counterproductive incentives; task interferences and administrative obstacles that prevent achieving desired results" (Stolovitch & Keeps, 2002, p. 1).

Rummier and Brache (1995) determined that training accounts for only about 10 percent of the potential for changing performance on the job. (Other factors are incentives and rewards, information and feedback, support and resources, individual capacity, and motives and expectations.)

As we've seen, training departments manage only the 20 percent of training that is formal, assuming that informal learning is not in their charter.

Working with averages can be tricky. (You can drown in a river that's an average of six inches deep.) Nonetheless, even if we beef up the numbers to compensate for double-counting, the impact of formal training is at best a drop in the bucket.

Do the math: 20 percent x 20 percent x 10 percent - 0.4 percent. This implies that formal training is responsible for less than 1 percent of the potential change in performance on the job.

Tragically, many firms have mistaken measuring activity for measuring results.

At least half of most companies' investments in training is wasted because the training occurs too far in advance of its application. You lay down a great bottle of wine, leave it undisturbed, and open it a dozen years later to discover ordinary wine has become extraordinary wine. Bottle your great knowledge, leave it undisturbed, and when you open it a dozen weeks later, the bottle will be empty.

Maybe the executives do understand the value of formal training. They've determined that in its present form, it's not worth much.

DON'T GET FOOLED AGAIN

You cannot manage what you cannot measure is one of the oldest cliches in management, and it's either false or meaningless. It's false in that companies have always managed things-people, morale, strategy, etc.-that are essentially unmeasured. It's meaningless in the sense that everything in business-including people, morale, strategy, etc.-eventually shows up in someone's ledger of costs or revenues. Measurement, in other words, is a worldview, not just a scorecard. It is a means of thinking and acting, as well as measuring.-TOM STEWART

Businesses exist to create value, and the source of value resides outside learning function. As the late Peter Drucker (1993, p. 5) pointed out, "Neither results nor resources exist inside the business. Both exist outside.. The customer is the business."

Tragically, many firms have mistaken measuring activity for measuring results. Training directors measure participant satisfaction, the ability to pass tests, and demonstrations. They don't measure business results because 1 don't own the yardstick by which business results are measured. Elaborate learning management systems track who has attended what, courseware distribution, workshop schedules, test scores, and online course completion not business metrics.

Especially egregious is the advice from consultants to measure perform, using traditional accounting rules. This gives the false preci-

sion of hard numbers. Unfortunately those numbers are almost always off because they attribute no value to intangibles. Invisible assets such as intellectual capital, customer relationships, brand image, and business intelligence are worth far more than plant and equipment, but they do not appear on a traditional balance sheet.

People have told me that intangibles do not count because they are impossible to measure. It's as if what you cannot see is not really there. Tell Wall Street. Google is worth \$3 billion on paper (using traditional accounting measures), but investors value Google's stock at \$125 billion. That's more than the value of Disney, the Washington Post, the New York Times, the Wall Street Journal, Amazon.com, Ford, and General Motors combined. Where is the missing \$122 billion? It's invisible stuff like brand, culture, and a team of people that investors expect to keep minting money for them. Intangible real. You can't see air either, but you can't live without it.

The appropriate measure of learning is how good a job one is doing. Learning metrics should be business metrics.

Paying attention to pragmatic end measures will bring informal learning to prominence, but the switch is only now starting. In the next chapter, we will look into what's just emerging.

Jay Cross is a champion of informal learning, web 2.0, and systems thinking. He puts breakthrough business results ahead of business as usual. His calling is to change the world by helping 11 people improve their performance on the job and satisfaction in life. He has challenged conventional wisdom about how adults learn since designing the first business degree program offered by the University of Phoenix three decades ago.

Now in its ninth year, Internet Time Group LLC has provided advice and guidance to Cisco, IBM, Sun, Genentech, Merck, Novartis, HP, the CIA, the World Bank, the World Cafe, and numerous others. It is currently researching and refining informal/web 2.0 learning approaches to foster collaboration and accelerate performance.

Jay served as CEO of eLearning Forum for its first five years, was the first to use the term eLearning on the web, and has keynoted major conferences in the U.S. and Europe. He is a graduate of Princeton University and Harvard Business School. He and his wife Uta live with two miniature longhaired dachshunds in the hills of Berkeley, California.

For more information on Informal Learning: <http://informl.com>



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Contact Jay at jaycross@internettime.com to explore engaging him to charge up your team and add a dose of innovation to your organization. On the web at jaycross.com